

CVS Acquires Signify Health for \$8 Billion

On September 5, 2022, CVS Health announced that it reached an agreement to acquire Signify Health for a total of \$8 billion.¹ Under the terms of the deal, CVS will pay Signify \$30.50 per share, a valuation of 40x earnings before interest, taxes, depreciation, and amortization (EBITDA).² One industry commentator noted that this valuation is “expensive relative to where other healthcare services are trading...but may reflect that they’re EBITDA positive...[and] may be an attempt to get to parity with [competitors] Humana and UnitedHealth Group. Both have far more developed in-home capabilities.”³

CVS Health, which had historically functioned solely as a pharmacy (with over 9,000 locations), has evolved over the past several years through strategic acquisitions to become (1) a health benefits manager through the third-largest payor in the country (through acquisitions of insurer Aetna and pharmacy benefits manager Caremark) and (2) a primary care provider through its over 1,000 MinuteClinics; the company also recently added mental health therapy at some of its stores.⁴ CVS now includes 40,000 physicians, pharmacists, nurses and nurse practitioners.⁵

Signify Health is a Dallas-based home health provider that specializes in health risk assessments, “leverag[ing] advanced analytics, technology, and nationwide healthcare provider networks to create and power value-based payment programs.”⁶ The company (which went public in February 2021) is the largest home health risk assessment provider in the U.S. and has a network exceeding 10,000 clinicians across all 50 states and over 50 health plan clients.⁷ In addition to CVS, which has been a customer of Signify Health for nearly 10 years, Signify serves the country’s two other largest Medicare Advantage carriers in the U.S. – Humana and UnitedHealthcare (a subsidiary of UnitedHealth Group).⁸

Signify clinicians, who are expected to provide care to nearly 2.5 million individuals (both in their homes and virtually) in 2022, “utilize home-based visits to identify a patient’s clinical and social needs, and then connect them to appropriate follow-up care and community-based resources in order for the patient to have a more connected, effective care experience.”⁹ The company is built on the idea that in-home assessments can result in addressing many social and environmental factors that

have a direct impact on a person’s health and quality of life.”¹⁰ This philosophy is manifested in part through the amount of time spent with patients – Signify Health providers spend 2.5 times longer with patients in the home than a typical primary care provider office visit.¹¹

Signify’s acquisition comes on the heels of their own acquisition of Caravan Health in March 2022. Caravan is a startup that utilizes technology to help providers transition into accountable care organizations (ACOs); its ACO network is expected to represent 700,000 patients by 2023.¹² Signify purchased Caravan for \$250 million, which includes an additional payment, contingent on performance, of up to \$50 million.¹³

CVS was one of many prospective buyers of the company, with other interested parties including Amazon, UnitedHealth Group, and Option Care Health.¹⁴ Signify stated that CVS offered them “the best opportunity to grow, diversify, and make a better impact on consumers.”¹⁵ For CVS, the company expects that “Signify Health will play a critical role in advancing our healthcare services strategy and gives us a platform to accelerate our growth in value-based care. This acquisition will enhance our connection to consumers in the home and enables providers to better address patient needs as we execute our vision to redefine the healthcare experience.”¹⁶

This deal highlights the importance that healthcare providers anticipate home health will have going forward, with the shift of healthcare (back) to the home accelerating during the COVID-19 pandemic. Industry analysts have also interpreted this deal as validation of value-based care and its staying power.¹⁷ In anticipation of this shift to the home, CVS has repeatedly noted their intention to add home health, primary care services, and primary care enablement technology to their portfolio over the last year. CVS’s chief executive officer has stated in investor calls that this Signify deal will not be CVS’s last in these spaces.

The transaction, which still must be approved by Signify’s shareholders (although the majority stakeholder has agreed to support the deal), is expected to close in the first half of 2023. Post-closing, Signify will operate as a separate business within CVS.¹⁸

- 1 “CVS Health to acquire Signify Health” CVS Health, Press Release, September 5, 2022, <https://www.cvshealth.com/news-and-insights/press-releases/cvs-health-to-acquire-signify-health> (Accessed 9/23/22).
- 2 *Ibid.*
- 3 *Ibid.*
- 4 “CVS Health to purchase Signify Health for \$8B” By Andrea Fox, Healthcare IT News, September 6, 2022, <https://www.healthcareitnews.com/news/cvs-health-purchase-signify-health-8b> (Accessed 9/23/22); “CVS to buy home health giant Signify Health for about \$8 billion” By Melissa Repko and Leslie Josephs, CNBC, September 5, 2022, <https://www.cnbc.com/2022/09/05/cvs-to-buy-home-health-giant-signify-health-for-about-8-billion.html> (Accessed 9/23/22).
- 5 CVS Health, Press Release, September 5, 2022.
- 6 *Ibid.*
- 7 *Ibid.*
- 8 “CVS Health to acquire Signify Health for about \$8B” By Nona Tepper, Modern Healthcare, September 5, 2022, <https://www.modernhealthcare.com/mergers-acquisitions/cvs-health-acquire-signify-health-8b> (Accessed 9/23/22).
- 9 CVS Health, Press Release, September 5, 2022; Fox, Healthcare IT News, September 6, 2022.
- 10 Fox, Healthcare IT News, September 6, 2022.
- 11 CVS Health, Press Release, September 5, 2022.
- 12 Fox, Healthcare IT News, September 6, 2022; “Signify Health buys fellow value-based care focused company Caravan Health” By Laura Lovett, Mobi Health News, February 10, 2022, <https://www.mobihealthnews.com/news/signify-health-buys-fellow-value-based-care-focused-company-caravan-health> (Accessed 9/23/22).
- 13 Lovett, Mobi Health News, February 10, 2022.
- 14 Tepper, Modern Healthcare, September 5, 2022.
- 15 *Ibid.*
- 16 “CVS wins bidding war for Signify Health, will acquire company in \$8B deal” By Paige Minemyer, Fierce Healthcare, September 5, 2022, <https://www.fiercehealthcare.com/retail/cvs-wins-bidding-war-signify-health-will-acquire-company-8b-deal> (Accessed 9/23/22).
- 17 “What Does CVS Health’s Purchase of Signify Health Signify?” By Peter Wehrwein, Managed Healthcare Executive, September 6, 2022, <https://www.managedhealthcareexecutive.com/view/what-does-cvs-health-s-purchase-of-signify-health-signify-> (Accessed 9/23/22).
- 18 “CVS to buy home health giant Signify Health for about \$8 billion” By Melissa Repko and Leslie Josephs, CNBC, September 5, 2022, <https://www.cnbc.com/2022/09/05/cvs-to-buy-home-health-giant-signify-health-for-about-8-billion.html> (Accessed 9/23/22).

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Additionally, Ms. Bailey-Wheaton heads HCC's CON and regulatory consulting service line. In this role, she prepares CON applications, including providing services such as: health planning; researching, developing, documenting, and reporting the market utilization demand and "need" for the proposed services in the subject market service area(s); researching and assisting legal counsel in meeting regulatory requirements relating to licensing and CON application development; and, providing any requested support services required in litigation challenging rules or decisions promulgated by a state agency. Ms. Bailey-Wheaton has also been engaged by both state government agencies and CON applicants to conduct an independent review of one or more CON applications and provide opinions on a variety of areas related to healthcare planning. She has been certified as an expert in healthcare planning in the State of Alabama.

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