

KEYNOTE INTERVIEW

Stepping into the future of healthcare



*Innovations in the healthcare space are ripe for private equity investment, according to **Ash Shehata** and **Glenn Mincey** of KPMG*

Q Let's start with the opportunity set in the healthcare space. Within this sector, where are managers turning their sights right now?

Ash Shehata: The healthcare industry is vast and dynamic, with unparalleled investments going into life sciences and innovative care delivery models. Looking to the future, we expect transaction levels and valuations to remain high despite ongoing macro uncertainty.

Private equity appetite for healthcare remains robust too, based on the potential for platform modernisation. This includes expanding interoperability and expectations around the impact

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of generative artificial intelligence in this space.

Glenn Mincey: Healthcare is a \$5 trillion industry, representing 20 percent of the US economy, and it is continuing to grow. But at the same time, it is an industry plagued by legacy fragmentation, local and federal bureaucracy, and inefficiency, and there are areas for improvement around data challenges, accessibility, cost and innovation. Those gaps create opportunity for private equity.

Q Where are investors finding those data gaps?

AS: We are seeing interest in this problem across the board. Health-tech is certainly an area that is ripe for innovation. We are also seeing services being devised to support the back-office capabilities of health systems. In the US, for example, there is a significant push for revenue cycle optimisation.

Innovative start-ups are now harnessing the power of generative AI to streamline payment processing. By employing advanced algorithms, these organisations are able to submit higher-quality claims from providers and enhance the efficiency of medical

reviews on the payer side. This is an area where we are seeing a lot of interest from private equity.

Q So, data is a strong theme in the healthcare conversation. How are PE managers using it to create value in healthcare investments?

AS: Within the healthcare sector, data presents extensive opportunities for advancement. Private equity firms can create value at the portfolio company level by using accurate and complete data, leading to better patient outcomes, more reliable research and improved decision making.

Healthcare organisations need to enhance data quality by implementing standardised data entry protocols and using advanced data validation tools. They also need to integrate data from numerous different sources – including digital healthcare records, wearables and patient portals – to create comprehensive patient profiles, which can then provide a holistic view of patient health and enable more personalised care, as well as better health outcomes.

GM: Data security is also incredibly important in a healthcare context. Businesses need to adopt robust cybersecurity measures and comply with regulations such as HIPAA, the US Health Insurance Portability and Accountability Act, to protect patient data. Through their portfolio investments, private equity managers can work to ensure data remains secure, which ultimately builds patient trust, enforces legal compliance and safeguards against costly data breaches. Creating that sense of data trust across healthcare models is an area where we work very closely with our clients.

Q In the US, like elsewhere, healthcare is a hot political topic. How is the policy debate shaping the healthcare market?

AS: There are significant policy changes



Q What’s on the horizon in terms of innovation in healthcare?

AS: There is a lot of really exciting work going on within healthcare today, including the whole area of longevity. I anticipate that private equity will play a major role in this domain. Space medicine is also starting to take off, if you’ll forgive the pun. There are so many things that can be done in orbit that simply cannot be done on the ground.

Finally, I would point to humanoid robots and the role they may be able to play in reducing the healthcare burden. The innovation that is taking place at the cutting edge of healthcare today really is incredible.

GM: We’ll continue to see increased investment in digital health solutions, the integration of generative AI and personalised care, all of which rely heavily on the quality, security and overall management and integration of data. And of course, many of us would like to see an increased emphasis on preventive care and nutrition.

occurring in the healthcare sector, whether that’s around funding for academic medical centres or addressing questions on patient access. The enactment of the 2025 Reconciliation Bill is anticipated to reshape the healthcare landscape, characterised by a decline in Affordable Care Act enrolment and eligibility, reduced marketplace funding, and a subsequent increase in reliance on commercial insurance

coverage. Furthermore, the bill proposes substantial cuts to healthcare programmes, with Medicaid facing reductions of \$800 billion and Medicare facing \$500 billion of cuts.

At the same time, the current US administration has signed an executive order to reduce high prescription drug prices, introducing greater transparency. I would also point to a renewed focus on mental health and women’s

health, both areas being advocated for by the administrator of the Centers for Medicare & Medicaid Services. I think we will see a torrent of opportunities unleashed in those sectors over the remainder of this year and beyond.

GM: The impact of the 2025 Reconciliation Bill on Medicare and Medicaid payments will lead the industry to explore other avenues and sources of funding, including potential cash infusions from private equity. Crucially, however, private equity brings much more than just capital to the table. PE brings operational expertise, innovation, ability to scale, deep data analysis and industry expertise. From revenue cycles to demographics and patient utilisation, applying data to drive value

is an inherent part of the private equity playbook.

Q Beyond the political and regulatory uncertainty, how is inflation affecting the healthcare sector?

AS: In addition to general market inflation, the healthcare sector is experiencing its own specific inflation in medical costs. Medical cost inflation in the US has exceeded 7 percent for the past two years and we expect to see similar figures again in 2025. Prolonged, high-single-digit healthcare inflation is untenable. To curb these costs, the sector needs to develop new capabilities and find innovative solutions.

Meanwhile, one of the biggest drivers of inflation in the healthcare sector is labour shortages. That is a global phenomenon. There are only so many nurses that can be trained in places such as the Philippines and exported all over the world. The situation is being exacerbated in the US by an acceleration of clinical staff retiring in the wake of the pandemic. These aren’t new issues, but they are particularly acute today.

Q You’ve described a fast-evolving sector fuelled by innovation. What role can private equity play in it?

GM: Private equity can be transformative in the areas of operational efficiency and data management, quality and integration.

In addition to operational efficiency, there’s revenue enhancement and scale. Data is critical to all of those. If you can make your systems more efficient by streamlining and standardising data, you can reduce your administrative overheads, while at the same time improving the quality of care. Private equity is ideally suited to driving efficiency through the use of data.

Private equity is also ideally suited to creating scale, either by applying capital to expand existing areas of specialisation or by bolting on acquisitions to expand healthcare businesses

into new areas of specialisation or new geographies. This is an established feature of the private equity playbook. The same is true of revenue enhancement. Private equity firms are adept at using data to achieve a competitive advantage, whether through an enhanced ability to bill or new models such as value-based care. I truly believe that private equity can bring huge value to this industry.

Finally, one of the challenges in healthcare is burnout, which brings us to the issue of inefficiency. Clinical staff see patient after patient and then still have two hours of notes to write up at the end of the day. This could be an interesting area for private equity to explore the use of generative AI.

AS: I completely agree, these are exciting times. I would add that interoperability pulls together everything that Glenn is describing and really represents the future of healthcare.

Firms like Oracle, for instance, have now entered this space. Oracle’s chief technology officer Larry Ellison is on record as saying that he is committed to solving the interoperability conundrum for healthcare systems around the globe. There are great minds focused on addressing this issue, and the current US administration is determined to encourage innovative ideas and new investment to modernise healthcare quickly.

Once we have these ecosystem partners building sustainable data, training AI models and establishing trust between health investors and providers, the system is going to become much more robust and resilient. Data will be able to flow seamlessly from a patient’s health record all the way through to the payment system, with real-time reconciliation taking place, providing visibility on care and on spending. Private equity has a role to play in all of this. ■

Ash Shehata is head of healthcare and Glenn Mincey is head of private equity at KPMG US

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GLENN MINCEY