



Episode 119: The 2026 Forecast for Deal Activity, With Rebecca Springer

Episode Summary

"We're predicting that 2026 will be a bit stronger than 2025 in terms of overall deal activity," says [Rebecca Springer](#), director of market development at Bailey & Company, a healthcare-dedicated investment banking group.

In the latest installment of the "Corner Series Shorts" format, where host [Geoff Cockrell](#) dives into a narrower topic with experts, Rebecca unpacks where the deal activity is landing, why there are opportunities for small and mid-sized employers to self-insure, and what factors are keeping the landscape of cost-containment vendors fragmented. Stay tuned for two more episodes featuring Rebecca coming soon.

Transcript

Voice Over (00:00):

This is The Corner Series, a McGuireWoods series exploring business and legal issues prevalent in today's private equity industry. Tune in with McGuireWoods partner, Geoff Cockrell, as he and specialists share real-world insight to help enhance your knowledge.

Geoff Cockrell (00:20):

Thank you for joining another episode of The Corner Series. I'm your host, Geoff Cockrell, a partner at McGuireWoods. We've done several kind of long-form podcasts and we're experimenting with some shorter form podcasts where I think we'll call them "Corner Series Shorts," where we'll dive into a particular narrower topic with someone who's got a lot to say about that. I'm thrilled to be joined by my longtime friend, Rebecca Springer. Rebecca is a director of market development at Bailey & Co. After spending a long time as a journalist at PitchBook. And Rebecca really has her finger on the pulse of a lot of things in healthcare private equity. Over a few episodes, we're going to go through a number of kind of discrete topics. So Rebecca, if you could kind of introduce yourself and Bailey & Co and then we'll jump into some discussions.

Rebecca Springer (01:03):

Sure. Thanks for having me, Geoff. Bailey & Company is one of the larger healthcare-dedicated investment banking groups serving the middle market. Thirteen managing directors covering healthcare services, healthcare IT, payor services, and pharma services, MedTech life sciences, sell-side advisory with enterprise values in the 50 to 500 ranges is typically where we play. My role leading our market development function focuses on developing proprietary in-house research and sector strategy. And germane to this conversation involves bringing together what we're seeing in the market as a firm into a data informed and qualitatively informed view of where we think healthcare is heading and where we think the market's heading.

Geoff Cockrell (01:47):

For this segment, Rebecca, I'd love to hear your thoughts as we're headed into JP Morgan season, and this should be coming out ahead of that. As we head into 2026, what's your assessment of deal activity that we should be looking for in '26?

Rebecca Springer (02:04):

Sure. I think the last thing anyone needs is another sort of breathless prediction of an imminent rebound in deal activity. I think we've been through that cycle a couple of times over the past couple of years, and we've always taken a more moderate view and continue to do so. We do see after 2025 that was shaped by a lot of macro uncertainty, a lot of regulatory headwinds. Those continue to some extent, but we have noted pitch activity increasing significantly over the past quarter or so. And we also see some positive trend lines in the data quantitatively. So headline, we're predicting that 2026 will be a bit stronger than 2025 in terms of overall deal activity. My colleague, Colin Anderson, who crunches all the numbers for us, has pegged this at 8% year-over-year increase.

Geoff Cockrell (02:55):

Very specific.

Rebecca Springer (02:56):

Very specific. Well, we won't hold them to that exact number, but that's our direction. And that puts us at the strongest year since 2022 and more active than the pre-pandemic period, for context.

Geoff Cockrell (03:08):

Within that, are you seeing some migration of where that deal activity is landing? Because I'm still seeing a lot of that migration. The heady days of PPM after PPM deal feels long gone, that there'll still be activity in that area, but not the same. Where's the segmentation of that activity going to land?

Rebecca Springer (03:28):

Yeah, we see sector focus being shaped by a couple of different forces, reimbursement and regulatory headwinds, cost pressures in the healthcare system overall, AI changing the way people think about their technology thesis. As all that shakes out, we see payor services as probably the most in-demand sector from a private equity perspective. We also think that there's a lot to do in healthcare services in the next year as platforms that have maybe gone through some operational challenges over the past couple of years, have sort of gotten back on solid footing and are ready to trade.

Geoff Cockrell (04:07):

So you think that payor services is going to be one of the leading theses for '26. What do you think is driving that specifically? Is it the evolution towards an expanded group of employers absorbing that risk themselves? Is it the evolution of ICRA? What's driving that as a thesis?

Rebecca Springer (04:25):

As excited as I am about ICRA, it's still a very niche category. So I wouldn't say that that's driving the overall sector yet. But take a step back. If you look at the national health expenditures projections that CMS puts out, there's a sort of steady curve increasing costs that you can track for the past couple of decades. When COVID happened, we sort of accelerated that curve and bumped it up onto a new level. Where if you look at their projections now and compare that to the straight line had COVID not happened, it's about a \$1 trillion increase in overall healthcare costs by 2026 compared to where we theoretically would've been. So we're really seeing these cost pressures across all lines of business. You can go back through the national payors earnings calls to track that throughout the year, but whether it's Medicare or a lot of cost shifting into the commercial population, it's kind of across the board.

(05:22):

So the ecosystem of vendors that help payors and employers engage members control both medical and pharmacy costs and reduce administrative overhead are continuing to see a lot of growth in demand.

Geoff Cockrell (05:37):

Do you think that the disparity between what an employer pays managing that risk themselves versus using traditional insurance, that disparity in cost to me is driving a lot of the growth in that market. Do you think that margin will continue? If payors were able to kind of control more of their own costs, there'd be less margin doing it on your own as an employer. Do you think that that split is going to continue?

Rebecca Springer (06:02):

Yeah. I mean, rates of self-insurance sort of varies by employer size, right? But if you break it down by employer size, rates of self-insurance have been pretty flat for the past couple of years. We do

think that there is an opportunity for more of the small and mid-sized employers to begin self-insuring over the coming years as supportive plan design and cost containment services and products are developed that help those smaller employers manage risk. So yes, that's sort of the underpinning to this ecosystem, but we also see a lot of really interesting cost containment vendors growing rapidly with offering different strategies that support employers of a variety of sizes in managing their costs. But you sort of have to self-insure first in order to then have control over your population and your spend and then layer on cost containment solutions.

Geoff Cockrell (06:56):

Do you think that kind of employer self-insurance as an idea will persist as competition to traditional insurance or will that industry kind of vertically integrate ultimately back into payer's hands?

Rebecca Springer (07:10):

We do continue to see carriers acquiring TPAs. There is a big one that's known in the market but wasn't announced earlier this year. At the same time, there's a robust landscape of independent TPAs. These claim to offer more aggressive cost containment strategies because they're not sort of tied to the payer's network and ASO structure. So I think you'll continue to see that independent TPA landscape grow and develop for some time. Folks are often looking for an alternative that can get a little bit more creative in terms of pulling levers to contain costs.

Geoff Cockrell (07:49):

How fragmented is the payor services arena, especially in the context of employer self-insurance?

Rebecca Springer (07:56):

It's pretty fragmented. The TPAs have consolidated a bit, but the broader landscape of cost containment vendors remains fairly fragmented. And part of the reason for that is that employer healthcare and cost containment is one of the few segments within healthcare where you can still have a point solution that's growing and scaling successfully. It doesn't sort of get eaten up by the Epic or the Epic equivalent. And look, it's because the cost pressures in facing employers are so enormous that they are generally willing to layer on additional point solutions into their benefits and benefits management stack if there's a clear ROI. So you have a pretty entrepreneurial ecosystem of folks who have developed new and innovative ways to control costs.

Geoff Cockrell (08:44):

And I think that the combination of a entrepreneurial fragmented ecosystem coupled with the idea that it's not merely larger and larger financial buyers that can be kind of the ultimate buyer universe and that ultimately it could be acquired by payers themselves. I think that that dynamic of an end game coupled with fragmentation is a perfect setup for investment. Well, Rebecca, keeping it with our kind of framing of these being short ones, I think we'll end it there. And then our next discussion will be

kicking around ideas around the PPM and dental markets in particular. So hope you all join us for our next Corner Series short.

Voice Over (09:30):

Thank you for joining us on this installment of The Corner Series. To learn more about today's discussion, please email host Geoff Cockrell at gcockrell@mcguirewoods.com. We look forward to hearing from you. This series was recorded and is being made available by McGuireWoods for informational purposes only. By accessing this series, you acknowledge that McGuireWoods makes no warranty, guarantee, or representation as to the accuracy or sufficiency of the information featured in this installment. The views, information, or opinions expressed are solely those of the individuals involved and do not necessarily reflect those of McGuireWoods. This series should not be used as a substitute for competent legal advice from a licensed professional attorney in your state and should not be construed as an offer to make or consider any investment or course of action.

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