



Episode 142: Where Value-Based Care Actually Works, With Dawn Owens

Episode Summary

Value-based care is one of healthcare's biggest bets on changing how care is delivered and paid for, but how well has it worked? [Dawn Owens](#), CEO and partner at healthcare investor [Truehelm](#), gives the model a C overall.

In this conversation with host [Geoff Cockrell](#), Dawn explains why this model — where providers are rewarded for better outcomes and lower costs rather than more services — works better for stable, concentrated populations like seniors than for commercially insured patients who move between employers and payers. She also discusses why specialist investors are positioned to navigate the sector, how Medicare Advantage disruption is reshaping the market, and where AI can ease administrative burdens on primary care physicians.

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 ([00:19](#)):

Thank you for joining another episode of The Corner Series. I'm your host, Geoff Cockrell, a partner at McGuireWoods. Here at The Corner Series, we try to bring together deal makers and thought leaders at the intersection of healthcare and private equity. Today, I'm joined by Dawn Owens. She is the managing partner at Truehelm, and Truehelm has an interesting history and evolution, and we're going to get into a topic talking about value-based care and investments surrounding that. But Dawn, if you could open us up with giving a little bit of the history of Truehelm.

Dawn Owens (00:48):

Yeah, Geoff, first off, thank you. I am thrilled to be here talking to you today. It's exciting. So Truehelm is a lower middle market private equity investor. We focus exclusively on healthcare services and technology, and we're probably a name that you haven't heard of, but yet we've been in business and operating and investing for over 10 years. We were originally a part of the merchant bank within TripleTree, and when we sold the investment banking business to Capital One at the end of 2021, Truehelm became a fully independent private equity investing arm. We were previously named TT Capital Partner and changed the name to Truehelm earlier this year in April.

(01:33):

So we invest in primarily founder-led businesses who have skipped the venture round, who have actually created really nice businesses that generally sell enterprise into the healthcare, their services or technology businesses, and they sell into payers, providers, or large employers quite often, and they need help. They need help taking their businesses to the next stage of growth and development, and we are privileged to work with those founders and founding teams to do just that. And so that's what we do at Truehelm. Love what we do, love the people we get to work with doing it.

Geoff Cockrell (02:10):

Dawn, we're going to talk about investing in value-based care-related businesses. I think it might be a good place to start by saying, when you say value-based care investments, what do you mean or how would you segment that sector? Whether you're talking about actual risk-taking or services to that, how would you segment the sector?

Dawn Owens (02:33):

Yeah, it's a great question, and I think it's an important starting point. Value-based care comes in many flavors, and I would say first off, let's talk about why value-based care in the first place, and then we can talk about what are the types of businesses that are involved in value-based care and how at least we think about them as an investor. So the why I think everybody understands but sometimes loses sight of. One, we've got a huge cost problem in our US healthcare system and it's not getting any better. And in fact, some would say it's getting worse. And there's lots of reasons behind that, but I'm just going to focus on the fact that we have a lot of waste in our system. We overuse some resources, we under-use other resources, and we have tremendous amount of redundancies and inefficient use of the resources we do have. We also have a problem with the resources themselves, which is increasingly we don't have the right ones or enough of them in the right places to serve population needs.

(03:36):

So I look at value-based care at the simplest level being about aligning incentives and aligning reimbursement to focus on what we care about. And what we care about, and I think what our nation

cares about, is better quality healthcare, better health overall, at a cost that is sustainable and that we can start to better afford than what we do today. And so when you think about that, you naturally see that payers and providers are really important equations in a value-based care construct. And so when I think about value-based care, I think about the types of businesses, that are businesses that bear risk. These are primarily provider organizations who payers have delegated the risk for managing populations and rewarding them if they do that well, i.e. with better quality and for lower costs, or have to take downside, meaning they actually lose reimbursement if they're not achieving those objectives.

(04:48):

If you think about in the spectrum of value-based care, these are the most capital-intensive types of businesses. They have probably the biggest risk and reward kind of spectrum, and that's one end of the spectrum. On the other end of the spectrum are technology or tech-enabled services businesses that are enabling both payers and providers to operate successfully in value-based care. They are working with providers to help them do the things they need to do to successfully engage contract participants and be successful across all the measures they need to be for this to be a financially valuable strategy and doing the same thing, either the same business doing the same thing with payers or separate businesses doing it with payers because these are hard things to do, value-based care.

(05:40):

It's not an easy way to work together, but as you think about solving some of the more challenging issues in our US healthcare system, it does require us to do it differently, do the clinical differently, do the financial differently, do the operational differently. And so to do that, we have to change the way in which we keep score and finance those healthcare services.

Geoff Cockrell (06:06):

So Dawn, better outcomes, lower costs, that's an ambitious undertaking. Whether you're talking about the risk-takers or services into those risk-takers, a threshold question I think on the viability of either of those has got to be, does this idea work? We've been at it for a decade. It's been long promised as the only pathway to healing our system. What grade would you give value-based care as an idea at this stage? And then we'll talk about areas where it might be better or worse.

Dawn Owens (06:39):

Yeah, I think a grade is a tough one. It might be a C overall. Maybe I think some would say it's a lower grade and some might say it's a higher, and I think that's the perplexing aspect of the question. I think first we have to acknowledge that what we have learned as a marketplace is that value-based care is not the answer to every challenge that we have. It doesn't apply to some markets as well as it does in others. And there are going to be things that we get right and there are going to be things that are not, and we're going to have to be willing as a system to adapt and to shift and to adjust the models. And

so where does it work well? It works well where you've got a concentration geographically market density where there are costs and where clearly you have providers who can focus on those populations almost in a way exclusive of other populations that you might be caring for in that region but are outside.

(07:51):

So you've got populations of high cost. Seniors are a great example of a population type that has stability, has market concentration, and where, at least in some markets, you have care providers who are more dedicated, especially at the primary care level, to providing the care and the services to those populations. And so you can start to have the ingredients that allow you to change clinical models, that can infuse actionable insights into practices so that it shapes not only what they do when they're caring for their patient, but when they need to care for their patient, when intervention needs to occur and so on and so forth.

(08:38):

Conversely, I would say it's really hard to do value-based care in commercial populations. There's a lot of change in those populations. The top cost drivers in those populations change dramatically from year to year. And so your continuity of what a value-based care model looks like in the populations you're serving has a degree of change that's not conducive to effective value-based care. And you've got so many payers that it, again, makes it hard because it is almost impossible for a practice or care provider system to adapt the way they are caring for patients and what they're doing by payer type or payer contract. So those are some of the reasons why it's so daunting.

Geoff Cockrell (09:25):

Right. And I've also always thought that with commercial payers, just the whole idea of value-based care at some level, one of the ideas is that you could make some earlier investments that could pay dividends later on and save a ton of money later on. Whereas for commercial payers, it's hard to get them to be enthused about making those sorts of investments when the payoffs might be in old age when it's really you're saving Medicare money. So kind of balancing the investment versus the return in the commercial setting has always felt difficult.

Dawn Owens (09:59):

Yeah. And as you know, right, the commercial dollars are really funded by those employers and that market is increasingly self-insuring their healthcare costs. And so they think about it as "I might be helping this individual live a healthier life," but the beneficiary of that is going to be their next employer. And so that repeats itself.

(10:22):

Now, what we are observing, and there is a category of business that kind of sits in the middle of that spectrum that I described to you before around what are the types of businesses that operate in

value-based care. And these are technology, again, and tech-enabled services businesses that are not true value-based care enablers or conveners, but they are the suppliers to the ecosystem and providing platforms or services that augment and supplement either a provider or a payer to do what they need to do in that value-based context and do it better and well.

(10:58):

We actually have an investment in a business called Wildflower Health that I would say fits really well in this category. They focus on the maternal episode of care, an episode that is only found in commercial populations and in Medicaid, and they operate in both of those markets. It's a category where the healthcare experience for moms is really not positive. It's expensive. It's fragmented. We rank 51st in infant mortality across nations and maternal mortality has doubled over the past 20 years, so we're not doing that well or performing that well in the category. And there are lots of reasons for that. It's not that we've got bad providers or bad payers. Again, it's a complex problem. Wildflower has done is brought solutions to OB/GYNs to help them serve their patients in between the visits and through resources around education, digital health, engagement solutions that help them identify risk factors or emerging risks so that they can intervene and get them the support that they need.

(12:12):

They do that with OB/GYN practices, but the funding for that service oftentimes comes from the payers. Why? Because they want those OB/GYN practices to be successful, to drive earlier identification, earlier intervention, get that mom the behavioral healthcare services that she needs if she's dealing with postpartum depression issues, help mom who's struggling breastfeeding her child to get the support she needs through lactation services.

(12:43):

And so it's a great example of is Wildflower Health a value-based care enabler? Actually, in some contexts, the answer is yes, and they have a very strong ROI and value proposition, but many times they're providing tech-enabled services into these OB/GYN practices on behalf of the members served by health plans to bridge the gaps in a very fragmented healthcare marketplace ecosystem that moms are trying to navigate and providers don't have enough time in their day to address... When I say providers, I mean OB/GYNs, to address the needs of their patient population. So Wildflower Health can come in and bridge those gaps, not by disintermediating those providers, but actually helping them extend their reach and their access and support for their patient populations.

Geoff Cockrell (13:34):

The larger businesses at scale have been pretty directly focused on primary care contracting with respect to Medicare Advantage populations, and that has felt like a mixed bag. Some of them have gotten very big. It's hard to tell if they make any money. What's your view of the Medicare Advantage universe as it relates to value-based contracting?

Dawn Owens (13:59):

Yeah, it is a time of disruption in that marketplace for sure. You've got a lot of change that has come at the MA marketplace, whether it's the Stars, and I'll say raising the bar as to what performance looks like within that marketplace. V28, there's lots, the RADV audits, so it has put a lot of downward pricing pressure on the market overall. I would say the delegated risk groups, many of them have struggled, but I actually think what you have seen is a marketplace that has kind of re-centered their focus on doing the things that you need to do to be successful, like actually having a care model that truly does what it needs to do with respect to identifying risks early, intervening, not just with physician intervention, but with care team intervention. That's one of the benefits of value-based care is that you have a construct whereby you can use other resources to support and engage and help patients as they navigate through chronic conditions, deal with issues in their home as opposed to going into the emergency room, so on and so forth.

(15:19):

So I think that you actually see a sharpening of focus and the marketplace will be well served by that, but it's been a tough stretch of time, that is for sure. We're not investing in MA health plan models, nor are we really investing in businesses that are those delegated primary care risk-based entity models. Those are capital-intensive businesses and frankly are not at the forefront of where we spend our time. Our businesses are more serving those as tech solutions or tech-enabled services solutions into that market versus a place where we are investing.

(15:58):

But I don't think we should sour on the category overall. I think we should look at it as an opportunity for a reset and focus on what actually makes a difference in the way in which these models work and work well and recognize that there will be times where there's an overcorrection one way or the other and the market's going to have to recalibrate.

Geoff Cockrell (16:20):

How specialized is the investor pool in this area? By analogy, there was a time when everyone was investing in provider services businesses, the direct investments in the providers themselves, and that got a lot of dedicated healthcare investors, but also a lot of tourists. And over time, the folks that didn't really live in the space and didn't understand some of the nuances around alignment and other aspects had real challenges. Do you have similar dynamics at this intersection of investing in value-based care businesses such that it is really a domain for specialized investors, or how specialized do you think one needs to be to find success in it?

Dawn Owens (16:58):

Yeah. Well, I definitely think that investing in value-based care businesses at any point along the spectrum is best done by specialists. It is complicated. The landscape will continue to evolve, and so

you will have shifting scorecards and ways in which you need to operate to continue to drive value and operate within the marketplace. I would say that what we're observing in the marketplace is that the phenomenon that you described with respect to a lot of capital going into provider-based organizations, risk-bearing entities, and that cooling down dramatically, I would say overhangs, generally speaking, overhang is probably the wrong word, but certainly permeates the broader category. I think especially in investor categories where they've not done a lot of value-based care, they have a hard time sifting between the different types, investment opportunities that would exist in the category. And so I would say in general, there is probably more caution than not.

(18:10):

I don't know that that is a bad thing per se. I think these businesses not only need capital, but they need people around the table who can really bring the right resources to bear, be good thought partners, help them navigate uncertainties and complexities that are just a part of what it is to participate in value-based care. That said, I still see a tremendous opportunity for value creation, growth and scale. And so I think it's a very good category, but I think it's a good category that you need to have a degree of specialization focus, and not just general healthcare, but I would say where you have that domain expertise in and around your team to confidently navigate the things that'll be put in front of you in a value-based care context.

Geoff Cockrell (19:05):

Every discussion on investing in the current environment has some level of focus on AI and its role in changing the market, changing processes. As an investor, what role do you see AI playing in this arena? Is it healthcare Palantir version of pulling all the strings of disconnected information so you can make effective decisions? Or is it other roles that AI plays? What's AI going to bring to this?

Dawn Owens (19:36):

It's a great question. Here are the things that I am seeing right now. I'd say overall it's a net benefit to the healthcare system. If you think about what's hard, one of the things that are hard about value-based care, it's that there are just disparate data systems, right? It does rely upon or does best when there is information that is timely, when there is information that is actionable, and when it is easy and in the workflow to get that information to the care provider and care team without taking them out of their flow and out of their routine. What we're seeing is that advanced analytics and AI are very helpful to making those things that sound easy but do really hard more within reach, right? And we have an overburdened set of primary care physicians across our country. Wait times are only getting longer. The time that they can spend with their patients is only getting shorter.

(20:47):

So if we can take administrative tasks off of their plate, if we can do that in ways that are enabled through technology that make it easy for the clinician to make sure that information is captured well and effectively, that's a win. That is a win for patients. It is a win for providers. It is a win for our

healthcare system. If we can dispatch resources to patients who we can see because we can analyze disparate data from disparate sources across multiple payers, across multiple sources and places of care and care settings, we can do a better job identifying where we need to pay attention, where we need to drive interventions and what type of intervention would be the most effective. And I would say those are things that we can do today. We're seeing signs that we can do them more readily than we've been able to in the past. And the cost of development to do that work, to get new tools into the marketplace, to enhance products to be able to do those things is decreasing as a result of AI.

(22:09):

And so I think there's a lot of goodness there. Now, you can't have this discussion and not talk about adoption and really using it without talking about fear of are computers going to take over clinical care and replace physicians and other clinicians? I think the answer to that is no, but I would challenge us as a nation to recognize that we don't have enough of the right care providers in the right places at the right times, and that problem's only going to get worse as our demographics continue to age and we live longer. And so I think there has to be solutions and we have to look at how we leverage AI to be a part of a multi-part process to get after solving for that as a nation. So I think in general, it's a net positive.

Geoff Cockrell (23:01):

I think we're going to have to wrap it there. We covered a lot of ground in a fairly narrow band of topics, as investing goes, but it's definitely an area where there's going to be a lot more innovation, a lot more investment. There'll be winners and losers, but it's going to change how healthcare is delivered. Dawn, thanks a ton for joining. I've really enjoyed our conversation. Hopefully we'll work on a deal together soon.

Dawn Owens (23:26):

Sounds great. Thanks, Geoff.

Voice Over (23:32):

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.