WHITE PAPER | ONCOLOGY

The Consolidation Imperative: Why Oncology Groups Are Entering the M&A Market Now

Private equity interest in oncology has reached an inflection point. Independent and hospital-affiliated practices alike are reassessing their strategic options as valuations remain elevated, reimbursement pressures intensify, and the window for optimal deal structures narrows.

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Executive Summary

Oncology has emerged as one of the most sought-after targets in physician practice management (PPM) M&A. Driven by oncology's favorable reimbursement profile, the capital-intensive nature of modern cancer care, and private equity's sustained appetite for durable, recurring clinical revenue, valuations for oncology platforms have reached levels that were inconceivable a decade ago.

Yet the market is not static. Macroeconomic headwinds, rising interest rates, and increasing regulatory scrutiny are beginning to reshape deal structures and timelines. For independent oncology groups that have not yet explored a transaction, understanding the current landscape and acting deliberately has never been more consequential. This white paper examines the drivers behind oncology's M&A momentum, the most common transaction structures, key valuation considerations, and what physician-owners should evaluate before coming to the table.

$32B	8–12x	~40%	3–5yr
Projected U.S. oncology market value by 2028	Typical EBITDA multiples for oncology platform transactions	Of oncology practices report active inbound M&A interest	Typical PE hold period in oncology platform investments

01 Why Oncology Has Become a PE Priority

Among all medical specialties, oncology occupies a uniquely attractive position in the eyes of institutional capital. The specialty combines high clinical complexity, chronic and recurring patient relationships, substantial ancillary revenue streams including in-office infusion therapy and oral oncology drug margins, and a reimbursement environment that has historically held up better than primary care or other procedure-heavy specialties.

Oncology is also benefiting from macro-level demographic tailwinds. With the U.S. population aging and cancer incidence rates projected to increase through the next two decades, investor appetite for building durable oncology platforms reflects a structural thesis about the long-term demand for cancer care delivery.

"Private equity's interest in oncology is not speculative. It is a calculated, long-term bet on an aging population, expanding treatment modalities, and the superior economics of in-office drug administration."

Private equity sponsors have also learned from early PPM cycles. The oncology-specific platforms being built today are operationally sophisticated, investing heavily in care management infrastructure, data analytics, and value-based care contracting capabilities.

02 The Current M&A Landscape: Momentum Meets Friction

The oncology M&A environment in 2025 and into 2026 is best characterized as one of elevated activity tempered by structural caution. Established PE-backed platforms are now aggressively pursuing add-on acquisitions to expand geographic footprints, add subspecialty depth in areas like hematologic malignancies and radiation oncology, and achieve the scale necessary for favorable payer contracting.

Simultaneously, new entrants — including health systems, venture-backed disruptors, and strategic acquirers outside traditional PE — have entered the market, creating a more competitive dynamic for quality oncology targets than existed even three years ago.

> **MARKET INTELLIGENCE**
>
> One of the defining features of the current oncology M&A cycle is the bifurcation between platform transactions and add-on acquisitions. Platform deals command the highest multiples and the most complex structures, often including meaningful equity rollover for physician-sellers. Add-on acquisitions are frequently priced on a different basis and may offer less favorable terms for physicians entering via a tuck-in model. Understanding which category your group falls into — and negotiating accordingly — is one of the most important early decisions in any oncology transaction process.

Despite the activity, deal timelines have extended. Due diligence processes that previously ran 60–90 days are regularly stretching to five or six months, driven by increased lender scrutiny, more rigorous quality-of-earnings analyses, and growing complexity around ancillary revenue streams — particularly 340B program participation and in-office pharmacy arrangements.

The Drug Distributor Factor: A New Category of Acquirer

Alongside private equity, a second consolidation force has emerged that independent oncology groups cannot afford to ignore: major drug distributors. McKesson (through US Oncology Network), Cencora (through OneOncology), and Cardinal Health (through Navista) are each pursuing strategies that go well beyond distribution — they are building integrated platforms designed to control both the supply and administration of oncology drugs. For a specialty where drug margin represents a significant portion of practice economics, this creates a fundamentally different kind of acquirer with fundamentally different incentives.

The overarching trend is consolidation by drug distributors seeking to control both the distribution and administration of oncology drugs, alongside private equity pursuing roll-up strategies in community oncology. These are not equivalent strategies, and they are not equivalent partnerships.

DISTRIBUTOR PLATFORM LANDSCAPE

McKesson / US Oncology Network — the largest distributor-affiliated oncology network in the U.S., leveraging McKesson's supply chain infrastructure to drive drug volume through affiliated practices.

Cencora / OneOncology — a fast-growing platform combining Cencora's distribution reach with a managed services model targeting independent community oncology groups.

Cardinal Health / Navista — Cardinal's emerging oncology platform, positioning the distributor as a strategic partner for independent practices seeking operational support.

Unlike PE sponsors whose primary orientation is financial return on the practice itself, drug distributors are motivated by securing captive volume and administrative control over their drug portfolios. Physician-owners evaluating these platforms should understand the structural differences — and what clinical and economic autonomy may look like under each model.

03 Valuation Drivers in Oncology Transactions

Oncology valuations are driven by a distinct set of factors that differ meaningfully from other specialties. Advisors and physician-owners who approach an oncology transaction with assumptions borrowed from orthopedics, behavioral health, or primary care M&A risk leaving material value on the table.

- Drug margin revenue: In-office administration of chemotherapy and biologic agents generates margin that is treated differently across buyers. Notably, drug distributor platforms may value this revenue stream differently than PE buyers — their strategic interest is in capturing margin at the distribution level rather than leaving it with the practice. Understanding a buyer's stance and negotiating the normalization methodology is critical to achieving accurate valuation.
- Payer mix and contracting leverage: Oncology practices with strong commercial payer penetration and favorable reimbursement rates command premiums. Medicare Advantage penetration is scrutinized closely given ongoing rate pressure from CMS.
- Subspecialty mix: Hematology, radiation oncology, and gynecologic oncology capabilities increase platform value. Pure medical oncology practices may face ceiling questions from buyers evaluating full-service oncology delivery.
- Research and clinical trial infrastructure: Groups with active clinical trial programs attract significant valuation premiums. Research revenue is viewed as a high-quality, durable revenue stream that differentiates a platform from community-only competitors.
- Physician tenure and succession planning: Practices with a meaningful cohort of physicians within five to seven years of retirement — without a clear succession pipeline — may face valuation haircuts or more aggressive equity rollover requirements.

- Geographic positioning: Practices serving large, underserved catchment areas or holding dominant market share in mid-size markets are prized for their defensibility.

04 Transaction Structures: What Physician-Owners Should Expect

The vast majority of oncology M&A transactions today are structured as partial monetization events — meaning physician-sellers are not exiting the business entirely, but rather converting a portion of their equity into cash while retaining a meaningful stake in the recapitalized entity.

AT CLOSING

Physicians typically receive 60–75% of transaction value in cash, net of transaction costs and any debt payoff. Employment agreements — typically three to five years — are executed concurrently, along with restrictive covenants including non-compete and non-solicitation provisions.

POST-CLOSING

Physician compensation is reset to market-rate W-2 pay, often with productivity-based bonuses. Rolled equity appreciates or depreciates with platform performance. A secondary transaction or IPO — typically three to six years from the initial close — provides the second liquidity opportunity.

The value of the rollover equity depends entirely on how the platform performs between the initial transaction and exit. Independent valuation counsel and careful scrutiny of the buyer's growth model are therefore essential.

STRUCTURE CONSIDERATIONS

Increasingly, sophisticated oncology sellers are negotiating for enhanced governance rights, including board representation, clinical autonomy protections, and approval rights over material operational changes. These provisions should be pursued aggressively in any letter of intent negotiation. Once the LOI is signed, leverage shifts substantially to the buyer.

05 Regulatory and Reimbursement Risk: The Variables Buyers Are Watching

The 340B Drug Pricing Program remains a flashpoint. Many community oncology practices derive meaningful margin from covered entity or contract pharmacy relationships. CMS and HRSA have signaled continued interest in narrowing 340B eligibility, and buyers are scrutinizing 340B revenue carefully — in some cases excluding it entirely from normalized EBITDA.

The Radiation Oncology (RO) Model and broader CMS bundled payment initiatives have periodically threatened to compress reimbursement for radiation services. While mandatory implementation has been delayed repeatedly, any oncology transaction involving a meaningful radiation component should account for scenario analysis around alternative payment models.

The broader Medicare Advantage penetration trend is also a material variable. As oncology patients increasingly enroll in MA plans, practices must navigate more aggressive prior authorization requirements, narrower drug formularies, and rate structures that frequently trail traditional Medicare by 10–20% for infusion services.

06 What Independent Oncology Groups Should Be Doing Right Now

- Organize your financial house. Buyers and their quality-of-earnings teams will scrutinize three to five years of financial statements. Clean, well-documented financials will move a practice through diligence faster and with fewer surprises.
- Invest in clinical trial infrastructure. Even a modest clinical research program can add meaningful valuation premium. Groups that have not explored research affiliation or sponsorship relationships should consider doing so proactively.
- Recruit and retain younger physicians. Physician succession is one of the most scrutinized elements of any oncology transaction. Demonstrating a credible path to physician continuity is essential to commanding premium valuation.
- Understand your ancillary revenue mix. In-office infusion, oral oncology, pathology, and imaging revenues carry different risk profiles and are valued differently by different buyers.
- Engage an advisor before you engage a buyer. The most common mistake oncology groups make in M&A is responding to inbound interest without having their own advisor in place first. By the time a letter of intent is received, the leverage dynamic has already shifted.

07 Beyond the Big Three: PE as a Genuine Alternative

Many independent oncologists who have begun exploring strategic alternatives believe their realistic options are limited to three choices: US Oncology (McKesson), OneOncology (Cencora), or Navista (Cardinal Health). This perception is understandable — these platforms are well-capitalized, highly visible, and actively marketing to physician groups.

But it is not accurate.

Private equity-backed oncology platforms represent a distinct and often more favorable alternative. The distinction matters at a fundamental level: distributor-led platforms are aligned with drug volume and supply chain economics, while PE sponsors are aligned with practice value creation. These are different incentive structures — and they produce different outcomes for physician-owners.

> *"Independent oncologists deserve to know they have more options than the three platforms marketing most aggressively to them. The best transaction for your practice may not be the most visible one."*

For physician-owners who want to preserve clinical autonomy, retain meaningful equity upside, and maintain flexibility over how their practice operates post-transaction, PE-backed partnerships warrant serious consideration alongside distributor platforms. The right answer depends on the specific practice, its financial profile, and what the physician-owners value most in a long-term partner.

WHAT TO EVALUATE WHEN COMPARING BUYER TYPES

Clinical autonomy: Who controls treatment protocols, staffing decisions, and care delivery standards after close?

Drug margin treatment: How does each buyer model the in-office drug margin, and how does that affect your valuation?

Equity upside: What does the rollover equity story look like — and who is aligned with growing practice value vs. drug volume?

Platform governance: What rights do physician-owners retain post-close, and how are material decisions made?

Exit optionality: What does the path to a second liquidity event look like under each structure?

Merritt Advisory works with physician-owners to evaluate the full spectrum of strategic options — including PE platforms that may not be actively marketing but represent compelling fits for specific practice profiles. Understanding the difference between a distributor platform and a PE-backed partnership is one of the most important early steps in any transaction process.

08 The Window Is Open — But Not Indefinitely

The oncology M&A market in 2026 remains active, but experienced advisors know that market cycles do not move in a straight line. Interest rate dynamics, changes in lending markets, regulatory disruptions, and PE portfolio performance all have the potential to compress valuations or constrain deal structures — sometimes rapidly and without clear warning.

Independent oncology practices that have considered a transaction but have not yet acted should treat the current environment with a sense of urgency — not panic, but genuine strategic intentionality.

> *"The practices that achieve the best outcomes in oncology M&A are not the ones that react to inbound interest — they are the ones that control their own process."*

At Merritt Advisory, we have guided oncology groups through every phase of the M&A lifecycle — from initial practice assessment and valuation benchmarking through transaction execution and post-close integration advisory. Our approach is direct, data-driven, and always oriented toward the long-term interests of physician-sellers.

Ready to Understand Your Options?

Merritt Advisory provides confidential, no-obligation consultations for oncology groups exploring strategic alternatives. We work exclusively with physician-owners — not buyers — ensuring our advice is always in your interest.

Contact us at merrittadvisory.com

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