The "Assembly" Advantage:
How HCC Invests in the Systems Solving Healthcare's Most Complex Problems

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In the world of private investments, we are often told to look for the "10x product" – the single piece of technology that is an order of magnitude better than anything else on the market. But if you look at some of the most transformative organizations in modern healthcare – **Kaiser Permanente and Epic Systems** – their secret wasn't necessarily a single "10x" widget. It was something far more difficult to replicate: **integration.**

Observers of healthcare transformation have long noted that Kaiser and Epic succeeded not by inventing a "magic" new treatment or line of code, but by integrating disparate capabilities into cohesive solutions for complex, regulated environments.

At Health Catalyst Capital, we believe the same philosophy is the only way to truly "fix" the $4 trillion U.S. healthcare crisis.

The Sum is Greater than the Parts: Lessons from Integrated Healthcare Platforms
Kaiser Permanente did not invent modern medicine or health insurance. What it built was a vertically integrated system that combined **payer and provider responsibilities** – health plan, hospitals, and physician groups – into a single, prepaid model accountable for both cost and outcomes. By aligning incentives around prevention, population health, and long-term stewardship of resources, Kaiser solved coordination and cost problems that fee for service systems continue to struggle with today.

Similarly, Epic Systems did not grow into the dominant healthcare software platform by acquiring a constellation of point solutions. Instead, Epic made a deliberate choice to **write all of its own software** and operate on a single, unified codebase. It has historically avoided acquisitions altogether, favoring deep internal development that tightly integrates clinical workflows, billing, scheduling, and patient engagement. That architectural integration – rather than any one feature – created extraordinary durability and switching costs once deployed within a health system.

Many notable examples can be found outside healthcare, including with some of the most disruptive companies like SpaceX and Tesla.

For many successful companies, individual components may only have been incrementally better than the alternatives. But the **assembly of those components into a coherent system** solved problems – cost containment, care coordination, and operational reliability – that fragmented approaches could not.

Healthcare: The Ultimate Complex Problem
Healthcare is the most fragmented industry in the world. We have incredible "widgets" – brilliant AI diagnostics, innovative virtual care apps, and sophisticated billing software. Yet, the patient experience remains broken, and costs continue to spiral. The problem isn't a lack of 10x technology; it's a lack of integration.

At HCC, we don't just look for the best standalone algorithm. We look for the "Assemblers" – companies that bring together disparate capabilities to solve a systemic issue. This is why our thematic focus areas are inherently "integrative":

- **Value Based Care Models:** These aren't just clinics; they are the integration of data analytics, patient navigation, and risk bearing financial models.
- **Process Automation:** We seek firms that don't just "bot" a task, but rethink the entire workflow from the patient's front door to the provider's back office.
- **AI Enablement:** The winner in healthcare AI won't just have the best model; they will have the best integration into the clinician's existing workflow.

Our Investment Thesis: Backing the Architects
As a private equity firm focused on the lower middle market, our role is to act as the catalyst for these "Assemblers." We leverage our extensive network of health plans, systems, and self funded employers to help our portfolio companies plug the final pieces into their "stack."

Instead of exclusively looking for the company that is 10x better at one thing, we are finding success with the companies that are 10% better at ten things – because we believe that integrated solution is what actually moves the needle on quality, access, and affordability.

We don't believe that the future of healthcare will be won by a single breakthrough drug or a lone app. We believe it will be won by the firms that can take the byzantine, fragmented pieces of our current system and assemble them into something that finally works.

Are you building the next great healthcare "assembly"? We'd love to hear from you. Connect with us at Info@HealthCatalystCapital.com or visit www.healthcatalystcapital.com to learn more about our approach.