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U.S. Merchant Payments: Medical Practices



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There are three primary constituents in the Medical Practice vertical: patients, providers (e.g., doctors), and payers (e.g., insurance providers). We focus on patient and provider interactions and associated payments.

US Medical Practices: Vertical Definition

Medical Practice Overview

Patient-to-Provider Payments

- Includes payments from patients for medical services rendered including co-payments
- Patient-to-provider payments is the subject matter of this document

Payer-to-Provider Payments

- Includes claim payments and clearinghouses

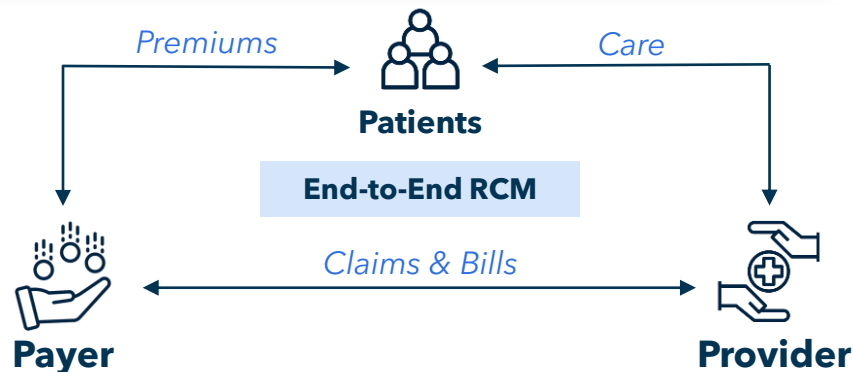
Patient-to Payer-Payments

- Includes premiums, HSA, and other payments

Medical Practice Segments

	Family Practices	Includes primary care, dentists, physical therapists, psychologists, podiatrists, specialist elective surgery doctors, and chiropractors
	Veterinarians	Includes animal hospitals, animal and livestock testing, and traditional veterinarian clinics
	Emergency & Other	Includes all ambulatory and emergency centers, pain therapy centers, and community health centers
	Health Clinics	Includes abortion clinics, abuse clinics, mental health clinics, etc.

Excludes hospitals as payments and software needs are unique and warrant separate consideration



>75% of the payment service provider ("PSP") revenue pool for the Medical Practice vertical is earned from merchants with <\$5M in annual revenue (i.e., SMB merchants).

US Medical Practices: Vertical Summary

Medical Practice: Vertical Characteristics

Key Market Metrics (2022 Estimates)	
Business Count	1.2 million
Cardable Industry Payments ⁽¹⁾	\$325 billion
Projected Industry Revenue Growth ('22-'25 CAGR)	1.6%
Card Volume ⁽²⁾	\$115 billion
Projected Card Volume Growth ('22-'25 CAGR)	5.0%
Total Acceptance Revenue Pool ⁽³⁾	\$800 million

(1) Cardable Industry Payments is defined as industry revenue that has a card payment use case but may be paid with another form factor (e.g., cash, check, ACH, etc.); (2) Card Volume is defined as credit and debit card payments, including PIN debit, and card linked APMs (e.g., PayPal, Apple Pay, etc.); (3) Acceptance Revenue Pool defined as the total PSP revenue opportunity including POS and e/m-commerce.

Medical Practice: Merchant Payments Pros and Cons

+ Pros

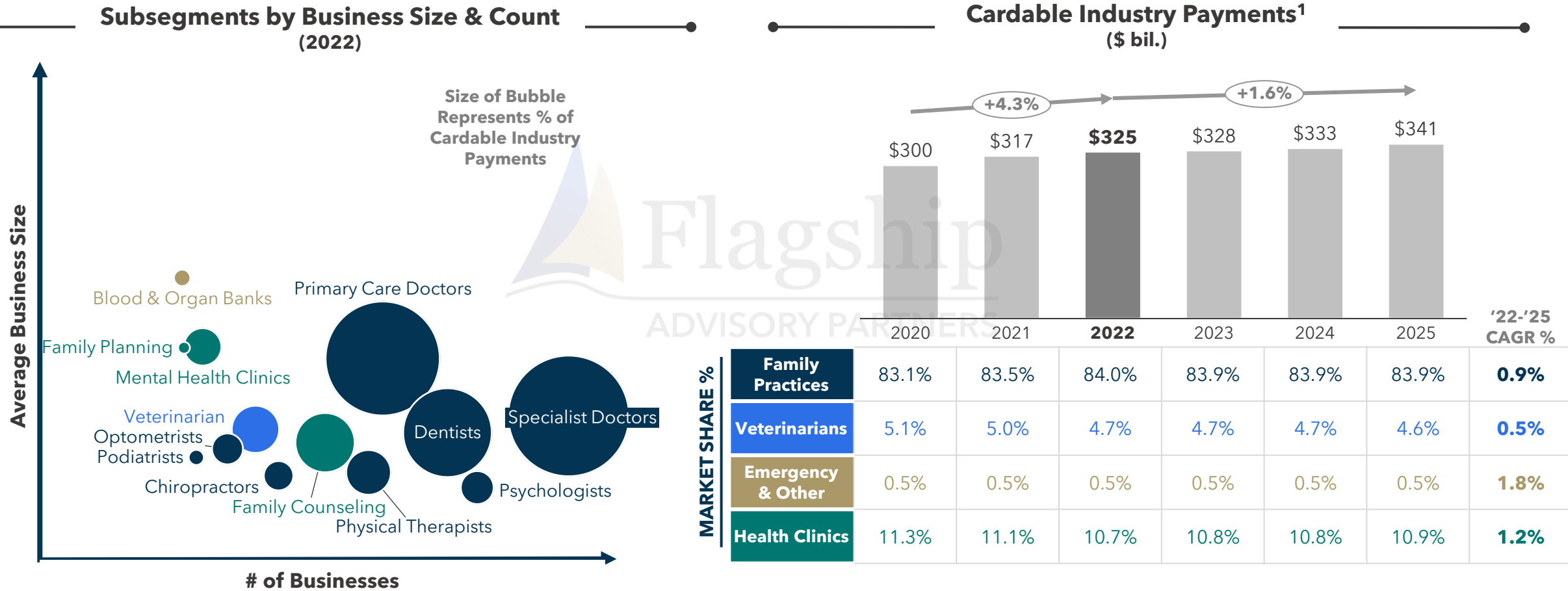
- ✓ Sizable card payments penetration opportunity
- ✓ Several vertical trends may provide card usage tailwinds
- ✓ >75% of the total acceptance revenue pool is sourced from SMBs
- ✓ Digital payments can help to solve key Medical Practice pain points
- ✓ Patients prefer digital integrations with Medical Practices
- ✓ Mature ISV (independent software vendor) landscape with strong payments use cases

- Cons

- ✗ Highly competitive payments market that includes generalists with proprietary integrated software solutions, vertical specialists, and vertically integrated SaaS players
- ✗ It is common for ISVs to maintain integrations with other software players and multiple PSPs, thereby adding a vertical-specific challenge for PSPs fighting to capture share of ISV partners' customer bases
- ✗ Well-established ISVs are moving up the payment value chain
- ✗ Potential changes in the insurance landscape could create uncertainty for future card volume growth

The four segments of the Medical Practice vertical have many subsegments, each with their own market characteristics (e.g., size, concentration, growth, payment needs, etc.).

US Medical Practices: Cardable Payments and Market Share

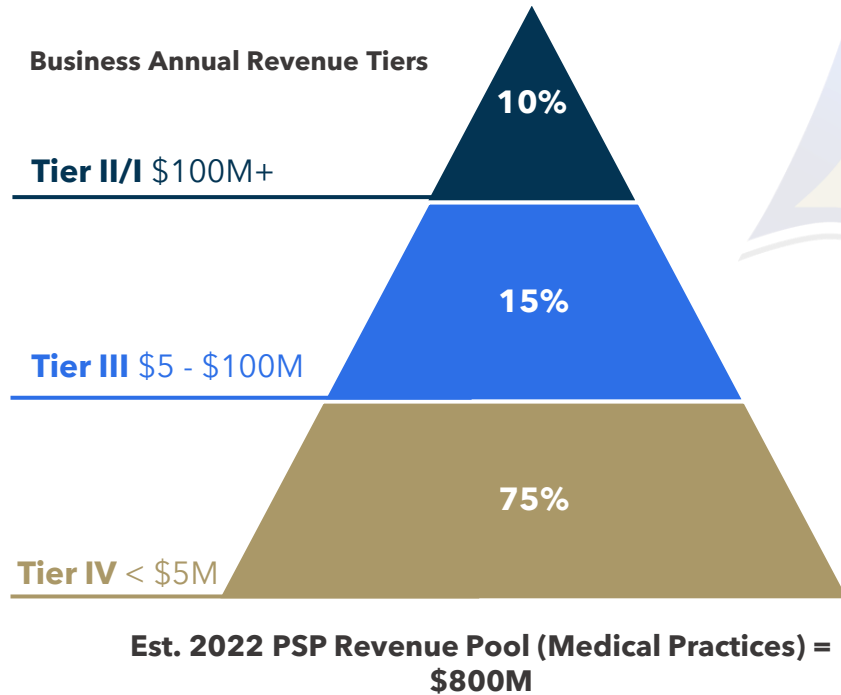


(1) Cardable Industry Payments is defined as industry revenue that has a card payment use case but may be paid with another form factor (e.g., cash, check, ACH, etc.)
 Source: IBISWorld, Flagship Advisory Partners market analysis
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The Medical Practice vertical has ~\$115B in card volume and generates ~\$800M in annual revenue for PSPs. ~60% of PSP revenue is earned from POS payments.

**US Medical Practices:
Payment Service Provider Revenue Pool**
(2022 est.; net of interchange and other pass-through costs)

Estimated PSP Revenue by Business Size



**US Medical Practices:
Key Provider Payment Pain Points and Potential Solutions**

Medical Practices commonly struggle with long patient billing cycles and uncollected patient fees. PSPs with solutions addressing these pain points are positioned to win market share.

PAYMENTS-RELATED PAIN POINTS

Lengthy Billing Cycles

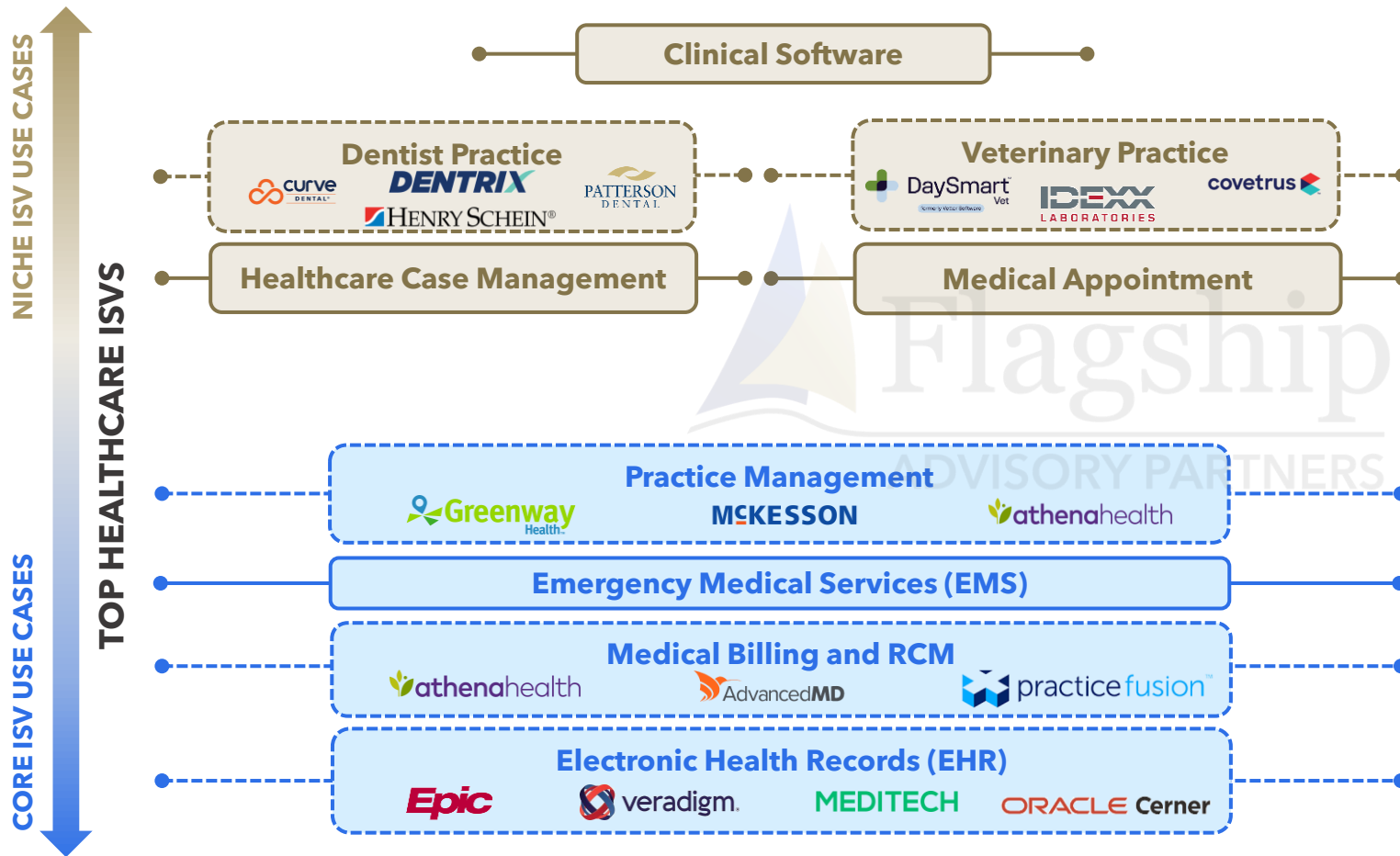
High Costs of Collections

Potential Solutions

- ✓ Multiple payment methods acceptance (HSA, card, ACH)
- ✓ Omni-channel acceptance
- ✓ Recurring billing / card-on-file
- ✓ HIPAA certified data storage
- ✓ Digital payment reminders /e-billing
- ✓ Payment plans
- ✓ 3rd party patient financing
- ✓ Point-of-care payments
- ✓ Cost of care estimates & insurance verification

The Medical Practice ISV landscape can be organized by foundational (e.g., electronic health records) and more niche (e.g., dentistry) use cases. Medical Practices may use several software solutions and payments may need to be integrated across solutions.

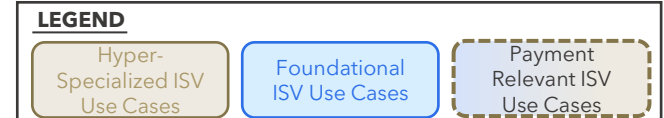
US Medical Practices: ISV Landscape



Interoperability of the various Medical Practice software solutions and payment providers is an important characteristic of the vertical.

It is common for ISVs (especially larger players) to maintain integrations with other software players and multiple PSPs, thereby inducing intense competition among PSPs fighting for shares of such ISVs' volumes. We elaborate on the PSP competitive landscape on the next slide.

The "foundational" ISV use cases presented here are not mutually exclusive. An ISV may fall into several "foundational" use case buckets.

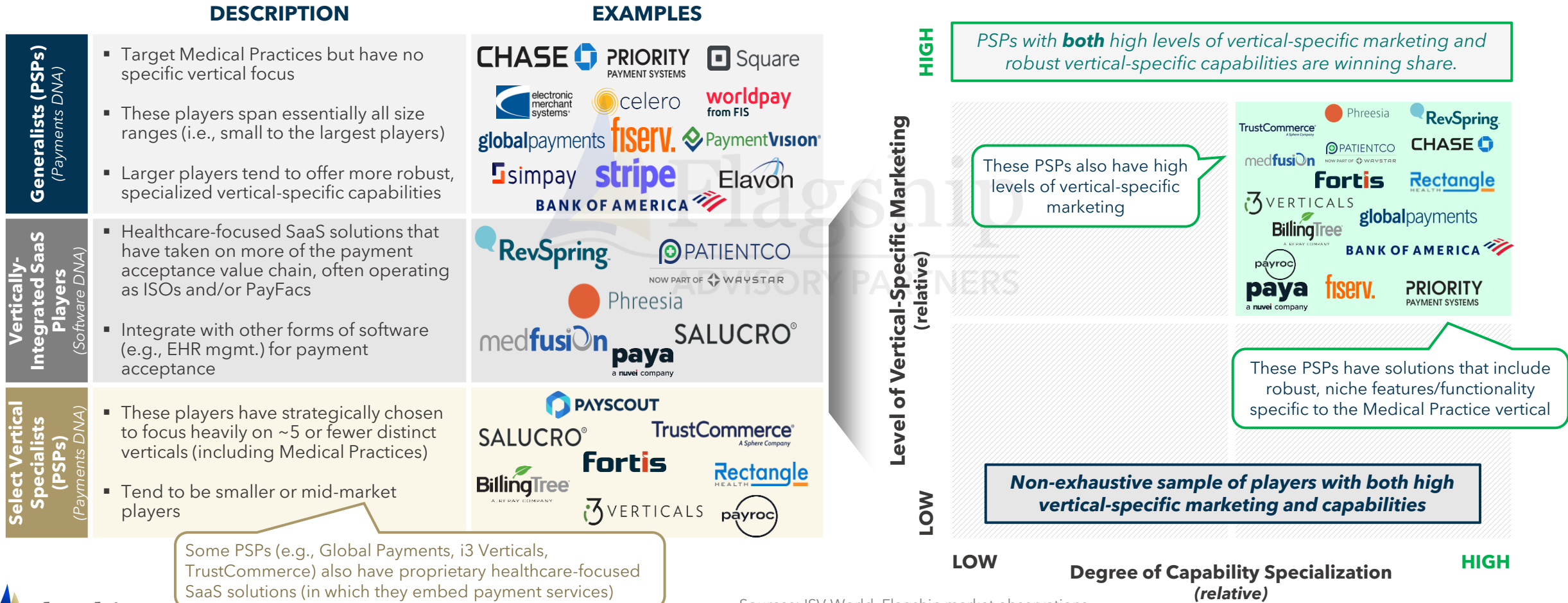


Some PSPs have deep specializations in the Medical Practice vertical, while others leverage more generic offerings to target the space.

US Medical Practices: Payment Service Provider (PSP) Competitive Landscape

Major Competitor Archetypes (select payment services competitors¹)

Medical Practice-Specific Specialization (select payment services competitors)



Thank You!

For any questions or comments, please do not hesitate to contact the author:



Scott DeHaven
Principal

Scott@FlagshipAP.com



Salvatore LoBiondo
Senior Analyst

Salvatore@FlagshipAP.com



Claire Hoffman
Analyst

Claire@FlagshipAP.com



www.flagshipadvisorypartners.com