Regulatory Arbitrage as Investment Strategy: What Frist Cressey Venture Got Right Before Everyone Else

MAR 03, 2026 • PAID

Table of Contents

Abstract

Frist Cressey Ventures (FCV), founded in 2016 by former Senate Majority Leade Frist, MD and PE veteran Bryan Cressey, has built a nearly $1B AUM early-stage healthcare firm around a deceptively simple thesis: find the policy tailwind, back company surfing it. This piece analyzes how FCV's origin story, deeply rooted in Frist's firsthand legislative experience passing landmark laws like the Medicare Modernization Act and PEPFAR, has translated into a repeatable investment philosophy. Using FCV's disclosed portfolio (including Thyme Care, Monogram Health, Bicycle Health, CodaMetrix, Devoted Health, Axuall, and others from th attached funding data), the essay explores which companies are riding specific

regulatory tailwinds, how this strategy has played out in markets over time, and the approach faces genuine risk.

Key data points referenced:

- FCV Fund IV: $425M, oversubscribed, total AUM near $1B (Feb 2026)

- Thyme Care: $97M Series D (Sept 2025) after four rounds totaling $234M+

- Monogram Health: $375M Series C (Jan 2023) from ~$5M Series A in 2019

- Bicycle Health: $50M Series B (May 2022) plus $16.5M venture round (Jan 2025

- CodaMetrix: $55M Series A (Feb 2023), $40M Series B (Mar 2024)

- Devoted Health: $1.15B Series D (Oct 2021)

- Core regulatory drivers: Medicare Modernization Act (MMA) of 2003, CMS Enhancing Oncology Model (EOM, 2023), ESRD KKHI Executive Order (2019), SAMHSA buprenorphine final rule (2024), 21st Century Cures Act interoperabil rules

Where This Investment Philosophy Comes From

There is a concept worth naming directly: regulatory arbitrage in healthcare ven capital. Not in the pejorative tax-evasion sense, but in the structural sense. The i that when a major piece of policy shifts the rules of reimbursement, care deliver market access, a narrow window opens where smart capital and product teams c to scale before incumbents figure out what happened. The window is real. It clos And the firms that see it earliest, usually because they have someone who helped the rules sitting on their investment committee, tend to win disproportionately.

FCV is the clearest institutional embodiment of this strategy in healthcare ventu Frist himself has said it about as plainly as a VC ever does: “The only way to get large scale is good policy.” That quote deserves unpacking because it is doing a l

work. He is not saying policy is good for society, though presumably he believes
He is saying that in a $3T market where most dollars flow through Medicare,
Medicaid, commercial insurance, and regulated pharmaceutical channels, scale i
fundamentally downstream of reimbursement, and reimbursement is fundament
downstream of policy. If you accept that premise, then pattern-matching legislat
cycles becomes a legitimate investment input, not just a nice-to-have for a dilige
memo.

This is not a new idea. But it is rarely institutionalized the way FCV has done it.
funds have one policy advisor or a government affairs guy they call occasionally.
has the person who was literally sitting in the Senate Finance and HELP commit
when most of the modern healthcare regulatory architecture was being built. Fri
served on both committees, was Majority Leader when the MMA passed in 2003
championed PEPFAR before it had mainstream bipartisan buy-in. When he says
sees regulatory tailwinds, he is not using a metaphor. He is describing a pattern
observed from both inside the legislative engine room and from decades of watc
the market respond.

The Man Behind the Method: What Bill Frist Actually Knows That Other VCs Don’t

To understand the FCV thesis, you need to understand what it actually means to
a former Senate Majority Leader as a managing partner rather than an advisory b
checkmark. Frist was not just a senator. He was Majority Leader from 2003 to 20
having gotten there faster than any Senate leader in history. He shepherded the
Medicare Modernization Act through a divided chamber. The MMA of 2003 did
things that matter enormously for the FCV portfolio: it created Medicare Part D
prescription drug benefit) and it formally established what became modern Med
Advantage. Both of those created trillion-dollar market surfaces that companies
FCV portfolio are directly monetizing today.

Before that, Frist spent roughly 20 years as a physician, founded the Vanderbilt Organ Transplant Center, and performed over 150 heart and lung transplants. H won a Senate seat in 1994 as the first practicing physician elected to that body si 1928. That combination, the physician-legislator-investor, is genuinely rare and produces a specific kind of pattern recognition. He understands how care gets delivered, what makes a bill passable across a divided chamber, and what happer market structures when the reimbursement rules change. That is not something can hire into a fund. It is something you either have or you do not.

His current board positions are a masterclass in staying plugged in across both t operator and payer sides of the market. Teladoc, Select Medical, Devoted Health OneOncology, and Accolade are not passive board placements. They are listenin posts across telehealth, institutional care delivery, Medicare Advantage, specialt oncology, and employer benefits. That network produces signal about where pol pressure is building, where reimbursement is loosening, and what the next roun CMS innovation is likely to look like, well before those signals become press rel For a firm writing checks into early-stage health services companies, that kind o intelligence is structural alpha.

Bryan Cressey's contribution to the partnership is equally specific and often underappreciated. He co-founded three of the largest PE firms in the US, manag billions in healthcare-focused private capital over 30 plus years, and was credite the Wall Street Journal with helping invent the industry consolidation investmer strategy. He is the operational and structural finance counterweight to Frist's po antenna. Together they represent a reasonably complete toolkit for healthcare se investing: regulatory foresight on one side, capital markets and operational scale expertise on the other.

The 2016 founding of FCV also matters from a timing standpoint. The Affordab Care Act had been upheld by the Supreme Court in 2012, passed its first major electoral stress test in 2012, and the market had started pricing in a more durabl value-based care transition. CMMI had been operational for about five years and starting to generate real learnings about what worked and what did not in altern payment models. The interoperability provisions of the 21st Century Cures Act

signed into law in December 2016, the same year FCV launched. You can read th coincidences or you can read them as a person who understood the legislative ca very well picking a moment to enter the market.

The Portfolio Under the Microscope: Riding Policy Waves Across Specialties

Looking at the funding data across FCV's disclosed portfolio companies, a clear pattern emerges. Rather than a diversified spray across all of healthcare, the investments cluster around specific policy-created market moments. Each cluste worth examining in some depth.

Starting with Monogram Health, which is arguably FCV's most policy-legible be Monogram is a value-based specialty care provider for patients with chronic kid disease and end-stage renal disease, delivering care in the home. The regulatory tailwind behind this company is unusually clean and well-documented. In July 2 the Trump administration issued the Advancing American Kidney Health execut order, which set a formal target of having 80% of new ESRD patients receiving d at home or receiving kidney transplants by 2025, and created new CMS payment models specifically to incentivize that shift. Before that executive order, the mar for home-based kidney care was a niche. After it, it was a multi-billion-dollar inevitability. FCV backed Monogram's Series A in 2019 for roughly $5M, partici in a $7M Series A extension in 2020, backed the $160M Series B in June 2021, ar along for the $375M Series C in January 2023. That is a roughly 12 to 14x capital deployed increase at the Series C alone relative to the initial check. The compan operates across 34 states and all insurance products. Frist himself wrote a Forbe piece in early 2023 about Monogram's model, framing it explicitly in terms of hc CMS payment reform makes the home-based care model both clinically and economically viable. He is not being subtle about the playbook.

Thyme Care is the oncology analogue to this kidney care story, and the data in th funding spreadsheet tells a clean narrative arc. Series A at $22M in October 202 Series B at $60M in August 2023, Series C at $55M in July 2024, Series D at $97I

September 2025. That is $234M in disclosed funding across four years, with rou sizes accelerating as the regulatory picture clarified. The specific tailwind here i CMS Enhancing Oncology Model, which launched in July 2023 and introduced mandatory downside risk for participating oncology practices across seven comr cancer types. The EOM is basically a forcing function: it makes value-based onc economically necessary rather than optional for participating practices, and thos practices now need a partner to manage the navigation, analytics, and risk infrastructure they cannot build themselves. Thyme Care's timing was surgical. company was founded in 2020, spent 2021 and 2022 building the platform and c model, raised its Series B as EOM was going live, and has been scaling into a structural tailwind ever since. By fall 2023, Thyme Care was serving more than 3 patients and had published data showing a $594 cost reduction per patient per n relative to control. By 2024, CMS had also made the decision to reimburse pract specifically for patient navigation services, which is the core of Thyme Care's pr When the regulator starts paying for your product category, that is as close to a gift as the market produces.

Devoted Health is the most capital-intensive of the FCV-associated bets and the directly traceable to Frist's legislative legacy. The company is a Medicare Advant plan, and Medicare Advantage exists because of the MMA of 2003 that Frist hel author and pass. Without that legislation, there is no Medicare Advantage mark Without Medicare Advantage, there is no Devoted Health. The company raised $ in a Series D in October 2021, valuing it as one of the most significant capital deployments in health plan history for a startup. The co-founders, Ed Park and Park, built Devoted around the thesis that technology-native plan administratio combined with a deeply integrated care delivery model could outperform legacy plans on both clinical outcomes and economics. The regulatory tailwind is the continued expansion of Medicare Advantage enrollment, which has gone from r 5M members in 2003 when the MMA passed to over 30M by the mid-2020s, now covering roughly half of all Medicare-eligible Americans.

CodaMetrix is a different kind of regulatory play and one of the cleaner AI bets portfolio. The company uses machine learning to automate medical coding, clair

reductions of roughly 60% in coding costs and 70% in claims denials for clients. tailwind here is the ICD-10 transition, the 21st Century Cures Act interoperabil requirements, and the ongoing CMS push toward value-based payment models t demand cleaner, more accurate clinical data. Medical coding has been a manual, prone process for decades, not because good automation was impossible but bec the regulatory incentive to fix it was weak under fee-for-service. As value-based contracts require more precise attribution of diagnoses and procedures to cost a quality metrics, the pressure on coding accuracy increases dramatically. FCV lec participated in Carta Healthcare's Series B rounds (two in the dataset, at $20M i 2022 and $18.25M in 2025), and Carta sits in a similar space. The pair of investm suggests a thesis around clinical data infrastructure as a policy-mandated necess not just a nice operational efficiency.

Axuall is one of the more interesting under-discussed bets in the portfolio. The company operates a real-time clinician data network designed to dramatically accelerate credentialing, onboarding, and enrollment for health systems, staffing firms, and health plans. The regulatory context here is the ongoing national clini shortage, combined with state and federal rules around privileging and credenti that have historically made it take 60 to 120 days to onboard a new provider. Pos COVID labor market pressure on clinical staffing, combined with CMS and Join Commission requirements that cannot be waived away, created a market where credentialing speed is now a genuine competitive differentiator for health syster FCV backed Axuall's Series B at $7M in August 2023. The round size is small re to others in the portfolio but the market timing is precise.

Bicycle Health and MD Ally occupy a behavioral health and substance use treatr niche that is almost entirely defined by regulatory decisions made since 2020. Bi Health offers telehealth-based medication-assisted treatment (MAT) for opioid u disorder, built on the COVID-era suspension of the Ryan Haight Act's in-person prescribing requirement for controlled substances. The Ryan Haight Act, passed 2008, had effectively prevented remote prescribing of buprenorphine without a p in-person evaluation. During the COVID public health emergency, DEA suspend that requirement, and SAMHSA subsequently issued guidance making buprenor

prescribing via telehealth a permanent regulatory option under a January 2025 fi rule. Bicycle Health raised $50M in its Series B in May 2022 at the height of the telehealth regulatory flexibility window, and followed that with a $16.5M ventur round in January 2025 shortly after the SAMHSA final rule was published. The investment thesis is fairly legible: a regulatory barrier that had kept a large, addressable population of OUD patients from accessing telehealth treatment wa permanently lowered, and Bicycle Health had already built the clinical infrastru to serve those patients at scale. The risk, discussed more below, is real.

When the Tailwind Stalls: The Bicycle Health Case Study

The same regulatory sensitivity that creates upside in policy-dependent compani creates genuine downside when the policy environment shifts or fails to finalize. Bicycle Health is the clearest case study in the portfolio for this dynamic. The company's entire clinical model depends on the ability to prescribe buprenorphi telehealth without requiring an initial in-person evaluation. That ability was cre entirely by COVID-era emergency flexibilities, extended multiple times through temporary rules (four extensions between 2023 and 2025), and only partially con into permanent regulation through the January 2025 SAMHSA buprenorphine fi rule and the DEA's proposed Special Registration framework.

The DEA's proposed permanent special registration, published as an NPRM in January 2025, would create a new category of telemedicine prescribing authoriza but comes with meaningful constraints. The proposed rule requires nationwide PDMP checks before prescribing, creates administrative registration requireme and does not fully replicate the breadth of the COVID-era flexibilities. Bicycle Health's own CMO was quoted pushing back on the SAMHSA final rule as a "fir step" while calling for the DEA to remove additional in-person requirements. Th company's CEO told Fierce Healthcare that patient care disruption from any rol would be "quite massive," with some patients having driven 100 miles one way t in-person treatment before telehealth was available. That quote is not just a PR It is a real operational risk assessment: if the DEA's final permanent rules are m

restrictive than the temporary flexibilities, Bicycle Health's patient acquisition f narrows significantly.

This is a known and understood risk in policy-dependent investing. The trade is risk-free. It is a bet that the direction of policy travel is toward broader access, t the clinical evidence base (which broadly supports telehealth MAT) will inform l rulemaking, and that the political will to maintain access for OUD patients rema strong. Those bets have reasonable probability weights. But they are bets, not certainties. The comparison to Thyme Care and Monogram Health is instructive those companies benefited from regulatory tailwinds that were either already fin (ESRD KKHI executive order with CMS payment models attached) or were part o longer-standing CMMI program trajectory. Bicycle Health is riding a regulatory flexibility that has been extended four times without permanent resolution. That distinction matters for portfolio construction and for founders building in simil regulatory-adjacent spaces.

What This Tells Us About How to Build and Fund in Healthcare

For investors and founders in health tech, the FCV approach offers a few specifi lessons worth internalizing. The first is what might be called the legislator's cloc advantage. Most investors think about policy risk as a threat vector: what could government do to break my business model. The FCV approach inverts this. Pol a signal. Specific legislative or regulatory developments, whether a new CMMI m a reimbursement code addition, a final rule from SAMHSA, or an executive orde kidney care, are market creation events, not just compliance events. The firms ar founders who treat them as the former and position capital accordingly capture structural advantage over those who are still waiting for "the regulatory picture clear."

The second is that the timing within the policy cycle matters enormously. The op entry point in a regulatory tailwind company is typically before the final rule bu the legislative or executive signal is sufficiently clear. Investing in home kidney c

late 2019, right after the KKHI executive order, was earlier than the 2021 Series well after the policy direction was clear. Similarly, Thyme Care's Series A in Oct 2021 came after CMMI had already been piloting the Oncology Care Model for y and the direction toward a mandatory successor program was legible to anyone following CMS rulemaking closely. Entry at the Seed or early Series A in these windows typically offers the best risk-adjusted return. Entry at Series B or later policy-created markets tends to be efficient capital deployment at best, because tailwind is visible to everyone by then.

The third lesson is the LP structure as signal. FCV's disclosed LP base for Fund includes The Cigna Group Ventures, MedStar Health, and OhioHealth, a set of strategic LPs that collectively touch more than 50% of the US population. This is incidental. Strategic LPs from the payer and health system side are not just writi checks for financial returns. They are buying optionality on preferred access to portfolio companies, which in turn gives portfolio companies faster paths to pilo contracts and distribution. For health tech founders evaluating venture partners composition of a fund's LP base is worth scrutinizing as carefully as the partners themselves. A fund whose LPs are likely customers for your product is a structu different type of partner than a pure financial LP base.

The fourth is about the geography of the thesis. FCV explicitly does not invest in molecules or devices. That is not an accident or a gap in coverage. It is a delibera focus on the $3T health services market, which Frist has characterized as his are deep specialization. The health services market, spanning care delivery, care enablement technology, value-based infrastructure, and the administrative mach of insurance, is also where policy has the most direct and immediate effect on ur economics. Drug approval is a long, FDA-driven process with its own regulatory Device clearance is a separate domain. Health services reimbursement changes h on annual CMS update cycles, are telegraphed well in advance through proposed and comment periods, and create immediate commercial consequences for opera in those markets. That is a much more readable policy signal than an FDA advis committee.

The Road Ahead: Regulatory Winds Are Shifting Again

As of early 2026, the policy environment is genuinely complex in ways that will t the regulatory tailwind thesis in real time. The new administration's approach to CMMI is uncertain. The Enhancing Oncology Model, the direct regulatory engi behind Thyme Care's Series D, was a Biden-era CMMI program and faces some r modification or curtailment. Medicaid funding is under pressure from proposed budget reconciliation changes, which affects the reimbursement pool for several portfolio companies serving lower-income populations. Telehealth flexibilities, including those underpinning Bicycle Health, are in a permanent regulatory lim with the DEA's final special registration rule still not finalized as of this writing.

At the same time, there are significant new tailwinds forming. AI in clinical documentation and coding, the market that Ambience Healthcare and CodaMet building into, has policy support from both sides of the aisle on administrative burden reduction. The ongoing CMS push toward primary care transformation, including the ACO REACH model and advanced primary care initiatives, is crea new market surfaces for companies like Visana Health. Rural health, which Fris flagged explicitly as the next unsolved problem in healthcare services, is getting increasing policy attention and funding from both federal and state sources, eve company has cracked the operating model yet. The credentialing and workforce infrastructure market, where Axuall operates, continues to tighten as every heal system in the country faces ongoing clinical workforce shortages with no structu relief in sight.

What remains consistent across these shifting policy landscapes is the underlyin logic of the approach. Healthcare is a regulated market. In regulated markets, regulatory literacy is alpha. The investors and founders who understand not just the current rules are but how rules get written, who the stakeholders are, what t comment period dynamics look like, and what political conditions make certain of reform viable, systematically see opportunities earlier and with better signal-t noise than those who treat policy as background noise. FCV institutionalized tha

literacy in a way that is genuinely unusual in the VC ecosystem, by centering a founding partner whose primary career was building the regulatory architecture the portfolio companies now operate within.

That is a hard thing to replicate. But the pattern it produces is worth studying f anyone building or backing companies at the intersection of healthcare and technology, which is basically the only place worth building and backing healthc companies right now.

2 Likes • 1 Restack

← Previous

Nex

Discussion about this post

Comments Restacks

Write a comment...