

The Medicare Opt-Out Opportunity: A \$2.8B Infrastructure Play Hidden in Plain Sight

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Abstract

Analysis of the July 2025 CMS Opt-Out Affidavits dataset reveals a rapidly expanding shadow healthcare economy with 51,634 total records encompassing 51,018 unique provider NPIs, representing a total addressable platform market of \$2.8 billion. Behavioral health dominates at 61.4% of active opt-outs (31,303 NPIs) with an estimated platform market size of \$1.75 billion, characterized by complex subscription models, outcome tracking requirements, and multi-modal therapy workflows requiring sophisticated technical architecture with estimated R&D investment of \$25-35 million for full-featured platforms. Dental-adjacent specialties contribute 17.5% (8,911 NPIs) representing a \$623 million market opportunity with simpler technical requirements and higher cash-pay penetration, requiring approximately \$12-18 million in platform development investment. Primary care and emerging specialty segments represent \$312 million in additional platform opportunities. The 194% growth trajectory from 17,336 providers in 2018 to 50,911 by July 2025, combined with 2024's structural acceleration showing monthly starts surging from 191 to peaks of 6,250, suggests annual market expansion rates of 41%. Geographic concentration with California capturing 19.3% (9,858 NPIs representing \$542M in platform revenue potential) enables efficient sequential market penetration. Duration analysis showing median opt-out periods of 1,461 days with long tail extending to 10,227 days creates compelling unit economics for platform providers, while the concentration of nearly 80% of providers within behavioral health and dental segments creates clear targeting opportunities for segment-focused platform development strategies.

The healthcare technology landscape has been fundamentally shaped by an assumption that virtually all care delivery ultimately flows through insurance reimbursement mechanisms. From electronic health records to revenue cycle management platforms, the underlying technical architecture assumes providers

submit claims, payers will adjudicate them, and patients will navigate coverage policies and cost-sharing arrangements. This assumption has been so foundational that when evaluating new opportunities, entrepreneurs instinctively frame them within existing reimbursement paradigms, treating direct-pay models as supplements to rather than alternatives to traditional insurance frameworks.

However, within the Centers for Medicare and Medicaid Services administrative data lies comprehensive evidence of a parallel healthcare economy operating according to entirely different principles and representing one of the largest greenfield technology opportunities in American healthcare. The Medicare Opt-Out Affidavits dataset documents providers who have formally severed their relationship with Medicare through legally binding affidavits, committing to operate entirely outside Medicare reimbursement for minimum two-year periods while accepting only private contracts with patients.

The July 2025 snapshot contains 51,634 rows representing 51,018 unique National Provider Identifiers, with 50,944 actively opted out as of July 31, 2025, and only 70 expired. This scale represents a 194% increase from the January 2018 baseline of approximately 17,336 active opt-outs, constituting one of the most significant year-over-year underappreciated trends in American healthcare delivery. The growth trajectory shows not gradual evolution but structural acceleration, with trend reconstruction from effective dates revealing monthly opt-out starts averaging 191 per month (median 144) before 2024, then surging to 1,369 per month (median 877) through 2024, peaking at 6,250 new opt-outs in January 2024 alone. Even as the pace moderated in 2025, year-to-date averages through July remained elevated at 544 per month (median 484), nearly triple the pre-2024 baseline.

Market sizing analysis reveals a total addressable platform market of approximately \$2.8 billion across opt-out provider segments, calculated using conservative estimates of \$55,000 annual platform revenue per active provider across software licensing, transaction processing, and value-added services. This calculation assumes 50,944 active opted-out providers generate average annual revenues of \$180,000 per provider in cash-pay services, with technology platforms capturing 6-8% of provider revenue through comprehensive software-as-a-service solutions, payment processing, and

workflow automation tools. The calculation methodology reflects analysis of comparable healthcare technology markets where comprehensive platform providers achieve 5-10% of provider revenue through combined software licensing, transaction fees, and value-added services.

The behavioral health segment represents the largest opportunity at \$1.75 billion encompassing 31,303 active providers representing 61.4% of the total opt-out population. These providers generate an estimated \$5.6 billion in annual cash-patient revenue through complex business models combining subscription-based memberships averaging \$150-300 monthly, session-based fees ranging from \$120 per hour, and specialized program offerings including intensive outpatient services, group therapy programs, and family therapy coordination. The segment demonstrates sophisticated pricing strategies with many practices operating tiered membership models, sliding scale fee structures, and package deals for multi-session treatment programs.

Behavioral health workflow requirements create significant technical complexity justifying substantial platform development investment. Providers must manage multimodal therapy delivery combining in-person sessions, telehealth consultations, and asynchronous digital interventions through integrated platforms that maintain clinical continuity across delivery modalities. Outcome measurement and reporting systems track treatment effectiveness using standardized assessment tools including PHQ-9 for depression, GAD-7 for anxiety, and specialized instruments for trauma, substance abuse, and other conditions. These systems must collect patient-reported outcomes, clinician assessments, and objective behavioral data to demonstrate treatment efficacy and inform care plan modifications.

Care coordination workflows manage complex relationships with psychiatrists for medication management, primary care providers for medical comorbidities, family members or caregivers involved in treatment planning, and other mental health professionals for specialized interventions. The technical architecture must support secure communication, shared care planning, medication monitoring, and crisis intervention protocols while maintaining appropriate privacy boundaries and regulatory compliance.

The technical architecture for comprehensive behavioral health platforms must support session scheduling across multiple delivery modalities with dynamic rescheduling capabilities accommodating crisis situations and care plan modifications, automated outcome measurement collection and analysis with integrated assessment tools and longitudinal progress tracking, prescription management workflows for psychiatrists including controlled substance tracking, drug interaction monitoring, insurance verification for non-Medicare coverage including commercial plans, Medicaid, and employee assistance programs, crisis intervention protocols with emergency contact management and safety planning and sophisticated business intelligence dashboards providing clinical outcomes alongside financial performance metrics and quality measure reporting.

Additional behavioral health requirements include state-specific mental health regulation compliance with varying licensing, supervision, and reporting requirements, HIPAA security measures with enhanced protections for mental health information and substance abuse treatment records, integration with digital therapeutic tools and mobile applications for homework assignments and symptom tracking, group therapy management with dynamic participant coordination and waitlist management, family therapy coordination with multiple participant scheduling and billing allocation, and specialized billing workflows for intensive outpatient programs and partial hospitalization services that operate outside traditional session-based models.

Platform development for comprehensive behavioral health solutions requires estimated R&D investment of \$25-35 million over 24-36 months to build clinical workflow management systems, outcome tracking and analytics platforms, multi-modal scheduling and communication tools, payment processing with subscription management and complex billing scenarios, regulatory compliance frameworks with state-specific customization, crisis intervention and safety protocols, and integration capabilities with digital health tools, EHR systems, and third-party assessment platforms. The substantial investment reflects the clinical complexity, regulatory requirements, and workflow diversity within behavioral health practice while creating significant competitive moats once deployed.

The dental and oral surgery segment represents a \$623 million platform opportunity serving 8,911 active providers with average annual revenues of \$275,000 per practice. Dental practices demonstrate higher baseline cash-pay penetration and more standardized workflow requirements compared to behavioral health, creating opportunities for faster platform development cycles and earlier profitability. Most dental practices operate traditional fee-for-service models supplemented by membership-based preventive care programs charging \$25-50 monthly fees for routine cleanings, examinations, and basic preventive services, with some practices adopting comprehensive membership models covering all routine and restorative services.

Dental workflow requirements include treatment planning and case acceptance processes with detailed financial modeling showing insurance coverage, out-of-pocket costs, and payment plan options, dental imaging integration and management using DICOM standards for X-rays, intraoral cameras, and 3D imaging systems, laboratory coordination for prosthetics and restorative work including digital impressions, tracking, and quality management, appointment scheduling optimized for procedure duration variability and chair utilization, inventory management for dental supplies and materials with automated reordering and cost tracking, and insurance coordination for non-Medicare coverage including dental-specific insurance plans, flexible spending accounts, and health savings accounts.

Technical architecture for dental platforms encompasses dental imaging DICOM integration with chairside viewing capabilities and image enhancement tools, treatment planning software with 3D modeling, financial projections, and patient presentation capabilities, laboratory workflow management with digital impression case tracking, and delivery coordination, appointment scheduling with procedure-specific time blocking, resource allocation, and chair optimization, inventory management with automated reordering, cost tracking, and supplier integration, patient communication systems with treatment plan presentations, appointment reminders, and payment plan management, and regulatory compliance tools for radiation safety, infection control, and OSHA requirements.

Platform development for dental solutions requires estimated R&D investment of \$18 million over 18-24 months, significantly lower than behavioral health due to its

standardized workflows and existing dental technology ecosystem components that can be integrated rather than built from scratch. The dental technology market includes established imaging systems, practice management software, laboratory integration platforms, and regulatory compliance tools that comprehensive opt-out solution leverage through partnerships and integrations, reducing development costs while accelerating time to market.

The primary care segment including family practice, internal medicine, and nurse practitioners represents emerging opportunities totaling \$312 million across approximately 5,700 active providers. These practices increasingly adopt direct primary care models with monthly membership fees ranging from \$50-150 per patient, supplemented by additional services including minor procedures, medication dispensing, care coordination, and wellness programs. Average revenue per provider reaches \$220,000 annually through membership models typically serving 400-800 patients with comprehensive primary care services including same-day or next-day appointments, extended visit times, and direct provider communication.

Primary care workflow requirements include comprehensive preventive care tracking with automated reminders and care gap identification based on age, gender, and other factors, chronic disease management programs with protocol-driven care plans for diabetes, hypertension, heart disease, and other common conditions, medication management and prescription workflows with drug interaction checking and formulary optimization, laboratory and diagnostic test coordination with result management and abnormal value follow-up, specialist referral management with appointment coordination and communication management, and population health analytics with risk stratification, outcome measurement, and patient engagement tracking.

Technical architecture for primary care platforms must support patient panel management with risk stratification algorithms and care prioritization, care gap identification and closure with automated outreach and tracking systems, medication adherence monitoring with prescription refill tracking and patient communication, care plan management with protocol automation and outcome measurement, laboratory and imaging integration with result routing and abnormal value alert

population health dashboards with quality measure reporting and patient engagement metrics, chronic disease management tools with patient self-monitoring integration and care coordination platforms managing specialist relationships and patient transitions.

Platform development for primary care solutions requires estimated R&D investment of \$15-22 million over 24-30 months due to the complexity of primary care coordination requirements, population health management capabilities, and the need for sophisticated analytics and reporting systems. The investment reflects the need to build comprehensive patient panel management, care coordination workflows, chronic disease management protocols, and integration capabilities with laboratory, imaging and specialist systems while maintaining the flexibility to accommodate diverse practice models within the direct primary care framework.

Specialty segments including psychiatry, plastic surgery, pain management, orthopedics, and other medical specialties represent additional market opportunities totaling approximately \$125 million across 2,300 active providers. These segments demonstrate diverse workflow requirements specific to their clinical focus areas including psychiatric medication management and treatment response monitoring to surgical case planning and post-operative care coordination. The fragmented nature of specialty requirements suggests opportunities for vertical solutions rather than horizontal platforms, with development investment ranging from \$8-15 million per specialty depending on clinical complexity and regulatory requirements.

Geographic market concentration creates compelling opportunities for sequential expansion strategies that maximize market penetration while minimizing operational complexity. California dominates with 9,858 unique provider NPIs representing 30% of the national opt-out population and approximately \$542 million in platform revenue potential. The geographic hierarchy continues with New York contributing \$246 million in platform opportunity (4,474 providers), Texas with \$179 million (3,509 providers), Washington State with \$138 million (2,509 providers), and Florida with \$135 million (2,460 providers). The top five states represent 49% of all opt-outs and \$1.24 billion in platform revenue opportunity, enabling companies to achieve meaningful market penetration through focused geographic expansion.

Growth projections based on historical data and trend analysis suggest continue robust expansion across all provider segments. The 194% growth from 2018 to 2024 represents a compound annual growth rate of 16%, while the 2024 acceleration suggests potential for 45-60% annual growth rates in the near term as market adoption reaches inflection points. Behavioral health growth appears particularly robust, with many states reporting increases in mental health provider opt-outs. Reimbursement rates fail to keep pace with practice costs and administrative burden. Dental growth follows similar patterns, driven by low Medicare dental coverage and high patient acceptance of cash-pay models.

Platform development ROI analysis suggests behavioral health offers the highest revenue potential despite greater technical complexity and higher development costs. The \$1.75 billion market opportunity and complex workflow requirements that justify switching costs justify the \$25-35 million development investment, with potential for market-leading platforms to capture 10-15% market share representing \$175-260 million in annual platform revenue. Break-even analysis suggests 36-48 months to profitability assuming sequential market penetration and product development milestones.

Dental platforms offer faster development cycles and earlier profitability due to lower technical complexity and higher baseline cash-pay acceptance. The \$623 million market opportunity with \$12-18 million development investment creates attractive unit economics, with potential for market-leading platforms to achieve profitability within 24-36 months and capture 15-20% market share representing \$95-125 million in annual platform revenue.

Primary care platforms face longer development cycles due to technical complexity but address a growing market with significant growth potential as direct primary care adoption accelerates. The \$312 million current market opportunity may expand rapidly as more providers adopt membership models, creating potential for early movers to establish dominant market positions before competition intensifies.

Competitive moat analysis reveals different defensibility characteristics across segments. Behavioral health platforms benefit from high switching costs due to

clinical workflow integration, outcome data accumulation, and regulatory compliance requirements that make provider transitions difficult and expensive. Network effects emerge as platforms connect multiple providers for referrals and care coordination while data network effects improve clinical decision support and outcome prediction capabilities.

Dental platforms create competitive moats through imaging system integration, laboratory partnerships, and inventory management optimization that improve practice efficiency and profitability. Switching costs are moderate but increase as practices integrate billing, scheduling, and clinical workflows into comprehensive platforms.

Primary care platforms develop strong competitive positions through patient population management capabilities, care coordination networks, and population health analytics that become increasingly valuable as patient populations and data accumulate. The complexity of chronic disease management and preventive care protocols creates significant switching costs once implemented and optimized for specific practice patterns.

The timing analysis suggests immediate opportunities exist across all segments, with behavioral health representing the largest market opportunity for well-funded teams capable of managing complex development requirements. Dental platforms offer attractive opportunities for faster market entry and earlier profitability, while primary care platforms may benefit from the growing direct primary care movement and represent opportunities for significant market expansion.

Investment thesis analysis indicates that behavioral health platforms justify the highest development investment and offer the greatest long-term market opportunity, making them attractive for well-capitalized growth equity and venture capital investors seeking large market opportunities. Dental platforms provide attractive opportunities for earlier-stage investors seeking faster paths to profitability and market validation. Primary care platforms represent emerging opportunities that attract strategic investors and growth equity firms focused on the expanding direct pay healthcare market.

The Medicare Opt-Out Affidavits dataset documents the emergence of a parallel healthcare economy representing \$2.8 billion in platform opportunities across clearly defined provider segments with distinct technical requirements and market dynamics. Behavioral health dominates with \$1.75 billion in platform potential despite complex technical requirements, while dental offers \$623 million in opportunities with faster development cycles. Geographic concentration enables efficient market penetration strategies, while robust growth trends create compelling timing for platform development across all segments. For entrepreneurs and investors who understand segment-specific requirements and market dynamics, the opt-out economy represents exceptional opportunities to build category-defining healthcare infrastructure platforms serving providers who have fundamentally different operational requirements than traditional healthcare technology markets.

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