



# Healthcare M&A Quarterly Update

Q4 2023

# Q4 2023 Healthcare Mergers and Acquisitions (M&A) Highlights

## M&A Quarter Trends and Highlights

- There were 381 announced US transactions in Q4 2023, compared to 393 in the prior quarter. Significant deals in Q4 included a definitive agreement for Tenet Health to sell three South Carolina hospitals to Novant Health for \$2.4 billion and UC San Diego Health's purchase of Prime Healthcare's 302-bed Alvarado Medical Center for \$200 million.
- Physician medical groups led the way with 96 announced US transactions in the quarter, including Ascend Capital Partners' announced acquisition of 4,800-provider Seoul Medical Group.
- Freestanding emergency departments are growing in popularity as care continues to shift away from a traditional hospital setting. Consistent with this trend, HCA completed its acquisition of 11 freestanding emergency departments from SignatureCare Emergency Center.

## Relevant ECG Thought Leadership



- [“Read the Fine Print: Navigating Health System and ASC Joint Venture Transaction Documents”](#)
- [“Three Takeaways from HPE NYC 2023”](#)
- [“How Will Private Equity Investors Impact Cardiovascular Care Delivery?”](#)
- [“Mountain Health Network, Marshall University, and Marshall Health Form a New Academic Health System”](#)

Sources: *Becker's Hospital Review*, LevinPro HC, and the FTC. Note: Transaction volumes for prior quarters are not adjusted retroactively.

## Notable Q4 2023 Transactions

Tenet Health Signs Definitive Agreement to Sell Three Hospitals to Novant Health



Prime Healthcare Sells Alvarado Hospital Medical Center to UC San Diego Health



Parkview Health System Joins UHealth (Colorado), Adding 350 Licensed Beds



St. Luke's and Aspirus Sign Definitive Agreement to Merge, Forming 19-Hospital System



Mountain Health Network, Marshall University, and Marshall Health Form New Academic Health System<sup>1</sup>



<sup>1</sup> ECG served as the strategic adviser for all parties.

# FTC/Regulatory Spotlight

## Regulatory Environment Quarterly Synopsis

- ➔ The federal government continues to ramp up regulation surrounding healthcare transactions. In December 2023, the FTC sued to block John Muir Health's acquisition of San Ramon Regional Medical Center from Tenet Healthcare. This resulted in John Muir calling off the transaction. Similarly, Cigna and Humana abandoned their planned \$140 billion transaction partly due to regulatory concerns.
- ➔ The FTC and DOJ finalized their new merger guidelines, which will likely bring enhanced regulatory scrutiny to healthcare transactions. Most notably, the guidelines expand the scope of which transactions will be reviewed by the FTC for anti-competitive impacts, meaning more transactions will go under review.

## Relevant Publications



- [Merger Guidelines 2023](#) (FTC).
- ["Statement Regarding the Termination of John Muir's Takeover of San Ramon Regional Medical Center from Tenet Healthcare"](#) (FTC).
- ["FTC, DOJ Issue Fiscal Year 2022 Hart-Scott-Rodino Notification Report"](#) (FTC).

Sources: *Becker's Hospital Review*, the FTC, the *Wall Street Journal*, and LevinPro HC.

## Notable Q4 2023 Transactions under Regulatory Scrutiny

 <p>The FTC has blocked John Muir's acquisition of:</p> 	 <p>Lawmakers ask FTC to examine Optum's acquisition of:</p> 	 <p>Due to regulatory concerns, Cigna has called off its transaction with:</p> 
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With the finalization of the FTC and DOJ's merger guidelines, ECG expects to see an uptick in transactions challenged by the federal government. Uncertainty exists for healthcare investors, as they are unclear on current regulations given that more and more transactions are blocked.

# Private Equity in Healthcare

## Private Equity Quarterly Synopsis

- In Q4 2023, there were 132 announced US healthcare private equity deals, down from 152 in the prior quarter. The quarter's transaction volume was lower than that of any quarter over the last two years.
- The federal government launched an investigation into the effects of private equity ownership on hospital quality. A recent study from JAMA Network found that private equity-acquired hospitals were associated with increased hospital-acquired adverse events.

## Significant Healthcare Private Equity Transactions: Q4 2023

### GTCR Announces Agreement to Acquire Cloudbreak Health



The deal with UpHealth for Cloudbreak, valued at \$180 million, is expected to close in Q1 2024.

### QHP Capital Has Acquired Applied StemCell



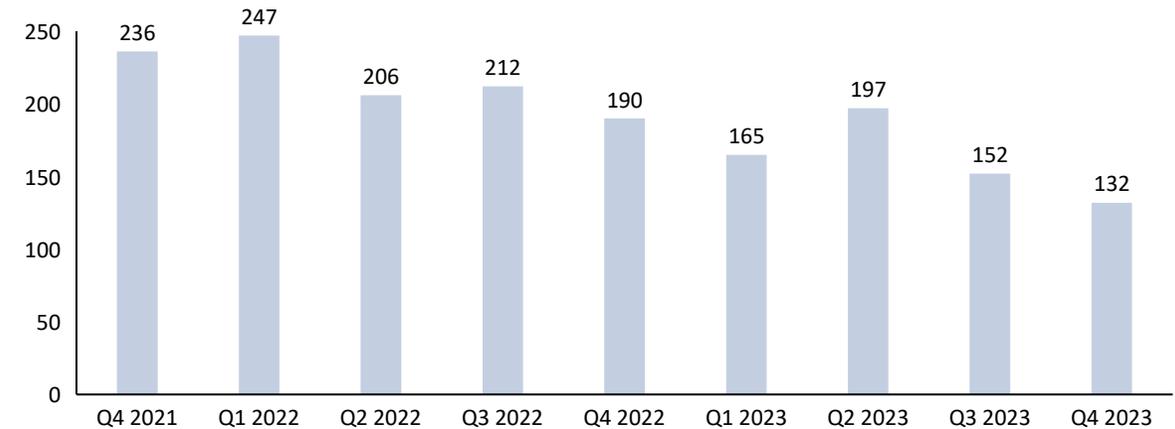
Applied StemCell is a gene therapy CRO-CDMO focused on supporting research and the biotech industry.

### Ascend Capital Partners Has Acquired a Majority Stake in Seoul Medical Group



Seoul Medical Group is one of the country's leading physician-run independent physician associations.

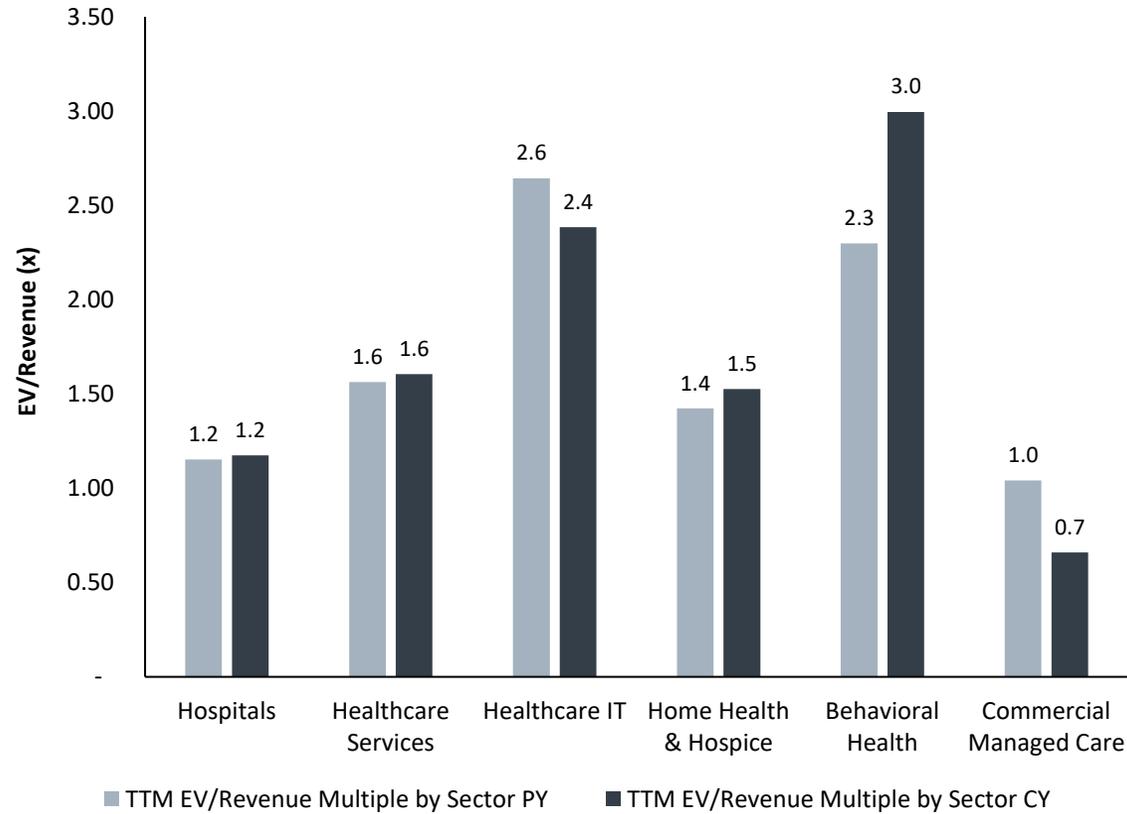
## Announced US Healthcare Private Equity Deals by Quarter



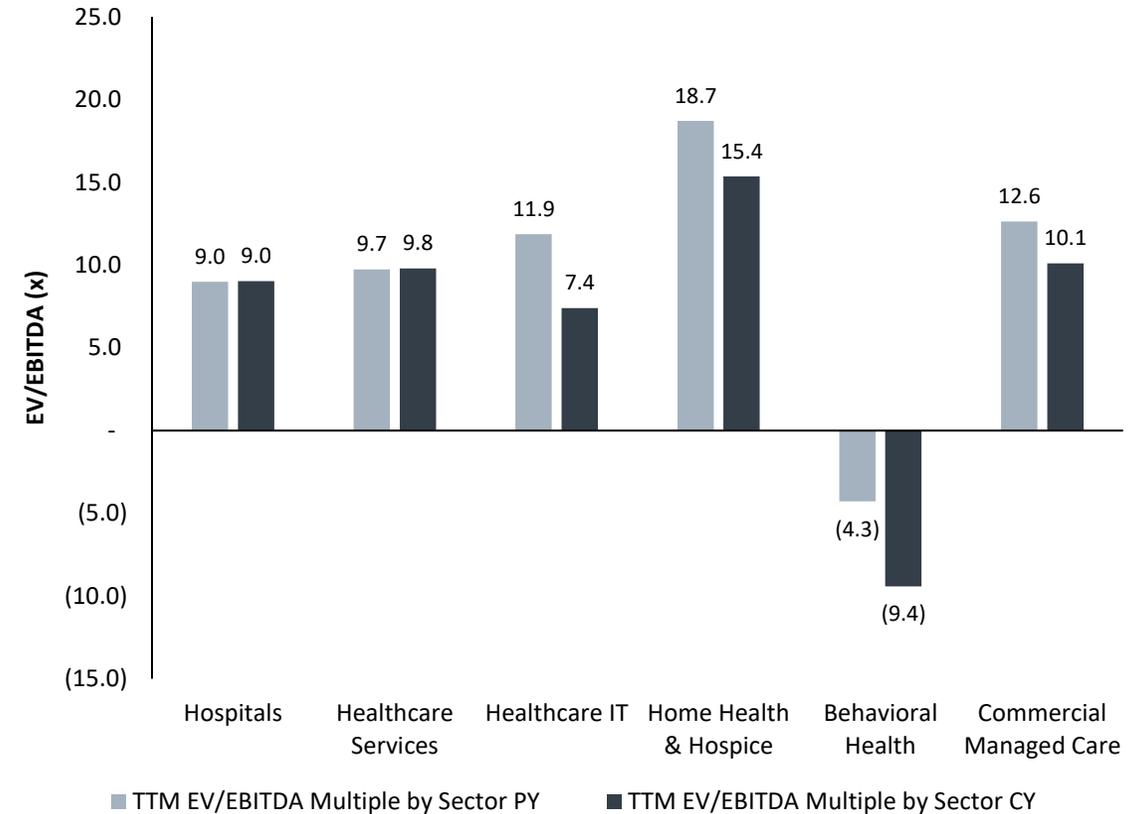
Sources: LevinPro HC, Business Wire, Pitchbook, Healthcare Dive, and JAMA Network. Note: Transaction volumes for prior quarters are not adjusted retroactively.

# YOY TTM Revenue and EBITDA Medians by Sector

## Q4 2023 TTM versus Q4 2022 TTM EV/Revenue



## Q4 2023 TTM versus Q4 2022 TTM EV/EBITDA



Source: Capital IQ.

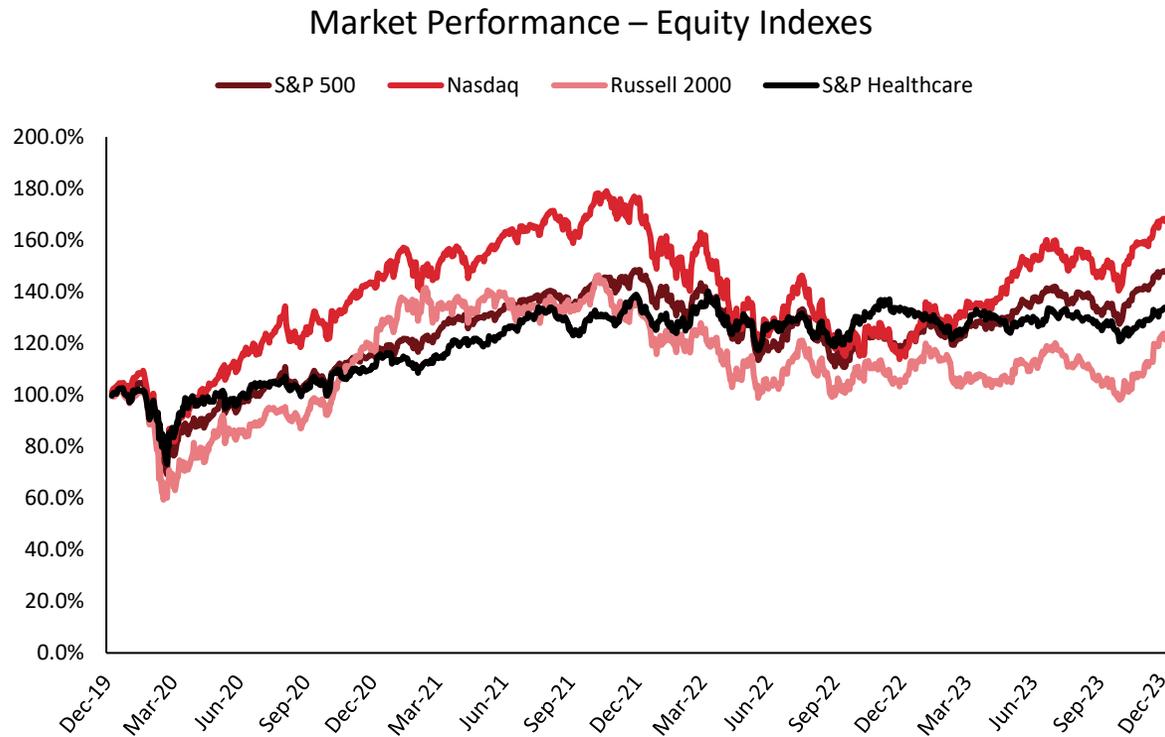
Notes: YOY = year over year. TTM = trailing 12 months. EV = enterprise value. PY = prior year. CY = current year. A list of companies included in each sector is shown at the end of this presentation.

Comparisons reflect publicly available information as of January 3, 2024.

# Equity and Bond Index Comparison

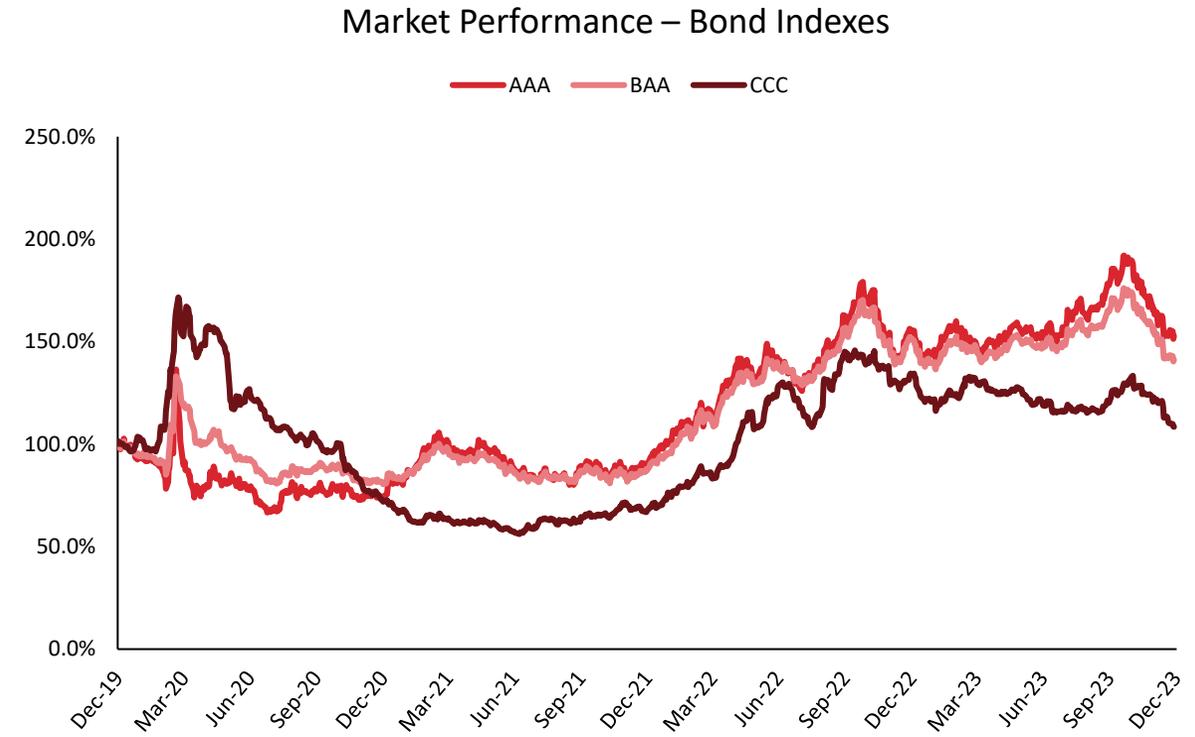
Nasdaq continues to outperform the S&P Healthcare sector, while the broader S&P 500 has remained flat compared to the healthcare index.

## Equity Index Trend



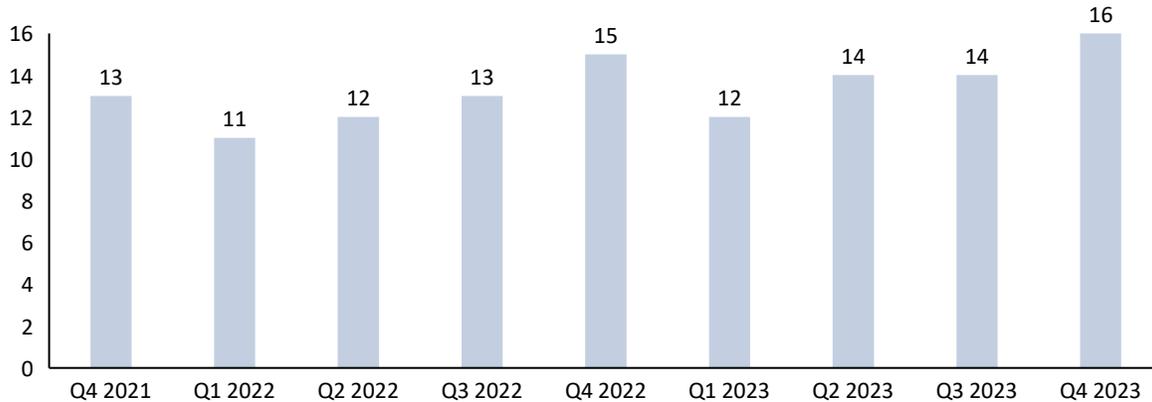
Source: Capital IQ.

## Bond Index Trend

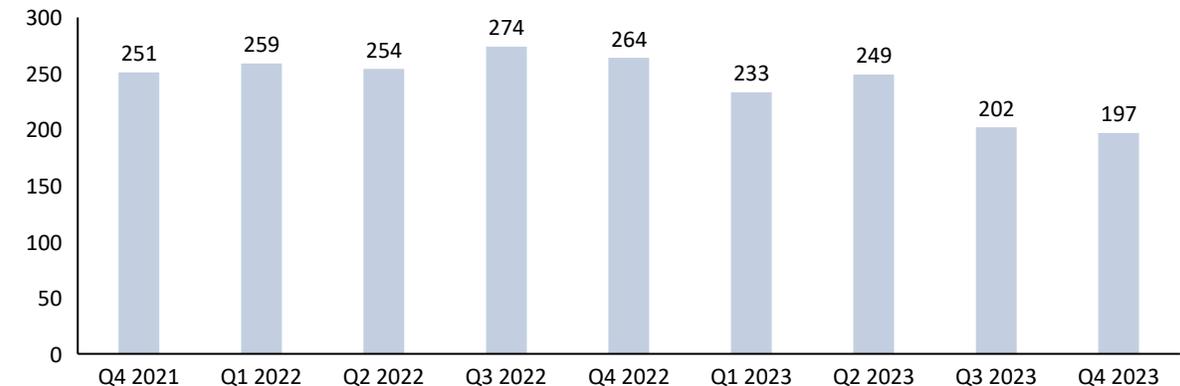


# Q4 2023 Announced US Transactions by Sector<sup>1</sup>

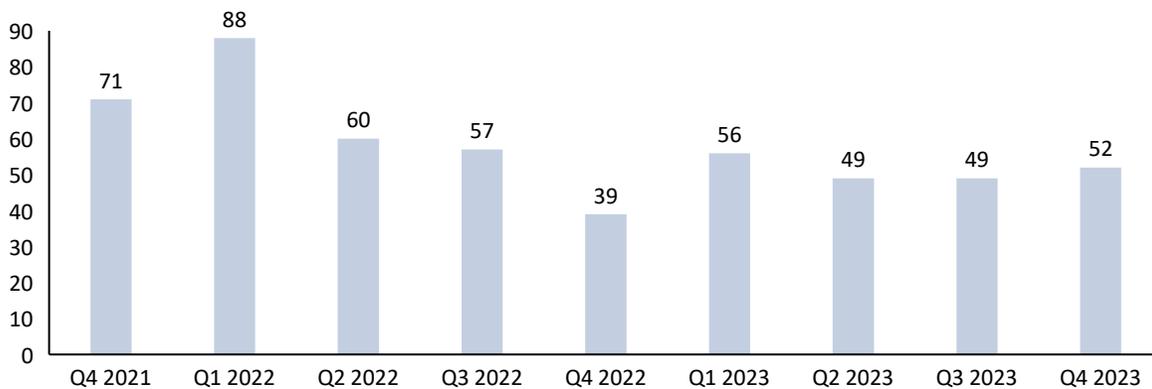
## Hospitals Quarterly Transaction Trend



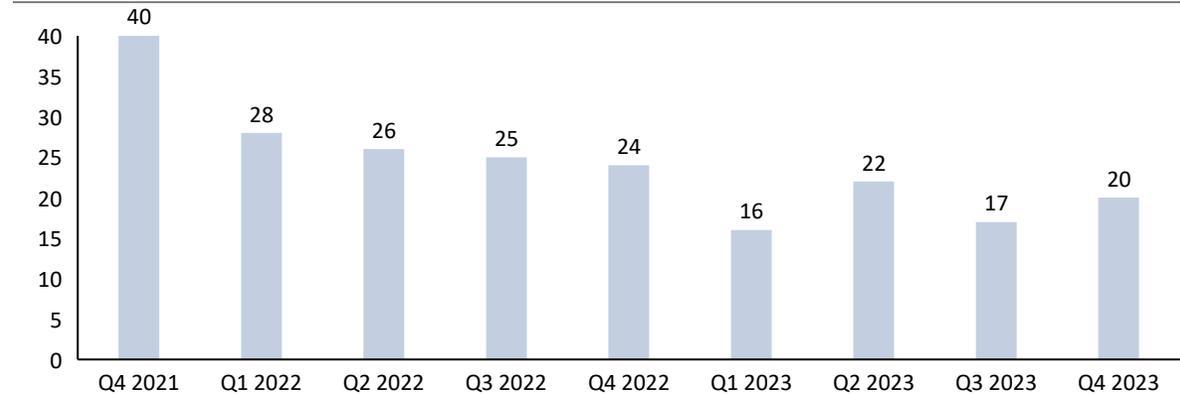
## Healthcare Services Quarterly Transaction Trend



## Health Tech Quarterly Transaction Trend



## Home Health and Hospice Quarterly Transaction Trend

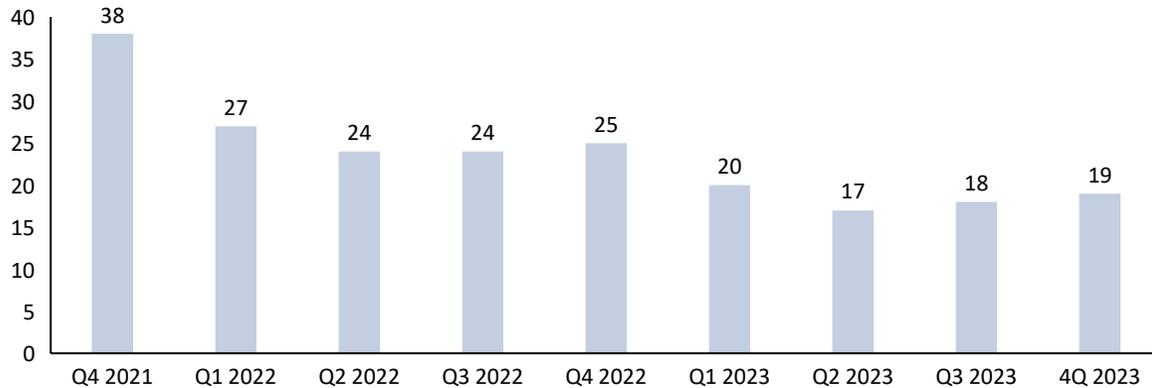


Source: LevinPro HC. Note: Transaction volumes for prior quarters are not adjusted retroactively.

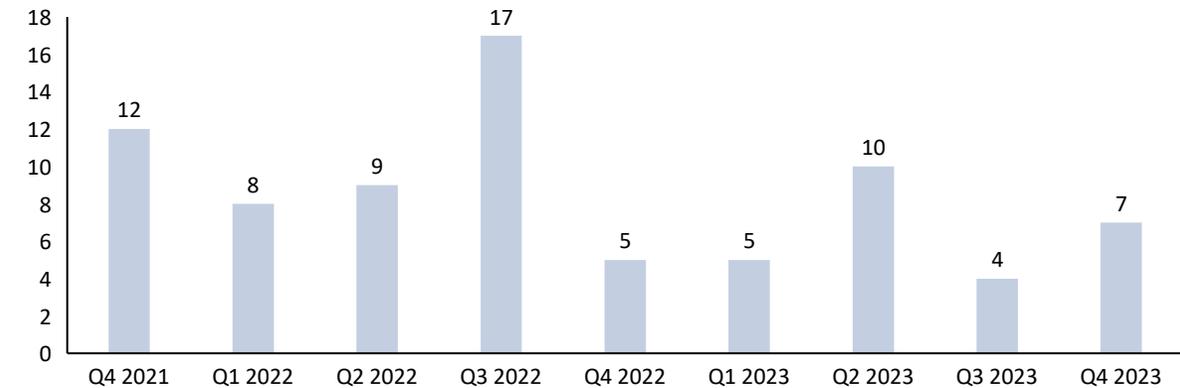
<sup>1</sup> Health services include deals in biotechnology, laboratories, MRA and dialysis, ACOs, ASCs, chiropractic, CROs, GPOs, health clinics, payments and billing, home equipment, infusion, occupational health, organ transplant, outpatient clinics, population health, primary and value-based care, specialty pharmacy, urgent care, pharmaceuticals, physician medical groups, and rehabilitation. All transaction counts sourced from LevinPro HC.

# Q4 2023 Announced Transactions by Sector *(continued)*

## Behavioral Health Quarterly Transaction Trend



## Managed Care Quarterly Transaction Trend



- Despite the overall healthcare transaction count being down quarter over quarter, deal volume increased for the specific sectors analyzed by ECG, except for healthcare services.
- Q4 2023 transaction volume for all analyzed sectors was below the 2022 quarterly average, aside from the hospital sector.
- Hospital transaction count in Q4 2023 was higher than any quarter over the past two years.

Source: LevinPro HC. Note: Transaction volumes for prior quarters are not adjusted retroactively.

# ECG Mergers, Acquisitions, and Partnerships (MAP) Team Leadership

Through five decades of experience, we've learned that successful problem-solving requires deep industry knowledge and expertise; rigorous data and analytics; strategic foresight; political and organizational savvy; and, most importantly, practical solutions that get implemented.



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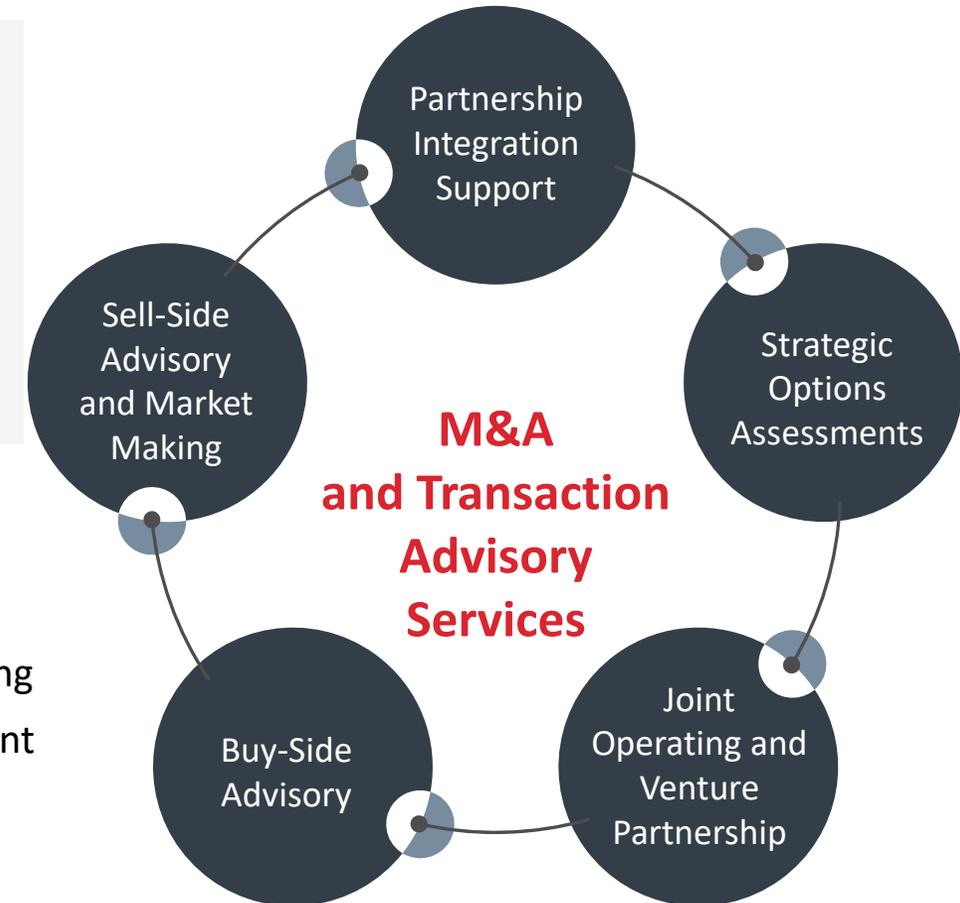
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# ECG's M&A and Transaction Advisory Practice

ECG offers a broad range of M&A and partnership transaction advisory services to healthcare providers. As a leader in the industry, ECG provides specialized expertise to community hospitals, academic medical centers, health systems, medical groups, and physician enterprises as they seek strategic partners. Professionals at ECG can provide guidance from the commencement of the transaction through integration.

## Specific Areas of Expertise

- Transaction planning and coordination
- Transaction structuring and governance
- Letter of Intent development and negotiation
- Definitive agreement negotiation
- Business, asset, and contract valuation
- RFP development and response
- Partner solicitation and market making
- Due diligence and financial assessment
- Post-transaction integration
- Fair market value and fair value opinions



# Selected Companies by Sector

## Hospitals

HCA Healthcare (HCA), Tenet Healthcare Corporation (THC), Community Health Systems (CYH), and Universal Health Services (UHS)

## Healthcare Services

Enzo Biochem (ENZ), Exact Sciences Corporation (EXAS), Laboratory Corporation of America Holdings (LH), Myriad Genetics (MYGN), NeoGenomics (NEO), Quest Diagnostics (DGX), CareCloud (CCLD), Ontrak (OTRK), SHL Telemedicine (SHLTN), Teladoc Health (TDOC), Veradigm (MDRX), Welltower (WELL), Acadia Healthcare Company (ACHC), Amedisys (AMED), Community Health Systems (CYH), DaVita (DVA), Encompass Health Corporation (EHC), Fresenius Medical Care AG & Co. KGaA (FME), HCA Healthcare (HCA), Pediatrix Medical Group (MD), National HealthCare Corporation (NHC), Oak Street Health (OSH), RadNet (RDNT), Select Medical Holdings Corporation (SEM), Surgery Partners (SGRY), Tenet Healthcare Corporation (THC), Ensign Group (ENSG), GoodRx Holdings (GDRX), and Universal Health Services (UHS)

## Healthcare IT

Accolade (ACCD), Veradigm (MDRX), CareCloud (MTBC), Certata (CERT), Computer Programs and Systems Inc. (CPSI), Craneware (CRW), Definitive Healthcare Corp. (DH), Doximity (DOCS), Evolent Health (EVH), Health Catalyst (HCAT), Healthcare Triangle Inc. (HCTI), HealthStream (HSTM), NantHealth (NH), National Research Corporation (NRC), NextGen Healthcare (NXGN), Omnicell (OMCL), OptimizeRx Corporation (OPRX), Phreesia (PHR), Premier (PINC), R1 RC (RCM), Science 37 Holdings (SNCE), Streamline Health Solutions (STRM), and Tabula Rasa HealthCare (TRHC)

## Home Health and Hospice

Addus HomeCare Corporation (ADUS), Amedisys (AMED), Aveanna Healthcare Holdings (AVAH), Brookdale Senior Living (BKD), Chemed Corporation (CHE), InnovAge Holding Corp. (INNV), LHC Group (LHCG), ModivCare (MODV), Option Care Health (OPCH), the Pennant Group (PNTG), and Sonida Senior Living (SNDA)

## Behavioral Health

Acadia Healthcare Company (ACHC), LifeStance Health Group (LFST), and Accolade (ACCD)

## Commercial Managed Care

Humana (HUM), the Cigna Group (CI), UnitedHealth Group (UNH), Progyny (PGNY), Alignment Healthcare (ALHC), and Elevance Health (ELV)