



---

# Healthcare M&A Quarterly Update

Q1 2024

# Q1 2024 Healthcare Mergers and Acquisitions (M&A) Highlights

## M&A Quarter Trends and Highlights

- ➔ There were 377 announced US transactions in Q1 2024, compared to 381 in the prior quarter. Significant deals in Q1 included the sale of six Tenet hospitals, four to the University of California, Irvine (UCI), and two to Adventist Health.
- ➔ Physician medical groups led the way with 120 announced US transactions in the quarter, including National Cancer Care Alliance's announced acquisition of 300-provider Quality Cancer Care Alliance.
- ➔ Cyber attacks within healthcare are increasing in prevalence and causing significant data security issues. Change Healthcare experienced a recent cyber attack that breached part of the organization's IT network. UnitedHealth Group paid more than \$3.3 billion to providers after many were unable to fill medications or get reimbursed by payers. All healthcare organizations, regardless of size, are at risk and must be prepared.

## Relevant ECG Thought Leadership



- [“MyMichigan Health to Acquire Ascension Michigan’s Northern Region \(ecgmc.com\)”](#)
- [“Top Five Mistakes When Valuing a Health System Department”](#)
- [“Bold Partnerships to Accelerate Strategy \(ecgmc.com\)”](#)

Sources: *Becker's Hospital Review*, LevinPro Healthcare M&A, and CNBC. Note: Transaction volumes for prior quarters are not adjusted retroactively.

## Notable Q1 2024 Transactions

UCI Health Completes Acquisition of Four Hospitals from Tenet Health



Adventist Health Acquires Two Hospitals from Tenet Health



Northwell Health and Nuvance Health Entered a Strategic Agreement to Merge



Saint Luke's and BJC Healthcare Completed a Merger Forming a 28-Hospital System



MyMichigan Health Signs a Definitive Agreement to Acquire Ascension Northern Michigan Facilities<sup>1</sup>



<sup>1</sup> ECG served as the strategic adviser to MyMichigan Health.

# Distressed Healthcare Organizations Spotlight

## Quarterly Synopsis

- In 2023 and into the first quarter of 2024, industry bankruptcies have been on the rise. According to a report from Gibbins Advisors, the number of 2023 bankruptcy filings in the healthcare sector (79) was the highest since 2019 (51). In 2023, 12 hospitals declared bankruptcy, up from 2 in 2022, 3 in 2021, and 6 in 2020.
- Organizations have attributed the need to seek bankruptcy protection to staffing challenges and expense growth that has not been offset by payer rate increases.

## Notable Q1 2024 Bankruptcy Filings

 <p>A Miami-based primary care provider has filed for Chapter 11 bankruptcy.</p>	 <p>An operator of four senior living facilities in Georgia filed for Chapter 11 bankruptcy.</p>	 <p>An operator of 100 senior living facilities filed for Chapter 11 bankruptcy.</p>
---	---	---

## Q1 2024 Hospital Closures

<p>Kettering Health Closed the ED at Kettering Health Piqua</p> 	<p>The Medical Center of Southeast Texas Closed Its Beaumont Campus</p> 	<p>Jellico Regional Hospital Closes</p> 	<p>Hospital Sisters Health System Closed St. Joseph's Hospital</p> 	<p>Hospital Sisters Health System Closed Sacred Heart Hospital</p> 	<p>Aspirus Health Is Closing Aspirus Ontonagon Hospital and Converting It into a Rural Health Clinic</p> 
---	---	--	--	--	--

Sources: Gibbins Advisors, *Becker's Hospital Review*, and TheStreet.

# Private Equity in Healthcare

## Private Equity Quarterly Synopsis

- In Q1 2024, there were 136 announced US healthcare private equity deals, up from 132 in the prior quarter. Q1 was marked by a few \$100 million-plus transactions, including KKR acquiring a stake in Cotiviti, a health technology company valued at \$11 billion.
- According to a recent report from Moody's, median operating cash flows are anticipated to jump 10% to 20% in 2024 for nonprofit hospitals, demonstrating an improving outlook for the industry, which could attract private equity activity in the coming quarters.

## Significant Healthcare Private Equity Transactions: Q1 2024

### Arsenal Capital Partners Announces the Purchase of Two Fortrea Businesses



Fortrea is divesting their Endpoint Clinical and Patient Access businesses for up to \$345 million.

### CoreRx Enters into a Definitive Agreement to Acquire Societal CDMO



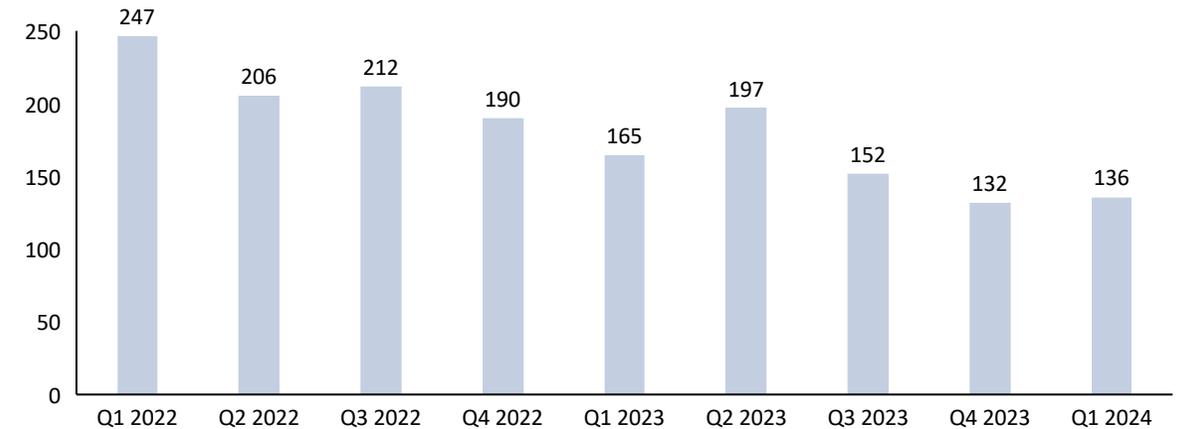
CoreRx commenced a cash tender offer to acquire all outstanding shares for \$1.10 per share (approx. \$130 million).

### KKR Reaches an Agreement with Veritas Capital to Buy a Stake in Cotiviti



KKR and Veritas Capital will become cosponsors with equal ownership of Cotiviti, valued at \$11 billion.

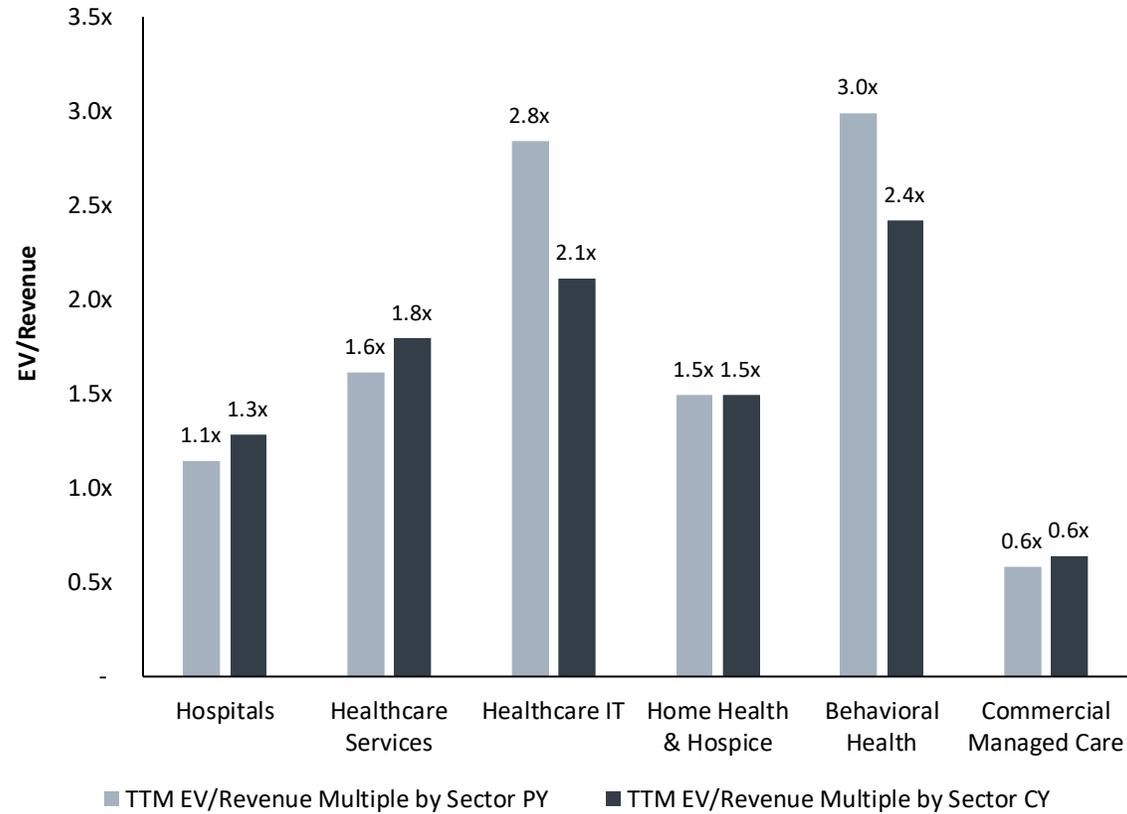
## Announced US Healthcare Private Equity Deals by Quarter



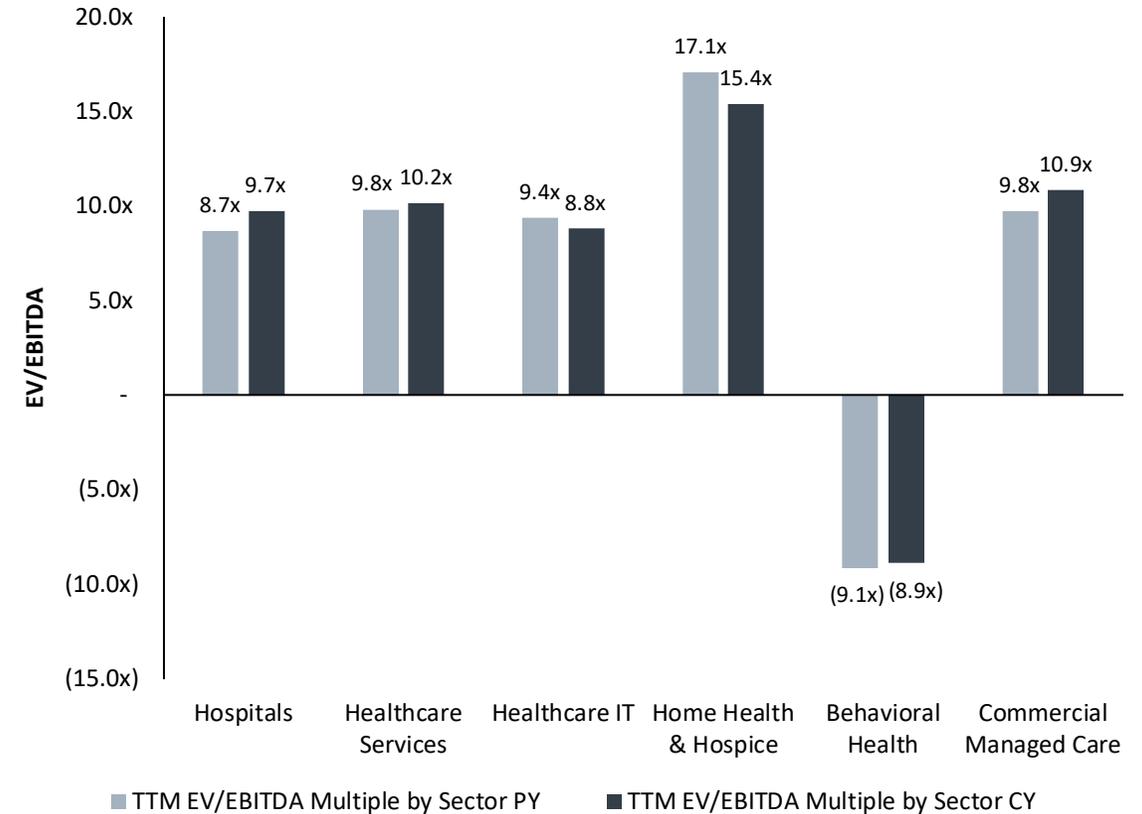
Sources: LevinPro Healthcare M&A, Reuters, Fierce Healthcare, and *The Wall Street Journal*. Note: Transaction volumes for prior quarters are not adjusted retroactively.

# YOY TTM Revenue and EBITDA Medians by Sector

## Q1 2024 TTM versus Q1 2023 TTM EV/Revenue



## Q1 2024 TTM versus Q1 2023 TTM EV/EBITDA



Source: S&P Capital IQ.

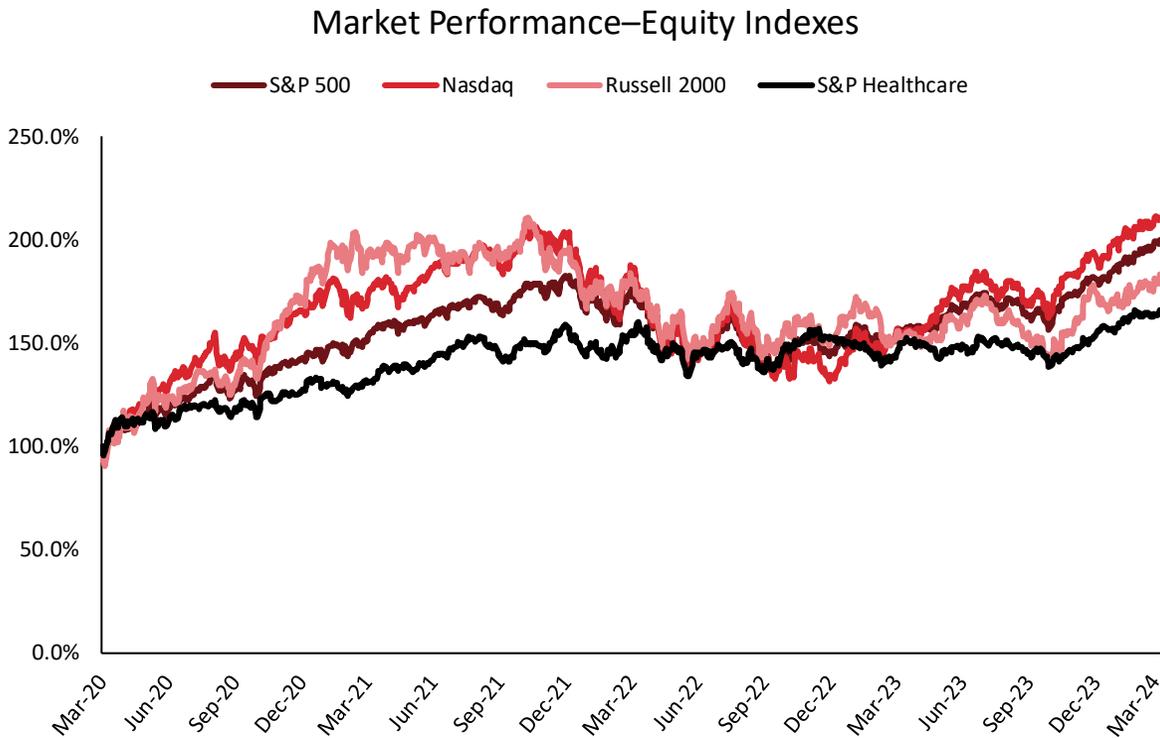
Notes: CY = current year; EV = enterprise value; PY = prior year; TTM = trailing 12 months; YOY = year over year. A list of companies included in each sector is shown at the end of this presentation.

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

# Equity and Bond Index Comparison

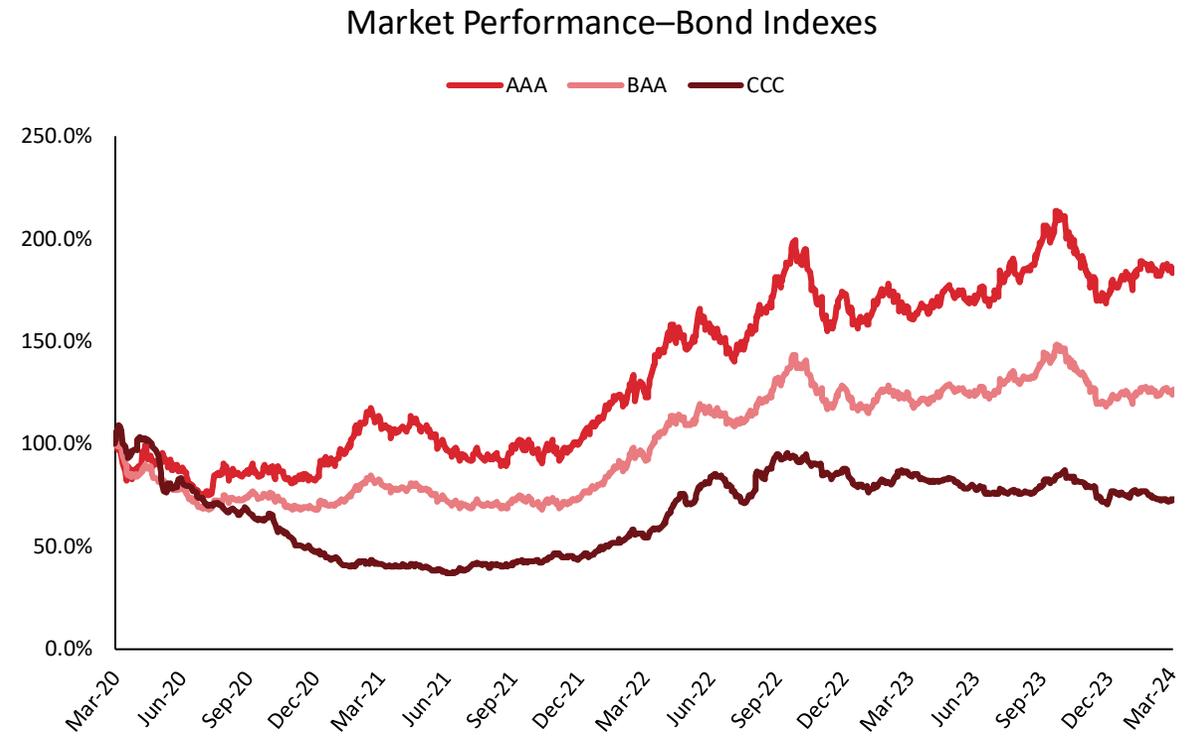
Nasdaq continues to outperform the S&P 500 Health Care sector, while the overall market has seen substantial growth in the first quarter of 2024.

## Equity Index Trend



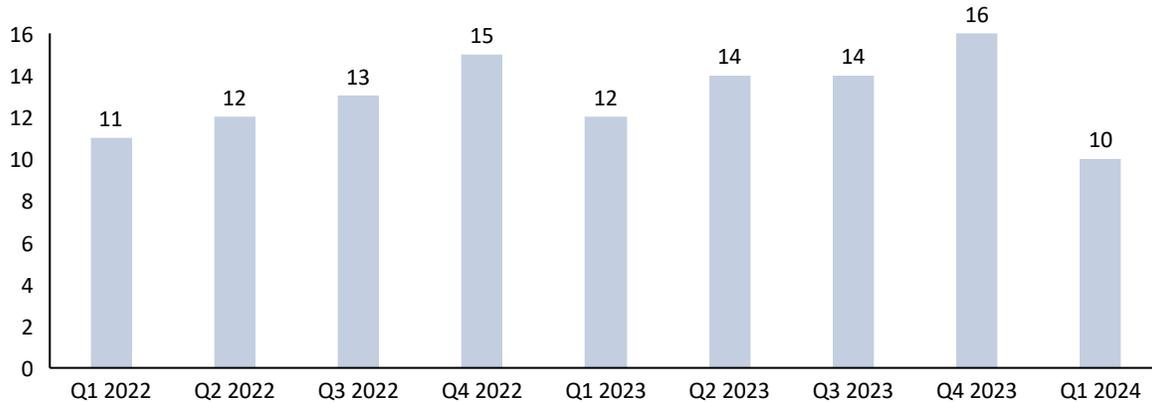
Source: S&P Capital IQ.

## Bond Index Trend

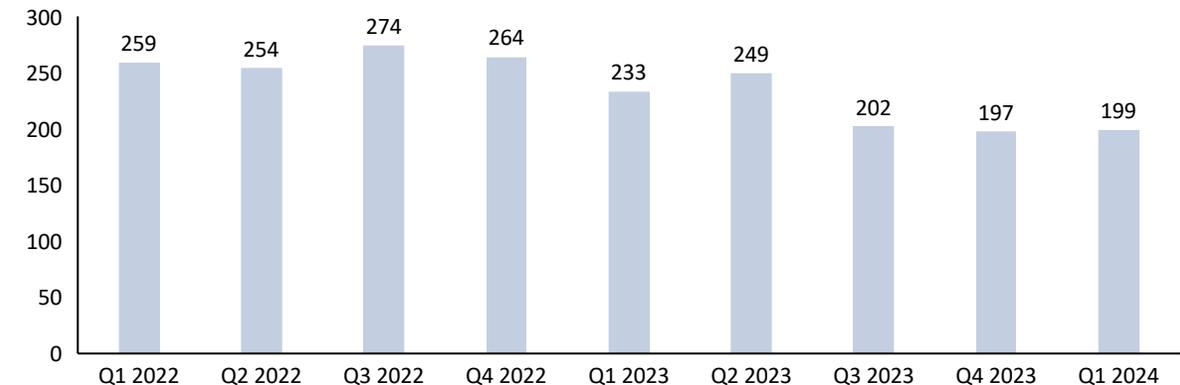


# Q1 2024 Announced US Transactions by Sector<sup>1</sup>

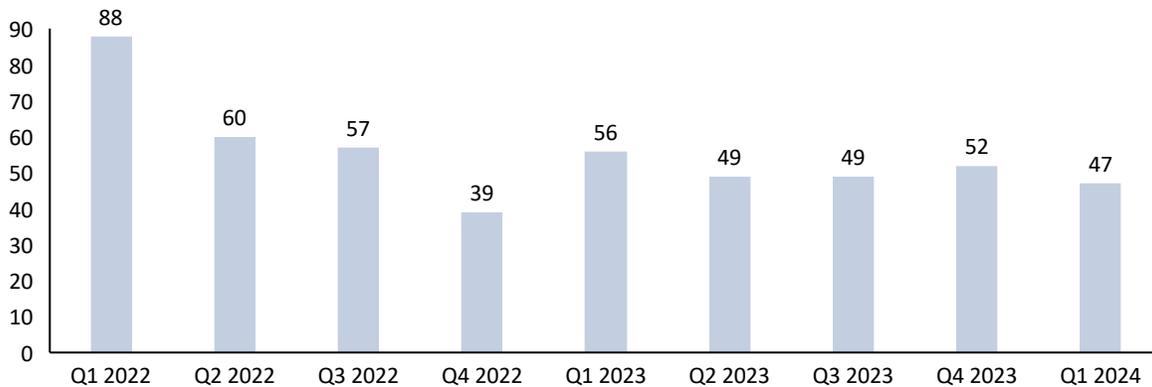
## Hospitals Quarterly Transaction Trend



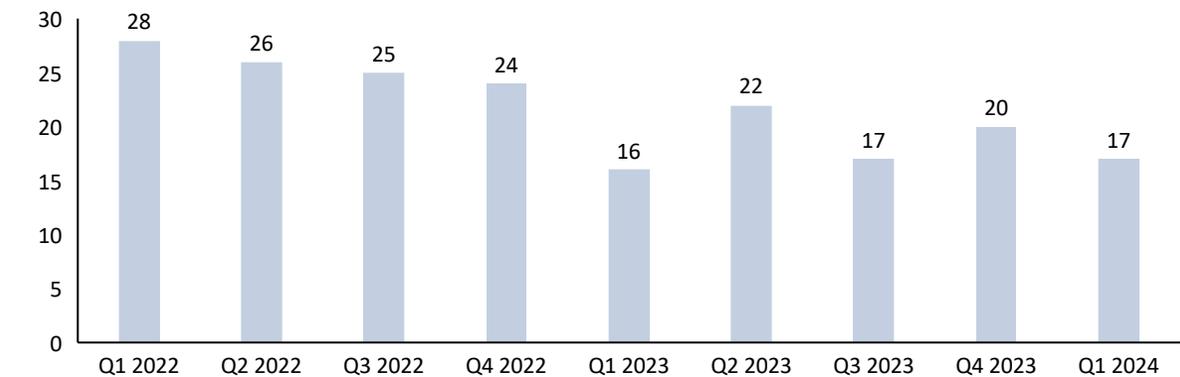
## Healthcare Services Quarterly Transaction Trend



## Health Tech Quarterly Transaction Trend



## Home Health and Hospice Quarterly Transaction Trend

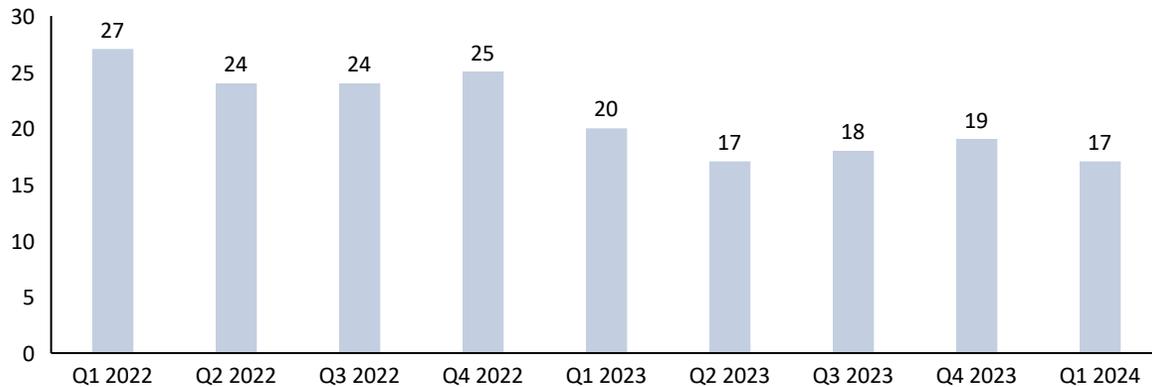


Source: LevinPro Healthcare M&A. Note: Transaction volumes for prior quarters are not adjusted retroactively.

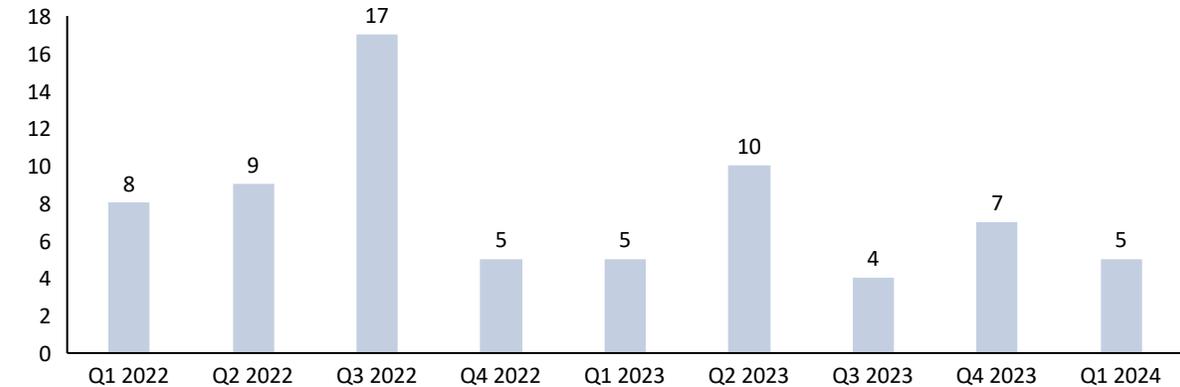
<sup>1</sup> Health services include deals in biotechnology, laboratories, MRA and dialysis, ACOs, ASCs, chiropractic, CROs, GPOs, health clinics, payments and billing, home equipment, infusion, occupational health, organ transplant, outpatient clinics, population health, primary and value-based care,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

# Q1 2024 Announced US Transactions by Sector *(continued)*

## Behavioral Health Quarterly Transaction Trend



## Managed Care Quarterly Transaction Trend



- ➔ Deal volume decreased quarter over quarter for all sectors analyzed by ECG, aside from healthcare services; most notably, hospital transactions decreased from 16 to 10 announced transactions in the quarter.
- ➔ The Q1 2024 announced transaction volume was the lowest over the last two years for hospitals and behavioral health.

Source: LevinPro Healthcare M&A. Note: Transaction volumes for prior quarters are not adjusted retroactively.

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

From our more than 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.



**Jared Langus**

Partner

[jslangus@ecgmc.com](mailto:jslangus@ecgmc.com)



**Mark Johnston**

Principal

[mjohnston@ecgmc.com](mailto:mjohnston@ecgmc.com)



**Brian Barnthouse**

Principal

[bpbarnthouse@ecgmc.com](mailto:bpbarnthouse@ecgmc.com)



**Karen Kole**

Principal

[kkole@ecgmc.com](mailto:kkole@ecgmc.com)



**Sean O'Donovan**

Associate Principal

[smodonovan@ecgmc.com](mailto:smodonovan@ecgmc.com)

## Additional MAP Team Members

Ed Moran, Senior Manager: [edmoran@ecgmc.com](mailto:edmoran@ecgmc.com)

Drew Schroeder, Senior Consultant: [apschroeder@ecgmc.com](mailto:apschroeder@ecgmc.com)

Jake Poklop, Manager: [jgpoklop@ecgmc.com](mailto:jgpoklop@ecgmc.com)

Lydia Li, Manager: [lli@ecgmc.com](mailto:lli@ecgmc.com)

Henry Strull, Senior Consultant: [hsstrull@ecgmc.com](mailto:hsstrull@ecgmc.com)

Pete Zindler, Senior Consultant: [pjzindler@ecgmc.com](mailto:pjzindler@ecgmc.com)

Vasco Zamudio Estatué, Senior Analyst: [vzamudioestatué@ecgmc.com](mailto:vzamudioestatué@ecgmc.com)

Lucas Hein, Analyst: [lwhein@ecgmc.com](mailto:lwhein@ecgmc.com)

# 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
- Posttransaction 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 (FMS), HCA Healthcare (HCA), Pediatrix Medical Group (MD), National HealthCare Corporation (NHC), Select Medical Holdings Corporation (SEM), Surgery Partners (SGRY), Tenet Healthcare Corporation (THC), the Ensign Group (ENSG), GoodRx Holdings (GDRX), and Universal Health Services (UHS)

## Healthcare IT

Accolade (ACCD), Veradigm (MDRX), CareCloud (CCLD), Certara (CERT), TruBridge Inc. (TBRG), the Craneware Group (CRW), Definitive Healthcare (DH), Doximity (DOCS), Evolent Health (EVH), Health Catalyst (HCAT), Healthcare Triangle Inc. (HCTI), HealthStream (HSTM), NantHealth Inc. (NHIQ), National Research Corporation (NRC), NextGen Healthcare (NXGN), Omnicell (OMCL), OptimizeRx Corporation (OPRX), Phreesia (PHR), Premier Inc. (PINC), R1 RCM (RCM), 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 (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), Cigna (CI), UnitedHealth Group (UNH), Progyny (PGNY), Alignment Healthcare (ALHC), and Elevance Health (ELV)