

Q1 2022 Announced Hospital M&A Activity – Moderate pace of announced change of control transactions continues led by for-profit divestitures amid uncertainty of pandemic and changing regulatory environment

Number of Announced Hospital Change of Control Transactions
2009 - Q1 2022



Date Announced	Target	State	Target Tax Status	Acquirer	Acquirer Tax Status	Target Beds	Total Revenue (\$ MM)
01/01/22	Perry County General Hospital and the Doctor's Clinic	MS	NFP	Forrest Health	NFP	22	5.7
01/01/22	Northwest Regional Health	AL	NFP	UAB Health System	NFP	49	23.3
01/01/22	Kearney Regional Medical Center	NE	NFP	Bryan Health	NFP	44	140.5
01/04/22	Ohio Valley Surgical Hospital	OH	FP	OhioHealth/Premer Health JV with Physicians	FP	24	41.0
01/04/22	King's Daughter's Health	IN	NFP	Norton Healthcare	NFP	86	119.3
01/10/22	Hoag Health System (Providence St. Joseph)	CA	NFP	Hoag Health System	NFP	530	1,251.1
01/19/22	St. Francis Medical Center (Trinity Health)	NJ	NFP	Capital Health	NFP	238	167.1
02/03/22	Two LifePoint Health hospitals	CO, KS	FP	Centura Health (CommonSpirit)	NFP	149	91.2
02/10/22	Three Connecticut hospitals (Prospect Medical Holdings)	CT	FP	Yale New Haven Health	NFP	450	591.2
02/11/22	Four Pennsylvania Hospitals (Prospect Medical Holdings)	PA	FP	ChristianaCare Health System	NFP	714	684.9
02/23/22	Watsonville Community Hospital (Bankruptcy)	CA	FP	Pajaro Valley Healthcare District	NFP	106	98.6
03/10/22	Two Illinois Hospitals (Pipeline Health)	IL	FP	Resilience Healthcare	FP	254	209.0
03/16/22	AllianceHealth Seminole (CHS)	OK	FP	SSM Health	NFP	32	15.4
03/24/22	Maple Grove Hospital (25% remaining interest)	MN	NFP	North Memorial Health Care	NFP	130	201.0

		Q1								
		2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Number of Announced Transactions		93	112	88	118	117	86	79	71	14
Target Revenue (\$MMs)	Median	110	110	83	103	110	80	136	102	130
	Average	264	323	288	530	445	227	272	483	260
Target Bed Count	Median	189	145	96	123	125	100	167	150	118
	Average	305	303	290	395	412	230	288	343	202
% of For-Profit Acquirer		28%	32%	24%	26%	18%	21%	25%	22%	14%
# FP acq. of NFP		20	18	8	13	6	10	7	6	0
# of Publicly traded FP-system acq. of NFP		9	8	3	6	1	3	2	0	0

Ponder records transactions upon announcement of a definitive agreement, or letter of intent if the transaction involves a for-profit system. If no announcement was made prior to closing of the transaction, the effective date is recorded.

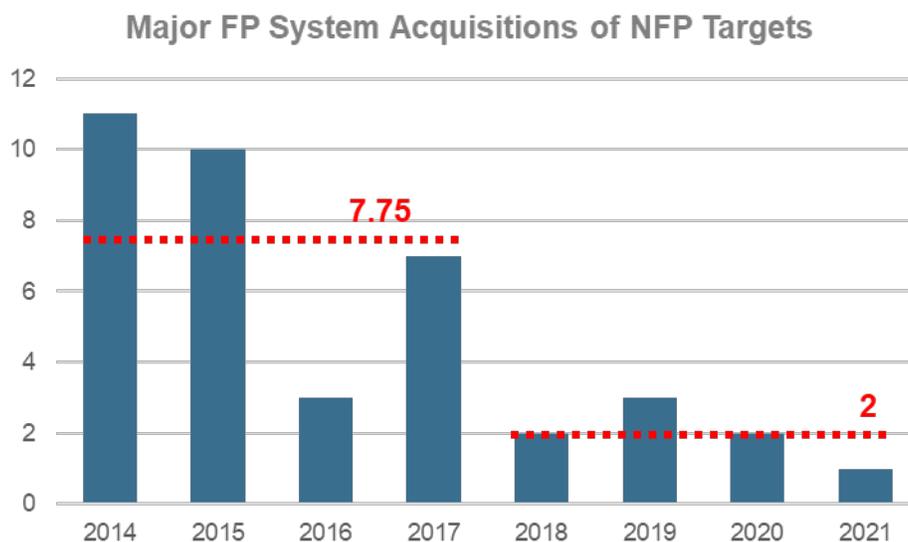
Quarterly Announced Transaction Volume Decreases From Previous Quarter and Year-over-Year Period

Q1 2022 recorded 14 announced transactions, a decrease of 18% from Q4 2021's total of 17 and a decrease of 36% from Q1 2021's total of 22. The recent quarter extended the trend of quarterly volume trailing the rolling four quarterly average for the fourth straight quarter as this average was last crossed in Q1 2021. This continued underperformance compared to recent periods highlights the dampening of announced transaction volume that has been experienced during the pandemic. This trend may continue even as we observe a healthy pipeline of ongoing partnership discussions and affiliations that are in their formative periods.

Only one transaction was recorded among not-for-profit health systems with a target revenue exceeding \$500 million, which was the separation of Hoag Hospital from its parent organization Providence St. Joseph Health. The remainder of the not-for-profit targets that announced transactions in the quarter all had revenues less than \$250 million which indicates many small- to mid-sized systems are holding off on major strategic decisions while they continue to assess their options.

For-Profit Divestitures Outpace Acquisition Activity

The large for-profit operators continue to be selective with their acquisitions as the group did not announce an acquisition in the quarter. Over the last four years, this group of publicly-traded and major private equity-backed health systems as a whole has averaged only two transactions annually, a meaningful decline from the four-year period leading into 2018 which averaged 7.75 transactions across the group.



For-profit divestiture activity continued at a moderate pace as both CHS and LifePoint announced divestitures in the quarter and Prospect Medical Holding announced LOIs across two transactions to divest seven hospitals with total revenues exceeding \$1.2 billion. Notably, these strategic transactions in each case involved an in-region NFP system acquirer.

Regulatory and Legislative Activity

As the FTC continues to work through a backlog of merger applications, the agency is issuing letters of non-review to potential merger applications that are nearing the end of the statutory waiting period. The letters note that the Commission's investigation remains open and ongoing and further states the merging parties

consummate the merger at their own risk. The ambiguity in regulatory approvals and the challenges and expenses of a post-closing injunction are expected to slow the pace of announced transactions in the current regulatory environment. Additionally, legislative bodies in several states are enacting legislation relating to hospital merger oversight.

- Care New England and Lifespan's merger application was withdrawn following state and federal regulatory opposition citing the likelihood of reduced competition in Rhode Island and Massachusetts if the merger proceeded
- FTC injunction blocking the merger of Englewood Hospital and Hackensack Meridian Health was affirmed by the Third Circuit Court citing competitive concerns
- Following legislation enacted in 2021, Oregon launched a new healthcare merger oversight program to advance goals on health equity, lower consumer costs, increased access, and better care
- Michigan enacted legislation to eliminate the need for a public vote on the transfer of former public hospital authority assets to private corporations

Other Affiliation Activity in Q1 2022

Beyond the activity recorded in the volume figures above, there continues to be a healthy pursuit of other creative alignments and forms of partnership represented by the following announcements

- Salina Regional Health Center began a management agreement with Memorial Abilene
- Virtua Health partnered with Rowan University to create academic health system
- Trinity Health abandoned its deal to acquire Chestnut Hill Hospital from Tower Health following an agreement in September 2021
- MetroHealth became the majority holder of VNA Home Care of Ohio
- Syringa Hospital extended its management agreement with Kootenai Health
- Cape Cod Healthcare entered into a broad partnership with Beth Israel Lahey Health
- Baptist Health South Florida and Encompass expanded their home health JV
- Jersey Community Hospital (IL) joined South Central Hospital Alliance, an independent hospital alliance founded in 2019 by Pana Community Hospital and Carlinville Area Hospital & Clinics
- Lincoln Health System (TN) announced discussions towards a long-term lease with Huntsville Hospital, an expansion on their existing affiliation that began in 2018
- Lawrence General Hospital (MA) began a clinical affiliation with Steward Health Care System
- Madera Community Hospital entered into an LOI to affiliate with Trinity Health's St. Agnes Medical Center in Fresno, CA
- St. Luke's University Health Network joined Caduceus Capital Partners Innovation Council
- Baptist Health (AR) and UAMS announced a partnership for medical education centered in Little Rock
- OSF Healthcare applied to acquire the assets of Galesburg Cottage Hospital to convert to an outpatient center
- Reversing an official announcement in July 2019, Tenet announced it was no longer pursuing the spin-off of its Conifer revenue cycle management company into a separate publicly traded company. Initial plans of the spin off were first reported in December 2017
- Local authorities approved a resolution to allow Garrett Regional Medical Center (MD) to negotiate a 50-year lease with WVU Medicine

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- Clinch Memorial Hospital (GA) entered into a non-change of control network affiliation with South Georgia Medical Center
 - Exeter Hospital (NH) announced an LOI to join Beth Israel Lahey Health
 - Bon Secours Mercy Health announced a marketing process for the closed DePaul Medical Center campus in Norfolk, VA
 - Canyon Atlantic Partners ended its renewed bid to acquire the two recently closed Tower Health hospitals in Chester County
 - Perry County Memorial Hospital (MO) announced an LOI to join Mercy
 - North Ottawa Community Health System (MI) announced an LOI to join Trinity Health
 - United Healthcare/Optum announced the planned acquisition of LHC Group for \$5.4 billion
 - Allegheny Health Network acquired TCH Home Health