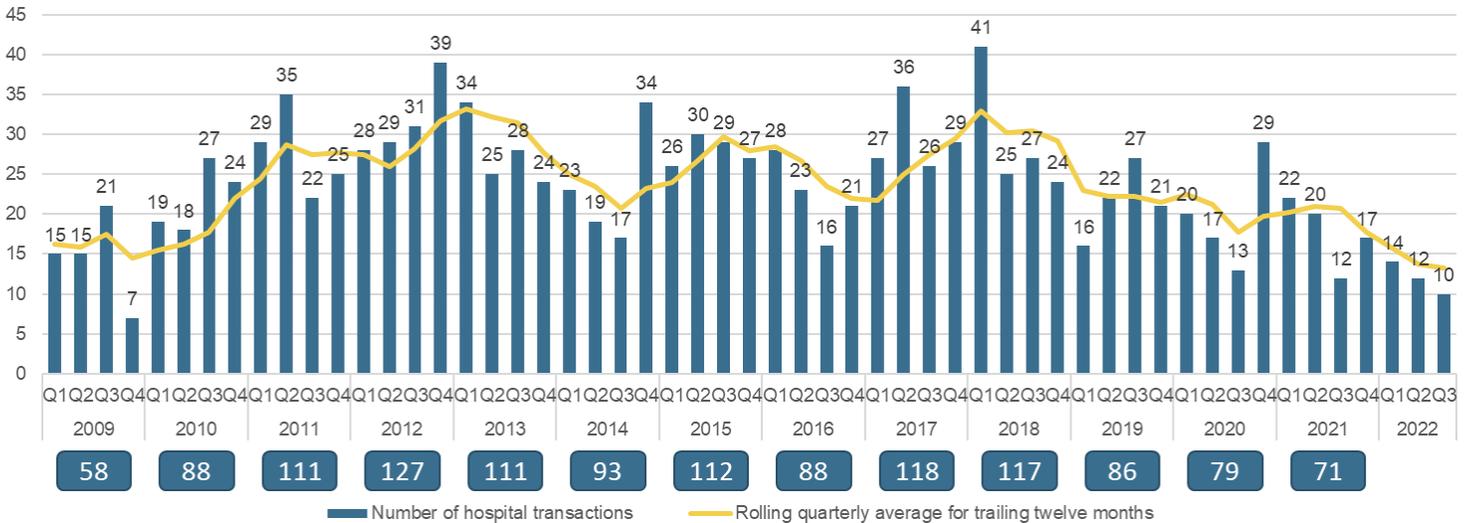


## Q3 2022 Announced Hospital M&A Activity – Annual “third quarter slump” further mutes already depressed announced transaction volume

Number of Announced Hospital Change of Control Transactions  
2009 - Q3 2022



Date Announced	Target	State	Target Tax Status	Acquirer	Acquirer Tax Status	Target Beds	Total Revenue (\$ MM)
07/01/22	Geary Community Hospital	KS	NFP	Stormont Vail	NFP	49	33.0
07/27/22	Princeton Community Hospital	WV	NFP	WVU Health System	NFP	203	189.2
07/29/22	Bellin Health, Gundersen Health System	WI	NFP	Bellin Gundersen Health System	NFP	809	2,341.2
08/01/22	Rush Health Systems	MS & AL	NFP	Ochsner Health System	NFP	356	233.7
08/08/22	Chestnut Hill Hospital (Tower Health)	PA	NFP	Temple University Health System 60%, Redeemer Health 20%, PCOM 20%	NFP	148	126.7
09/07/22	Ardent Health (minority equity stake from EGI)	Multiple	FP	Pure Health	FP	4,288	4,330.9
09/07/22	Nine acute care hospitals in four states (MPT)	Multiple	FP	Prime Healthcare	FP	N/A	N/A
09/13/22	Four Illinois Hospital (AdventHealth) (majority stake)	IL	NFP	UChicago Medicine	NFP	635	765.0
09/20/22	North Ottawa Community Hospital	MI	NFP	Trinity Health	NFP	81	45.3
09/16/22	Greenbrier Valley Medical Center (CHS)	WV	FP	Vandalia Health	NFP	122	63.2

		2014	2015	2016	2017	2018	2019	2020	2021	2022		
										Q1	Q2	Q3
Total Number of Announced Transactions		93	112	88	118	117	86	79	71	14	12	10
Target Revenue (\$MMs)	Median	110	110	83	103	110	80	136	102	130	407	189
	Average	264	323	288	530	445	227	272	483	260	3879	211
Target Bed Count	Median	189	145	96	123	125	100	167	150	118	192	203
	Average	305	303	290	395	412	230	288	343	202	1712	280
% of For-Profit Acquirer		28%	32%	24%	26%	18%	21%	25%	22%	14%	25%	20%
# FP acq. of NFP		20	18	8	13	6	10	7	6	0	1	0
# of Publicly traded FP-system acq. of NFP		9	8	3	6	1	3	2	0	0	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

Q3 2022 recorded 10 announced transactions, a decrease of 17% from both the 12 transactions recorded in both the previous quarter of Q2 2022 and Q3 2021. Since the onset of the pandemic, Q3 volume has seen markedly depressed volume compared to the remainder of the year with results 40% below the 2020 and 2021 averages quarterly transaction volume. Following five consecutive quarters of declining year over year announced transaction volume, the trailing twelve-month period fell to 53 announced transactions which represents the lowest level of recorded activity since 2009 in which 58 transactions were announced.

Activity by for-profit health systems remained at levels consistent with prior periods and included a tenant-purchase option exercised by Prime Healthcare to acquire nine hospitals from Medical Properties Trust. These hospitals had initially been acquired by MPT in a sale-leaseback deal in 2012. Other for-profit activity included a \$500 million investment into Ardent Health by internationally-based Pure Health to acquire a minority equity stake from Equity Group Investments. The only publicly-traded for-profit divestiture was announced by CHS, its second divestiture of the year. Moreover, the publicly-traded group has been relatively quiet on this front since the divestitures of five hospitals in Georgia across two transactions by HCA and Tenet Health's sale of five hospitals in Florida to Steward Health Care that were announced in Q2 2021. With no announced acquisitions in the quarter, it has now been seven quarters since the publicly-traded cohort has announced an acquisition of a not-for-profit hospital or health system.

### Profile of Select Transactions

- *Merger of Bellin Health and Gundersen Health System* – the one mega-merger of the quarter, following an LOI announced in the previous quarter, the two systems announced a combination agreement in July. According to the press release issued on June 1<sup>st</sup>, pending the regulatory review process, the merger would maintain the systems' current headquarters in both Green Bay and La Crosse and have a balanced leadership structure that places each of the two top positions – CEO and board chair in different regions to ensure shared decision making and equal representation.
- *AdventHealth partners with UChicago Medicine on former AMITA Health hospitals* – following the dissolution of the Amita Health JOA between Ascension and AdventHealth that occurred in April, AdventHealth partnered with UChicago Medicine to operate the four hospitals it controlled following the unwind
- *Temple University Health System and partners acquire Chestnut Hill Hospital* – Temple University Health System led a consortium including Redeemer Health and the Philadelphia College of Osteopathic Medicine to acquire Chestnut Hill Hospital from Tower Health. Temple Health will manage the hospital.
- *Vandalia Health acquisition of Greenbrier Valley Medical Center from CHS* – Vandalia Health, a health system newly formed by the merger of Charleston Area Medical Center and Mon Health, announced the acquisition of Greenbrier Valley Medical Center from CHS.

### Other Affiliation Activity in Q3 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

## Announced or Pending Letters of Intent

- Genesis Healthcare (IA), which had announced a public partnership search in December 2021, announced an LOI with MercyOne
- Valley Regional Hospital (NH) announced an LOI to join Dartmouth Health
- Perry County Medical Center (MO) announced an LOI to join Mercy
- Abbeville Area Medical Center (SC) announced the selection of Self Regional Healthcare to develop an LOI towards partnership
- Southeastern Ohio Regional Medical Center, currently affiliated with OhioHealth under a five-year management agreement that began in 2018, submitted legal filings indicating that it would seek to become a member of the OhioHealth system by the end of the year
- Yakima Valley Memorial (WA) announced an extension of merger discussions and diligence period with MultiCare Health System

## Announced Partnership Searches

- Flagler Health+ (FL) announced a partnership search in August
- Following the health system's announcement of a partnership search in the previous quarter, Jackson County (MS) trustees voted unanimously to pursue a sale of county-owned Singing River Health System in September

## Other Affiliation Activity

- Mercy Iowa City, which had announced a partnership search in June 2021, opted to remain in its affiliation with MercyOne that began in 2017
- Jefferson Health (PA) and Acadia Healthcare's Belmont Hospital announced an affiliation agreement
- Morrow County Hospital (OH) extended its management agreement with OhioHealth through the end of 2023
- Swift County Benson Health System (MN) held a public board meeting to pursue full affiliation with CentraCare, expanding on a three-year management agreement that expires at the end of the year
- Regional Medical Center (Anniston, AL) announced a partnership search expected to conclude in 2023
- ChristianaCare (DE) and Prospect Medical Holdings abandoned the transaction for Crozer Health (PA) that had been previously announced in February
- ThedaCare (WI) and Froedtert & the Medical College of Wisconsin announced a clinical partnership to provide expanded access to advanced levels of specialty care
- RWJBarnabas Health (NJ) announced the sale of its outreach lab business to Labcorp
- LifePoint announced an expansion of its non-acute footprint through an acquisition of a majority interest in behavioral health operator Springstone
- Davis Health System (WV) ended its clinical affiliation with WVU Medicine after declining to adopt the EHR of its partner health system

## Final Perspectives on the Quarter

For the third consecutive year, announced transaction volume in the third quarter has marked a new low point for the preceding decade. Volume rebounded in the fourth quarter in each of the previous years, and given the healthy pipeline of announced letters of intent and other affiliation activity, Q4 2022 could similarly experience a rebound in volume. Conversely the steady decline in quarterly volume on a year over year basis, and the smaller rebound that occurred in 2021, as compared to 2020, may be indicative of a new lower baseline level of activity. As challenging as year-to-date 2022 operations have been for healthcare providers with stagnant revenue growth in tandem with difficult to contain expense growth, many systems are clearly analyzing their financial outlook and examining their strategic options.

As noted in previous quarters, transaction volume has been clearly impacted by the following factors:

- Residual effects of the pandemic in terms of lag in volume rebound for certain services
- Labor shortages and contract labor
- Inflation pressures and impact on expenses
- Determination of cash flow run rate of the seller in light of these factors
- Buyer's delaying acquisition decisions due to own challenging results
- High degree of regulatory scrutiny

Ultimately, health systems need to generate additional revenue growth to withstand cost increases and coming reimbursement pressures and must also fortify their regional relevance. Therefore, despite the headwinds outlined, M&A and strategic options will be a key consideration for virtually all health systems for the remainder of 2022 and into 2023.