

KaufmanHall

M&A Quarterly Activity Report:
Q3 2024

Hospital and Health System Transactions

The volume of announced transactions grew significantly in Q3 2024. With 27 announced transactions, Q3 had the highest level of activity thus far in 2024 and in line with pre-pandemic activity levels. Announced sales resulting from the Steward Health Care bankruptcy represented a significant amount of this volume, with 11 of the 27 announced transactions involving Steward hospitals.

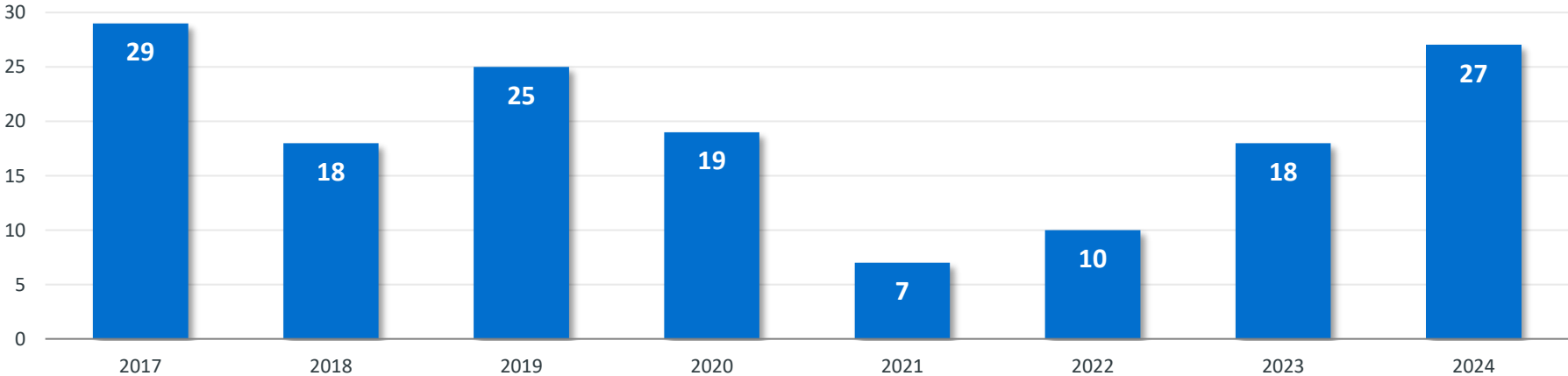
One of the 11 transactions related to the Steward bankruptcy—Health Care Systems of America’s assumption of operations at eight hospitals in Florida, Louisiana, and Texas—was among the four “mega merger” transactions announced in Q3 (transactions in which the annual revenue of the seller, or smaller party, exceeds \$1 billion). The other three mega mergers were:

- Florida-based Orlando Health’s announced acquisition of Alabama-based Brookwood Baptist Health from Tenet
- Prime Healthcare’s planned acquisition of eight Ascension-owned hospitals in Illinois
- The intended combination of South Dakota-based Sanford Health and Wisconsin-based Marshfield Clinic Health System

Overview of Q3 Activity

Activity related to the Steward Health Care bankruptcy drove Q3 2024 announced transactions to the highest level seen since Q3 2017. Even with the 11 Steward transactions excluded, the 16 remaining announced transactions are similar to levels seen in 2018, 2020, and 2023 (Figure 1).

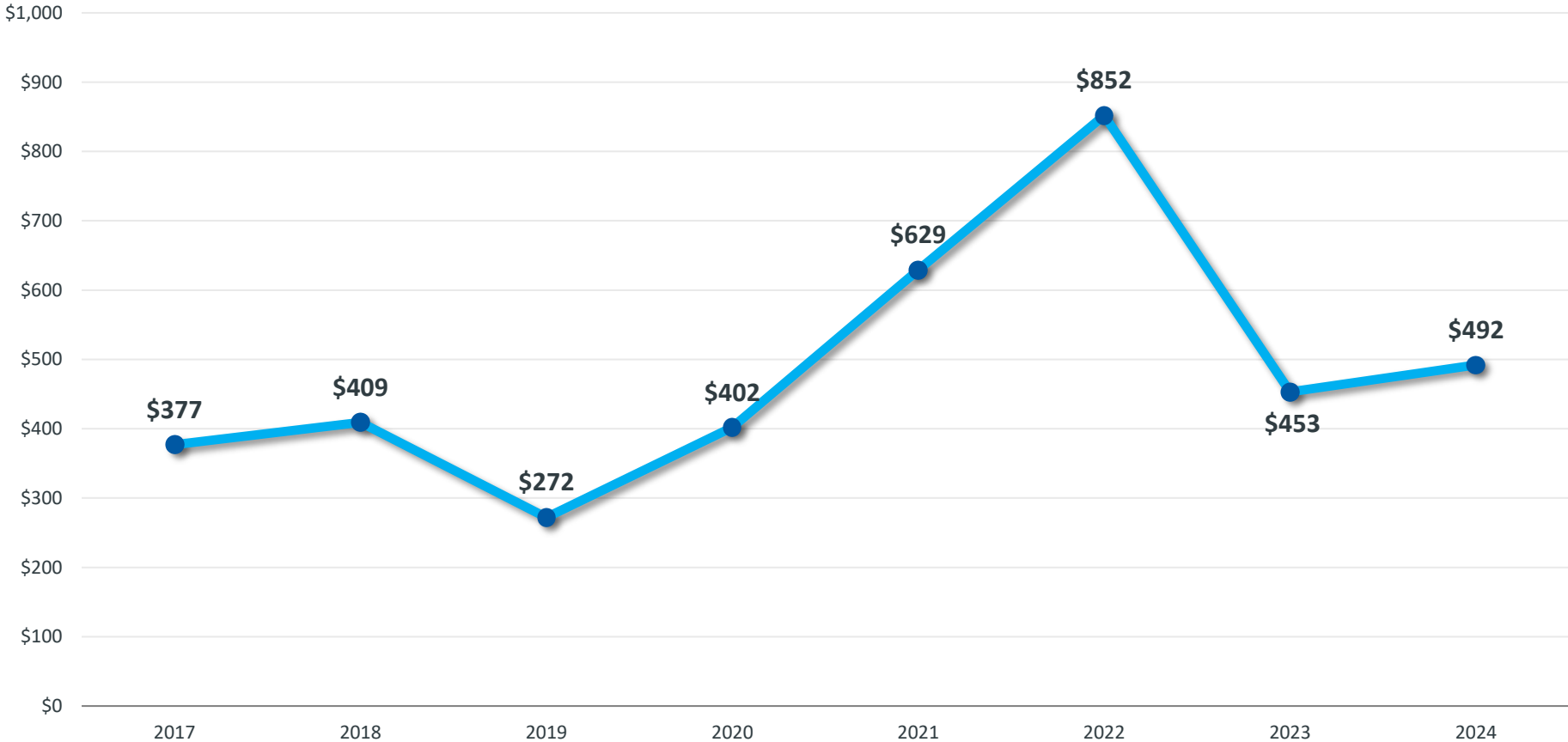
Figure 1: Number of Q3 Announced Transactions by Year, 2017 – 2024



Source: Kaufman, Hall & Associates, LLC

Although there were four mega merger transactions in Q3 2024, the high overall transaction volume brought down the average size of the seller (or smaller party) by annual revenue from an historic high of \$984 million in Q2 2024 to \$492 million in Q3. As shown in Figure 2, this amount is consistent with recent year-end averages (excluding the very high year-end averages seen in 2021 and 2022).

Figure 2: Average Seller Size (\$s in Millions), Q3 2024 Compared with Year-End Averages 2017 – 2024

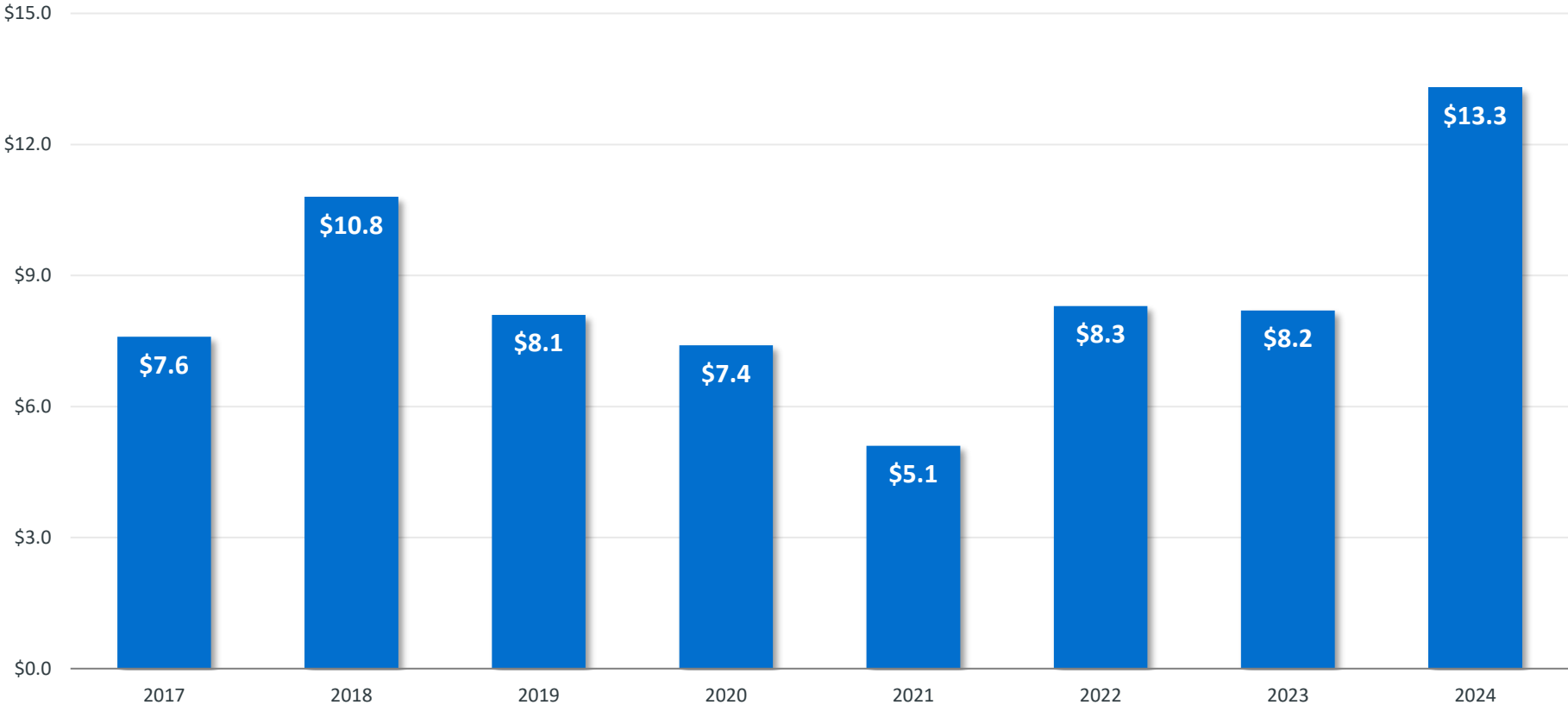


Source: Kaufman, Hall & Associates, LLC

At the same time, high transaction volume drove up total Q3 transacted revenue to \$13.3 billion, the highest Q3 total we have seen over the past eight years (Figure 3).

Seven of the 27 announced transactions involved for-profit acquirers, three involved academic acquirers, three involved religiously affiliated acquires, and two involved governmental acquirers. The remaining 12 transactions involved other not-for-profit acquirers.

Figure 3: Total Q3 Transacted Revenue (\$s in Billions) by Year, 2017 – 2024



Source: Kaufman, Hall & Associates, LLC

Q3 Transaction Highlights

The various transactions involving Steward Health Care facilities illustrate the current state of the market, while other announced transactions represent continuing themes of portfolio realignment and expansion into new markets.

Steward Health Care transactions illustrate current market conditions

The Q3 announced transactions involving Steward Health Care [include hospitals across multiple states](#) and markets and demonstrate an increasing segregation of assets within the current market for M&A transactions.¹

Notwithstanding the financial difficulties facing all Steward facilities in the wake of the parent company's bankruptcy, attractive assets are finding buyers in established, regional not-for-profit health systems that see opportunities for expansion and growth. These buyers include CHRISTUS Health in Texas; Orlando Health in Florida; Honor Health in Arizona; and Lifespan, Lawrence General Hospital, and Boston Medical Center in Massachusetts.

Other assets have proved more difficult to sell. In several of this quarter's announced transactions, for-profit health systems are being named as interim managers of Steward facilities in agreements between Steward and Medical Properties Trust, which owns a significant percentage of Steward's real-estate assets and is also a minority investor in the Steward parent company that declared bankruptcy. These systems may assume full ownership pending licensing and other regulatory requirements.² At least two hospitals in Massachusetts failed to find a buyer and have closed.

The difficulties that financially struggling hospitals in less favorable markets face in finding a buyer are illustrated by two other Q3 transactions. Prospect Medical Holdings has sought a buyer for four-hospital system Crozer Health since 2022; [it has announced plans](#) to sell the system to real estate company CHA Partners.³ In California, the County of Santa Clara Health System [has agreed to acquire](#) Regional Medical Center in east San Jose, a hospital owned by HCA Healthcare that has made cuts to trauma, stroke, cardiac, and labor and delivery services in recent years.⁴ Santa Clara County plans to restore these services following the acquisition.

1. Ashley, M.: "[Closures, Bids, Layoffs: Where Steward's 31 Hospitals Stand.](#)" *Becker's Hospital CFO Report*, as updated Oct. 1, 2024.
2. Honor Health, a not-for-profit system, is also currently managing daily operations at Steward's Arizona facilities and plans to assume full operational ownership following a brief transition period.
3. Vogel, S.: "[Prospect Medical to Sell Crozer Health to Real Estate Company CHA Partners.](#)" *Healthcare Dive*, Aug. 9, 2024.
4. County of Santa Clara: "[County of Santa Clara and HCA Healthcare Reach Agreement for County to Pursue Acquisition of Regional Medical Center.](#)" Press release, Aug. 21, 2024.

Portfolio realignment continues

Large, national health systems continued their portfolio realignment efforts in Q3. Community Health Systems (CHS) is completely exiting the Pennsylvania market with [its announced plan](#) to sell three-hospital system Commonwealth Health to recently formed not-for-profit WoodBridge Healthcare.⁵ The divestiture is part of CHS’s plan to raise \$1 billion to pay down its debt.

Other examples of portfolio realignment include Tenet’s planned sale of Birmingham, Alabama-based Brookwood Baptist Health, a five-hospital health system, [to Orlando Health](#),⁶ and Ascension’s announcement that it will sell eight Illinois hospitals [to Prime Healthcare](#).⁷ In a [blog posted earlier this summer](#), Ascension President Eduardo Conrado noted that its divestitures are part of a strategy to make Ascension “a more consolidated and integrated health ministry” and have supported investments in “acute and non-acute services, including ambulatory surgery centers, physician practices, physical and occupational therapy, at-home and virtual care, imaging, and pharmacy” to address the shifting needs of the communities that Ascension serves.⁸

Expansion into new markets

Health systems continue to find opportunities in new markets and in combining forces across geographically distinct markets. In Q3, [Emory Healthcare announced plans](#) to expand its geographic footprint in central Georgia⁹ through its planned acquisition of Houston Healthcare, located just south of Macon in Warner Robins, Georgia. Orlando Health [announced its intention](#) to expand into the Alabama market through its acquisition of Birmingham-based Brookwood Baptist Health.¹⁰ South Carolina-based Prisma Health plans to enter the Tennessee market, [announcing that Blount Memorial Hospital](#) will join its health system.¹¹

Finally, in the biggest mega merger transaction announced this quarter, Sanford Health—with locations in the Dakotas, Minnesota, Iowa, Nebraska, and Oregon—will combine with the Marshfield Clinic Health System, which serves rural Wisconsin and Michigan’s Upper Peninsula. With complementary capabilities in serving the needs of rural communities, [the combined systems hope](#) to “establish the premier rural health system in the nation.”¹²

5. Vogel, S.: [“CHS to Sell 3 Hospitals, Exiting Pennsylvania.”](#) *Healthcare Dive*, July 31, 2024.

6. Orlando Health: [“Orlando Health Signs Definitive Agreement to Purchase Brookwood Baptist Health.”](#) Press release, Aug. 5, 2024.

7. Prime Healthcare: [“Prime Healthcare Expands Mission in Historic Acquisition of Nine Hospitals in Illinois.”](#) Press Release, July 25, 2024. Note that following the announcement, the decision was made to close one of the nine hospitals.

8. Conrado, E.: [“Embracing Change: Ascension Evolving to Meet the Needs of Our Communities.”](#) Ascension News, July 22, 2024.

9. Emory University: [“Houston Healthcare Signs Letter of Intent to Join Emory Healthcare.”](#) Press release, Aug. 22, 2024.

10. Orlando Health: [“Orlando Health Signs Definitive Agreement to Purchase Brookwood Baptist Health.”](#) Press release, Aug. 5, 2024.

11. Prisma Health: [“Blount Memorial Hospital Chooses to Join Prisma Health.”](#) Press release, July 18, 2024.

12. Sanford Health: [“Sanford, Marshfield Clinic Announce Intent to Combine.”](#) Press release, July 10, 2024.

Looking Forward

Underlying the high level of announced transactions in Q3 2024 is a more troubling message: the high level of financially struggling organizations that are having difficulty finding a partner. The Steward Health Care bankruptcy raised the prospect of hospital closures, and state governments [in Arizona](#)¹³ and [Massachusetts](#)¹⁴ expressed gratitude that established health systems in their communities were willing to take on hospitals that needed a partner to survive. There is a much larger universe of struggling hospitals beyond Steward, as illustrated by other Q3 transactions. In most instances, approving a combination—even with a hospital or health system in the same market—is likely to be a better solution than closure.

Kaufman Hall advised clients in five of the announced Q3 2024 transactions.

13. Arizona Office of the Governor: [“Governor Katie Hobbs Applauds Federal Court Decision that Prioritizes Patient Safety and Access to Care in Steward Health Care Bankruptcy Case.”](#) Press release, Sept. 12, 2024.

14. Commonwealth of Massachusetts: [“Governor Healey Announces Actions to Save Remaining Steward Hospitals.”](#) Press release, Aug. 16, 2024.

For More Information

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