

BURDA ON HEALTHCARE

# Reading Between the Lines

## Year-End Healthcare Merger and Acquisition Reports

By David Burda

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Is the pace of merger and acquisition activity in an industry a sign of the industry's health? I don't know. I'm not an economist. I just write about this stuff. But if it is, then the healthcare industry felt a little off last year. Not enough to justify the incessant whining. But a little off. Like someone with a summer cold who acts like they're going to die.

Let's take a quick spin through as many year-end reports on 2023 healthcare mergers and acquisition (M&A) activity as I could find. I'll give you the totals for each report and a factoid from each that I found most intriguing.



## HOSPITAL AND HEALTH SYSTEM M&A UP 23%

Sixty-five hospital and health system transactions were announced in 2023, according to Kaufman Hall's [latest annual report](#) on hospital and health system M&A activity. That's up from 53 deals in 2022 and the highest number of transactions announced since 2020, when that number was 79. The high-water mark was 117 in 2017, according to Kaufman Hall.

**Most intriguing factoid:** Forty-three of the 65 deals, or two-thirds of the transactions, involved not-for-profits buying other not-for-profits. Where does all that not-for-profit money come from?



## DIGITAL HEALTH M&A DOWN 23%

The number of digital health technology mergers and acquisitions dropped to 146 last year, down from 190 in 2022, according to Rock Health's [latest annual report](#) on digital health technology deals. Investment deals, not acquisition deals, also dropped to 492 from 577. Measured in dollars, investment deal value dropped to \$10.7 billion from \$15.3 billion. The high-water mark for both investment deals and dollars in 2021 was 738 and \$29.2 billion, respectively, according to Rock Health.

**Most intriguing factoid:** *I didn't know Rock Health tracked digital health technology acquisitions, too, until I read further down into the report. You should, too.*

## OVERALL HEALTH SERVICES DEALS DECLINED LAST YEAR

That's through November 15 of last year, according to PwC's [US Deals 2024 outlook report](#), citing data from Irving Levin Associates. There were 1,528 health services M&A deals in 2023 with a total deal value of \$56.2 billion, according to PwC. That's down 13% and 45%, respectively. The health services sector, tracked by Irving Levin and cited by PwC, includes: lab, MRI and dialysis companies; home health and hospice companies; hospitals, medical group practices, managed-care

companies; behavioral health providers; rehabilitation companies; and other companies (contract research organizations, ambulatory surgery centers, home infusion services companies and medical office buildings).

**Most intriguing factoid:** *Of all the health services sectors tracked, the hospital sector was the only one to have more M&A activity in 2023 than in 2022. M&A activity in all other sectors dropped off last year.*

## HEALTHCARE DEAL VOLUME DROPPED IN Q4

Speaking of Irving Levin Associates, they [released their own numbers](#) and said healthcare wheeling and dealing dropped in the fourth quarter of last year. M&A activity in healthcare declined to 493 deals in the fourth quarter of 2023 from 511 in the third quarter and from 567 in the fourth quarter of 2022. That's a 4% and 13% drop, respectively, jibing with the Irving Levin numbers in the PwC report. Irving Levin said it will release its year-end 2023 numbers shortly. More than likely, you'll have to buy the year-end report.

**Most intriguing factoid:** *Acquisitions of physician practices dropped 18% in the fourth quarter compared with the third quarter, to 103 from 126. Public and regulatory scrutiny of physician practice acquisitions may be having an effect.*



## LIFE SCIENCES DEALS DOWN, VALUE UP IN 2023

I use “2023” loosely as this life sciences M&A 2023 trends report from Deloitte uses data only through the end of October last year. But I’ll play along. Deloitte said M&A activity in life sciences, which includes drug companies and medical device and technology manufacturers, dropped to 175 deals last year from 198 deals in 2022. But deal value rose to \$173 billion from \$135 billion. Both are well off the 406 deals worth \$305 billion in 2021.

**Most intriguing factoid:** *If my math is right, the average life sciences deal last year was worth about \$1 billion. Life sciences is where the money is.*



## DOUBLE-DIGIT DIP IN PRIVATE EQUITY HEALTHCARE DEALS

Maybe the public and regulatory scrutiny is getting to private equity (PE) firms, too. PitchBook said in its latest annual [US PE Breakdown](#) report that PE deals in healthcare dropped to 1,086 last year from 1,321 in 2022. That’s nearly an 18% slide. The total deal value dropped 22% to \$79.9 billion from \$102.5 billion. Both are off the record highs of 1,542 deals worth \$201.6 billion in 2021. Deals include total buyouts and additional investments. The report said the number of PE acquisitions and roll-ups of medical practices decreased last year, but the report didn’t give any specific numbers that I could find.

**Most intriguing factoid:** *I did find figures in a few downloadable spreadsheets from the report that PE exits in healthcare were down, too. Exits happen when a PE firm sells its assets in something it owned in whole or in part. PE exits in healthcare dropped to 94 last year from 170 in 2022. The value of those exits also dropped to \$35.5 billion from \$46.7 billion. Maybe it’s taking longer for PE firms to get their return on investment?*

So, what should we make of all these M&A reports and trend data? Overall healthcare M&A activity was down in 2023, by all accounts. Does that mean healthcare is sick and dying? I don’t think so. It would be hard to match the blank-check days of 2021 in any healthcare sector. There was no way to go but down. Maybe the market inventory of what to buy was down?

The other thing I learned as I hunted for data for this column is this: Most healthcare management consulting and investment banking firms don’t have firsthand knowledge of how many deals happened in any given period. They rely on data from third parties to make their sweeping generalizations about what to expect in the year ahead and pitch themselves as M&A experts whom you should hire.

Some will tell you where they got their data. Others won’t tell you or disclose their methodologies. But they are all under competitive pressure to say something in January about the outlook for healthcare M&A. One report, whose sponsors I won’t mention, said they got their fourth quarter 2023 data from “public announcements, other publicly available information and various industry databases.” But they didn’t name those sources or give them credit. That’s not very nice.

As for me, I won’t dare to predict what will happen this year in terms of healthcare M&A activity. As I said, I’m not an economist. But with nearly [\\$5 trillion in national health spending](#) projected for this year, everyone will want their piece of the pie as well as someone else’s piece of the pie.

If you know of any credible year-end healthcare M&A reports that I can add to the above, let me know.

Thanks for reading.

## AUTHOR



**David Burda** began covering healthcare in 1983 and hasn't stopped since. Dave writes this monthly column "Burda on Healthcare," contributes weekly blog posts, manages our weekly newsletter 4sight Friday, and hosts our weekly Roundup podcast. Dave believes that healthcare is a business like any other business, and customers — patients — are king. If you do what's right for patients, good business results will follow.

Dave's personal experiences with the healthcare system both as a patient and family caregiver have shaped his point of view. It's also been shaped by covering the industry for 40 years as a reporter and editor. He worked at Modern Healthcare for 25 years, the last 11 as editor.

Prior to Modern Healthcare, he did stints at the American Medical Record Association (now AHIMA) and the American Hospital Association. After Modern Healthcare, he wrote a monthly column for Twin Cities Business explaining healthcare trends to a business audience, and he developed and executed content marketing plans for leading healthcare corporations as the editorial director for healthcare strategies at MSP Communications.

When he's not reading and writing about healthcare, Dave spends his time riding the trails of DuPage County, IL, on his bike, tending his vegetable garden and daydreaming about being a lobster fisherman in Maine. He lives in Wheaton, IL, with his lovely wife of 40 years and his three children, none of whom want to be journalists or lobster fishermen.

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