



Broader Themes

M&A – More Vertical and Cross-Sector Opportunities?

In addition to traditional horizontal M&A (hospital / hospital, pharma / pharma, etc.), in 2017, we have seen several significant vertical and cross-sector acquisitions. These include:

- CVS / Aetna (pending)
- United Health / Davita Medical Group (pending)
- United Health / Surgical Care Affiliates
- Humana / Kindred Home Health (pending)
- Envision / AmSurg (completed late 2016)

We suspect the rationale for many of these relates to a payor tapping into networks of doctors, lower cost ASCs (relative to the cost of the same procedure in a hospital outpatient department), lower cost Home Health, etc..

We expect to see more vertical and cross-sector M&A in 2018 and in coming years. We believe these deals would be specific to individual company needs and strategic goals, and in certain cases would depend on markets served.

We also believe horizontal and in-market deals can continue to make sense, and these too would depend on a given situation and likely a particular geography. We broadly believe providers have more leverage in negotiations with commercial payors when they have a more significant local and/or regional market presence. And given the changes in delivery and the uncertainty around healthcare currently, we believe this market presence has become increasingly important.