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Mergers Rise in 2016: Response to Value-based Care Drive

Mergers and Acquisitions have increased year-on-year, says Kaufman Hall with the first half of 2016 showing more activity in the same timeframe as 2015.

In a report in Healthcare IT News, The drive toward adapting to rapid change in the industry and new payment models is one of the key triggers to the rise the management consultancy firm said.

Kaufman Hall said that mergers and acquisitions rose by 6.1 percent compared to 2015 with 52 transactions during the first six months of 2016. This figure is an increase on the 49 deals recorded during the first half of 2015.

The second quarter showed a similar pattern with 27 transactions or a 3.8 percent increase recorded up from the 26 registered last year.

“Sustained growth demonstrates that hospital and health system leaders across the country continue to turn to mergers, acquisitions and other forms of partnerships as a means of reducing costs, enhancing competitive positioning and pivoting to a value-based business model” analysis found.

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The biggest deal of the second quarter of 2016 was Universal Health Services' $445 million acquisition of the remaining interest in Valley Health System. The latter covers six acute care hospitals in Las Vegas.

Kaleida Health dealt with four transactions, while HCA Healthcare was involved in three. In terms of the most active state, Texas shoed the most activity in mergers.

Kaufman Hall noted that the deals that were recorded occurred in the acute care sector. Nonprofit, for-profit, rural, urban and academic health centres were included in the mergers. Of the 52 transactions, 39 involved acquisitions by nonprofits and 12 were acquisitions by for-profit organisations. One transaction involved a nonprofit/for-profit combination.

Other data included the following:

- 11 publically owned, nonprofit hospitals were acquired during that time;
- 12 transactions involved partnerships with faith-based organisations;

"The continuing uptick in mergers and acquisitions is not surprising," Kaufman Hall managing director Anu Singh said in a statement. The industry is rapidly changing and many organisations are not optimally positioned to navigate the transition to value-based care on their own, he added. In order to ensure strong, competitive positioning in the future, healthcare leaders should thoroughly evaluate the partnership options he said.

Source: Healthcare IT News

Image Credit: Healthcare Facilities Today

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