



Healthcare M&A Results Q1: One for the Record Books

by Dylan Sammut | Apr 12, 2021 10:35 am | Healthcare M&A News Leads | 0 comments



Rebound might be an understatement. After the healthcare M&A market slowed down for most of 2020 due to the pandemic, deal activity has roared back in the first quarter of 2021, with a staggering 596 deals on the books, a 17% increase compared to the 509 deals announced in Q4:20, according to results in [Healthcare Deals Database](#). And with quarterly earnings on the way, the number of deals will easily break 600. In terms of disclosed spending, dollar volume sits at a healthy \$89 billion, a 27% drop compared with Q4:20, but the

last quarter of the year is always full of mega-mergers, so don't just take that number at face value.

It's a strange endeavor comparing healthcare M&A activity from the last quarter to the first quarter of 2020. Although the World Health Organization didn't officially declare the Covid-19 outbreak a pandemic until the tail end of March, the market and economy were feeling its effects as early as February. It's hard to pinpoint exactly where deal activity was affected, if at all. In the first quarter of 2020, there were 421 deals announced, with approximately \$23.4 billion in disclosed spending.

The volume of healthcare M&A activity for the first quarter of 2021 was heavily concentrated in the Physician Medical Group market, with 110 deals on the books, an 83% increase compared with the previous quarter and a year-over-year increase of 134%. The physician market benefited from a variety of factors. Many of the deals from the quarter were from private equity buyers or their sponsored companies targeting small physician groups.

After a rough year during the pandemic, there's a good chance these practices, with limited resources, slashed revenues, and lacking an infrastructure to implement telehealth, wanted the robust support of larger platforms, and were quick to agree to these partnerships. Further, it wasn't just private equity shopping around. Health systems and managed care companies acquired physician practices as well; **Optum** (NYSE: UNH) acquired Massachusetts-based **Atrius Health** (725 physicians) and **Ochsner Health System** in Maine added **Louisiana Women's Healthcare** (33 physicians).

eHealth targets remained as popular as ever. There were 102 transactions announced in the eHealth sector, a 32% increase from Q4:20 and a 70% increase compared to Q1:20.

The Long-Term Care sector suffered a significant drop in activity, declining 39% compared with the fourth quarter of 2020 and a year-over-year decline of 26%.

Our friends at our sister publication, The SeniorCare Investor, based on conversations they have had with brokers and lenders, suspect there are plenty of deals in the pipeline. But for now, the sector has grown quiet.

We also saw a good deal of activity in the Behavioral Health Sector (35 deals), Home Health & Hospice (25) and Rehabilitation (26), all increases over the previous and year-ago quarters. It's nice to see some healthy activity in the Rehabilitation sector. The sector seldom crosses into the double-digit deal volume (if at all); private equity and other investors are finally catching on to the fragmentation in the market, building up regional and national platforms.

However, the Hospital market took a hit, dropping 43% in deal volume compared with the fourth quarter. In our March issue, we discussed the possibility of bankruptcies spiking throughout the year, which could drive further acquisitions. The deals from the first quarter consisted of small, specialty hospitals such as LTACs and critical access hospitals joining larger systems, and we expect that trend to continue as well.

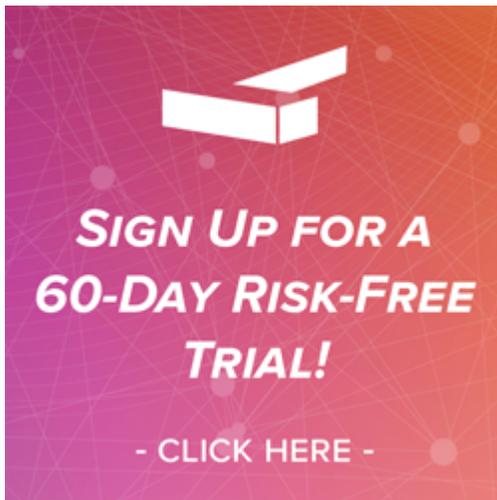
We're skeptical deal volume will keep at this pace, but with the Covid-19 vaccination campaign accelerating and an end in sight for the pandemic, investors and buyers have good reason to feel confident about the future. We'll have to wait and see what a "post-Covid" world looks like.

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