

2026

Healthcare M&A Report

Foreword

The 2025 healthcare mergers and acquisitions (M&A) landscape unfolded against shifting macroeconomic and regulatory pressures, including persistently high labor costs, evolving federal policy, and a volatile reimbursement environment. While total deal volume remained below pre-pandemic peaks, total deal value increased, driven by a resurgence of larger, more strategic transactions.

Across the health services sector, deal activity remained uneven. Hospital and health system M&A reached record levels of financial distress, with 43.5% of announced 2025 transactions involving a distressed party. Meanwhile, ambulatory surgery centers and physician practice management continued to attract interest as care delivery shifted further into lower-cost outpatient settings.

Private equity funds continued to play a central role, despite tighter credit markets. Deal activity held steady, supported by substantial committed but undeployed capital and a growing backlog of aging portfolios approaching exit windows. Strategic acquirers were similarly active, particularly in vertical integration and specialty segments where scale, alignment, and efficiency gains could be realized.

Technology and AI remained central themes across nearly every subsector. Organizations expanded investment in AI-driven diagnostics, automation, and workflow optimizations. While AI continues to draw venture funding, its most significant impact in M&A lies in operational transformation, such as reducing administrative overhead, improving revenue-cycle performance, and enhancing clinical productivity.

As the industry moves into 2026, demand for outpatient care, specialty services, and cost-containment solutions will continue fueling deal activity—specifically consolidation. Physician practices, behavioral health, home-based care, and ambulatory surgery centers are expected to see increases in deal activity as interest rates stabilize and valuation gaps narrow. With strategic buyers repositioning portfolios, private equity sponsors preparing overdue exits, and technology emerging as a key differentiator, the healthcare M&A market is entering a period of selective but strengthening growth.

VMG Health is proud to present our 2026 Healthcare M&A Report and expand upon these dynamics to provide a forward-looking view of the healthcare M&A landscape as we enter 2026. Drawing on our transaction experience, valuation insights, and market intelligence, our annual report examines emerging themes shaping deal strategy, capital deployment, and valuation expectations. We are excited to highlight where activity is accelerating, where risk remains, and how investors and operators are preparing for the next phase of market normalization.

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Contact Us

Report Lead



Taryn Nasr, ASA, CVA

Director, Business Valuation



taryn.nasr@vmghealth.com

Service Line Contacts



Chad Zoretic, CEPA

Partnerships, Mergers & Acquisitions Practice Leader



chad.zoretic@vmghealth.com



Kevin McDonough, CFA

Head of Valuation & Transaction Advisory Services



kevin.mcdonough@vmghealth.com



Cordell Mack

Managing Director, Strategy & Transformation



cordell.mack@vmghealth.com



Jordan Nelson

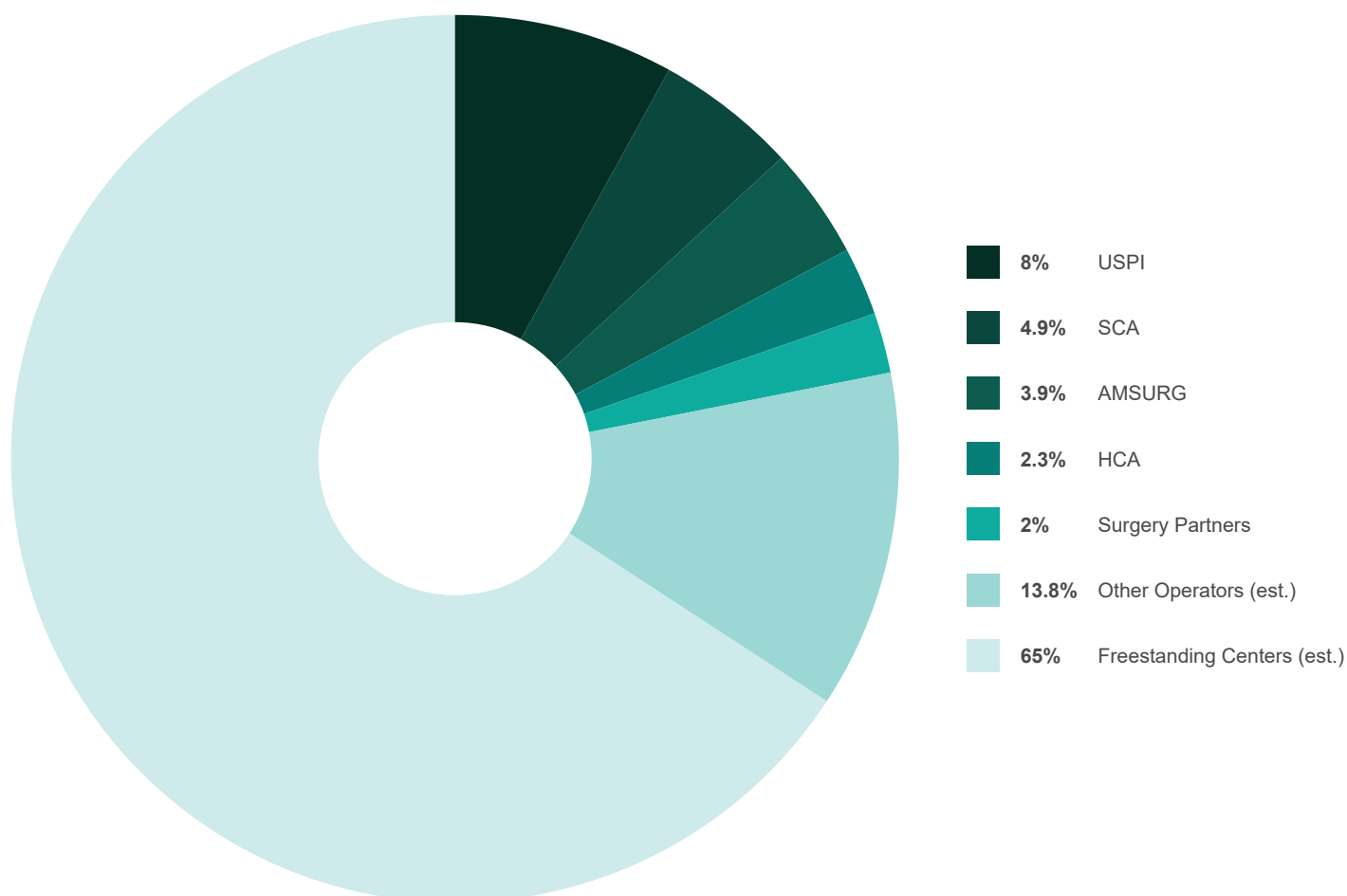
Director, Partnerships, Mergers & Acquisitions



jordan.nelson@vmghealth.com

01. Ambulatory Surgery Centers

Market Share by Center Count, 2025



Between 2011 and 2025, the total number of Medicare-certified ambulatory surgery centers (ASCs) in the U.S. steadily climbed, reflecting the continued nationwide shift toward outpatient care. Rather than exhibiting year-over-year spikes, the sector has experienced consistent growth, with Medicare-certified ASCs increasing at a compound annual rate of 1.75%, from 5,217 to 6,468. Despite the industry's upward trajectory, the ASC market remains highly fragmented, with approximately 65% of freestanding ASCs being independently owned and operated. The remaining 35% of the industry is made up of large players, including United Surgical Partners, Inc. (USPI, parent company Tenet Healthcare), SCA Health (owned by Optum/UnitedHealth Group, Inc.), AmSurg Corp. (merged with Envision Healthcare), Surgery Ventures Group (powered by HCA Healthcare), Surgery Partners, Inc. (39% owned by Bain Capital), and other multi-site owners and operators.

The Centers for Medicare & Medicaid Services (CMS) released the CY 2026 ASC payment final rule on November 21, 2025, which includes a 2.6% increase in overall ASC payments, signaling a continued moderation in reimbursement growth. This follows the CY 2025 final rule released on November 1, 2024, which increased the ASC conversion factor by 2.9%, itself a slight decline from the 3.1% increase implemented for CY 2024.

Industry Trends

In recent years, higher-acuity procedures, once exclusive to an inpatient or hospital outpatient department (HOPD) setting, have increasingly migrated to the freestanding ASC setting. The release of CY 2025 final rule drew heightened attention to this trend, as CMS approved only 21 new medical and dental surgical procedures to be added to the ASC Covered Procedures List (CPL) for CY 2025. This limited addition was met with a widely negative reaction from major industry players, who felt the modest update did not represent current industry needs for outpatient capabilities. Also noted in the CY 2026 final rule, CMS finalized its plan to eliminate the Inpatient Only (IPO) list over a three-year period, beginning in 2026 with the removal of 285 procedures.

The healthcare industry saw differing reactions to CMS' 2025 final rule, with ASC groups welcoming expanded procedure coverage and hospitals opposing site-neutral cuts, highlighting the growing divide between ASCs and hospital operators. Ultimately, the ASC sector remains focused on the shift of higher-acuity procedures to the outpatient setting, a trend reflected in ongoing transaction activity and broader market growth.

21 new medical and dental surgical procedures to be added to the ASC covered procedures list for CY 2025

285 procedures removed from the Inpatient Only list in 2026

M&A Trends & Drivers

Saum Sutaria, President of Tenet Healthcare—parent company of USPI and the largest outpatient surgery center operator in the United States—noted the ASC business' continued shift toward higher-acuity service lines. In their Third Quarter 2025 Investor Presentation, Tenet reported that USPI's same-facility ASC total joints had grown 11.1% YTD as of September 2025, down from the 19.3% YTD growth from September 2024, as noted in the 2024 Investor Presentation. Additionally, USPI added 211 service lines YTD in 2025, up from 162 during the same period in 2024, reflecting a continued focus on expanding service lines, as well as specialty mix across its outpatient care ventures. Sutaria reported that Tenet is committed to scaling their ASC portfolio, referencing the total YTD addition of 24 ASCs to their portfolio, which represents a mix of individual center acquisitions and larger, platform-level transactions.

While many transactions in 2025 involved individual physician-owned centers, more large health systems and multi-site operators are pursuing platform-level acquisitions to quickly gain scale, diversify specialties, and strengthen referral networks. In June 2025, Ascension Health entered into an agreement to acquire AmSurg, a major ASC operator with over 250 ASCs nationwide,

“The ASC opportunity has many dimensions, given the growth platform we have built at USPI. We’re focused on higher-end specialties and partnerships with our more productive health system partners.”

– Dr. Saum Sutaria

Chairman & CEO, Tenet Healthcare, Q3 2025 Earnings Call

for approximately \$3.9B. This transaction would bring Ascension’s total center count to more than 300, putting it at the top of the list for major multi-site operators by center count. This deal is like previous high-profile acquisitions, including the Tenet-USPI merger in 2015, the Envision-AmSurg merger in 2016, SCA’s acquisition of Optum in 2017, and Tenet’s acquisition of SurgCenter Development spanning between 2020 and 2021.

In 2025, VMG Health observed a slight uptick in median valuation multiples and continued stabilization in the overall range for ASC transactions. While the 25th percentile and median total invested capital (TIC) to EBITDA multiples dropped slightly, the 75th percentile remained stable from 2023 to 2024. The slight increase of the median multiple can be attributed to easing financing conditions, improved buyer confidence in forward earnings, and increased competition for high-quality assets.

This multiple range is further backed by industry leaders. In Tenet Healthcare’s previous quarterly investor presentations, they continue to highlight an average initial acquisition multiple of 8x–10x for their ASC ownership interest, which—as a large platform player—understandably places them on the higher end of the range. In addition, Surgery Partners noted in a May 2025 earnings call they had invested to acquire facilities at an effective multiple of under 8x adjusted EBITDA.

TIC / EBITDA	2017	2018	2019	2020	2021	2022	2023	2024	2025
25 th Percentile	6x	6.6x	6.5x	6.9x	7.5x	7.4x	7.4x	7.3x	7.1x
Median	6.8x	7.4x	7.7x	7.8x	7.8x	7.8x	7.7x	7.6x	7.9x
75 th Percentile	7.4x	7.9x	8.4x	9.7x	8.4x	8x	8x	8x	8.1x
Number of Observations	24	30	30	21	25	19	21	18	21



Notable Transactions

Even as consolidation accelerates in the ASC sector, ASC market remains fragmented, with varied strategic approaches at play.

- A recent industry breakdown of Surgery Partners' strategy by Becker's ASC Review highlights this diversity. Surgery Partners rejected a full buyout offer from Bain Capital, choosing independence over a private equity (PE) exit, despite PE's ongoing interest in ASC roll-ups. Instead, Surgery Partners reinvested in de novo centers, physician-aligned growth, and select acquisitions. At the same time, it pursued joint ventures with health systems and optimized its portfolio through divestitures, underscoring that not all consolidation takes the form of outright sale.
- Earlier in 2025 and prior to the headline acquisition, AmSurg acquired both Texarkana Surgery Center in Texas and Pinnacle Surgery Center in Louisiana. These moves reflected a push to further add scale to its platform by acquiring centers at the individual level, a commonly seen strategy among ASC consolidators.
- Also in early 2025, SCA acquired U.S. Digestive Health Management, a large gastroenterology physician group with 24 ASCs and more than 250 providers across Pennsylvania and Delaware. The transaction, completed without formal announcement, significantly expanded SCA's GI footprint and reinforced its strategy of scaling through targeted platform additions that include physician practices with embedded ASC assets.
- In February 2025, Choice Care Surgery Center in Texas entered into a joint venture with USPI. The large multispecialty center, offering services from cardiology and gastroenterology to orthopedics and plastic surgery, partnered with USPI to gain access to broader operational support, technology investment, and growth resources. This kind of partnership highlights how more established, physician-owned ASCs are aligning with larger platforms to navigate scale, leverage sophisticated infrastructure, and drive future expansion in a consolidating market.
- In March 2025, Compass Surgical Partners partnered with Orthopedic Institute of North Texas and Lam Vascular & Associates, two physician-led practices, to develop and operate a de novo ASC. The surgery center, Frisco Station, will be a large multi-specialty center focusing on orthopedic, spine, pain management, cardiovascular, and other specialties. The partnership aligns with Compass' overall growth strategy, punctuated with the recent announcement of its newly appointed CFO, John Hammack, who is focused on expanding the company's ASC platform.



“De novos represent an exciting growth prospect for Surgery Partners, given the low cost of entry and opportunity to bring the scale of our operations to growth-oriented partners... Although they take time to develop and construct, the effective multiples on these assets are a fraction of traditional acquisition multiples.”

– *Eric Evans*

CEO, Surgery Partners, Q1 2025 Earnings Call

- In March 2025, Wellspring Capital Management completed a recapitalization of Summit Spine & Joint Centers, partnering with Summit's management and existing sponsor to support the next phase of growth for the provider of minimally invasive spine services. Summit operates 17 ASCs and 44 clinics across the Southeast, and the infusion of PE capital is intended to accelerate expansion while preserving the physician-centric, outpatient care model.
- In May 2025, Cleveland Clinic announced a partnership with Regent Surgical, an ASC management and development company, to develop and operate ASCs across key U.S. markets. Cleveland Clinic, with its large integrated network of hospitals, outpatient facilities, and research programs, will hold majority ownership and branding on the new centers. The collaboration aims to expand lower-cost outpatient surgical access outside traditional hospital settings, improving convenience and cost efficiency for patients while leveraging Regent's operational expertise.
- In May 2025, Montpelier Surgery Center and Advanced Surgery Center, two large, independent ASCs in California, were acquired by Surgery Partners. This acquisition reinforces Surgery Partners' roll-up strategy in key regional markets and deepens its footprint of over 130 ASCs nationwide.
- In June 2025, Welsh, Carson, Anderson & Stowe (WCAS) made a strategic growth investment in Constitution Surgery Alliance, a developer and operator of ASCs with a portfolio of 16 facilities across multiple states. WCAS, a seasoned healthcare-focused PE firm, is backing Constitution's next phase of national expansion, while building on its track record of partnering with health systems and surgeons to deliver outpatient surgical services.
- In July 2025, Solara Surgical Partners and Orlando Health launched a national joint venture to expand ASC operations and development, starting with optimizing Orlando Health's existing ASC footprint across Florida and identifying opportunities for new facility builds. The arrangement pairs Solara's ASC development and management expertise with the health system's clinical infrastructure and regional scale, reflecting a broader trend of health systems aligning with experienced ASC operators to meet rising outpatient demand and navigate increasing consolidation pressures.
- In September 2025, Regent Surgical announced another partnership with Patches Kids Care to jointly develop and operate outpatient pediatric surgery centers, beginning with its flagship location in Houston. The partnership reflects broader investor and operator interest in specialized outpatient surgical platforms, particularly as demand grows for cost-effective, family-friendly care outside hospital settings.



Key Takeaways

The ASC marketplace continues to be a dynamic and evolving segment of the healthcare industry, driven in large part by the ongoing shift of higher-acuity procedures to the outpatient setting. This clinical and operational transition fuels demand for ASC capacity and is a catalyst for transaction activity in the subindustry. Consolidation remains a central theme, encompassing a broad spectrum of deal types, including individual center acquisitions and physician-led joint ventures, platform-level roll-ups, and full-company purchases by larger operators and health systems. Investors of all kinds, including PE, continue to participate as they are attracted by the combination of stable cash flows, growth potential, and structural tailwinds in the outpatient setting. Overall, the ASC market is poised to maintain strong momentum, with continued M&A activity reflecting both the clinical evolution of care delivery and the strategic opportunity for scale in the subindustry.

02. Imaging & Radiology



Industry Overview

The diagnostic imaging market was estimated at approximately \$140B in 2024 and estimated to increase to \$150B by the end of 2025. Radiology services are critical to the provision of quality and efficient healthcare and directly impact patient safety, patient experience, length of hospital stay, downstream healthcare resource utilization, and more. The industry is projected to grow at a single-digit, compound annual growth rate of 4.4%–7% from 2025 to 2032, driven by several factors, including an aging population, technological improvements to the quality and resolution of imaging equipment, advances in image-processing software, more education within the referring physician community, and greater consumer awareness of and demand for preventative diagnostic screening.

The imaging and radiology industry continues to be highly fragmented, as a large percentage of industry players are mom-and-pop radiologists who own a single facility or small groups of radiologists who own multiple facilities. Approximately 60% of imaging occurs in hospital settings, while the remaining 40% occurs on the outpatient side. RadNet, Inc., one of the major national providers of diagnostic imaging services in the U.S., is responsible (directly or indirectly through joint ventures) for approximately 400 imaging centers across eight states—with over 6,900 freestanding locations believed to exist across the U.S.

\$10B

increase in the diagnostic imaging market from 2024 to 2025

40%

of imaging occurs in outpatient imaging settings

\$1.65B

invested into radiology-based AI in 2025



M&A Trends & Drivers

Major transaction trends in the diagnostic imaging industry in 2025 continued from trends observed over the past few years. Notable drivers include greater awareness and use of health services among a growing aging population, advances in equipment technology through AI innovation, and the continuation of market shifts from hospital to freestanding centers.

As the healthcare industry has focused on expanding access to care while reducing costs, the diagnostic imaging industry has been one of the health services pushing for care delivery at lower-cost alternatives. Based on a recent study by the American Journal of Roentgenology, shifting just 10% of hospital-based care to outpatient settings can save an estimated \$125B per year. The study also revealed that up to 25% of hospital-based radiology services can be transferred to outpatient centers, resulting in significant cost savings. This trend also benefits the commercial insurance providers themselves by directing their members away from hospital-based settings and into outpatient sites.

“Health systems continue to seek solutions for long-term strategies around outpatient imaging and have recognized that cost-effective freestanding centers will continue to capture market share from hospitals as payers and patients migrate their site of care to lower-cost, high-quality solutions.”

– Howard G. Berger

Chairman, President & CEO, Radnet, Q1 2025

According to RadNet CFO Mark D. Stolper, hospitals typically charge 200% to 500% more than RadNet’s freestanding centers, prompting commercial insurers to steer patients toward lower-cost alternatives. With outpatient centers offering services through lower-cost incentives, we can expect a shift from hospital-based imaging to outpatient care settings and a changing competitive landscape. As a result, hospitals will likely focus on integrating outpatient capabilities through joint ventures and de novo acquisitions, made possible through their extensive network of healthcare providers.

According to the National Institutes of Health’s (NIH’s) study on *Projected US Imaging Utilization from 2025 to 2055*, imaging utilization is projected to be 16.9%–26.9% higher in 2055 compared to current levels—assuming the per person utilization rate stays the same. The growth is primarily driven by the overall population growth followed by the increase in the aging population, which explains around 12–27% of the projected increase. The U.S. Census Bureau anticipates the

U.S. population to grow 8.2% from 2023 to 2055, driven primarily by concentrated growth of individuals ages 75–84, 85–94, and above 95, with growth rates of 51.5%, 149.6%, and 282.1%, respectively.

Because utilization rates are higher among Medicare enrollees relative to younger patients, increased demand for diagnostic imaging services will continue to increase. To address rising demand, providers must expand their capacity and diversify service offerings while investing in workforce development and harnessing technological advancements.

Investments in AI technology played a key role in M&A activity in 2025, reflecting a growing commitment to using AI to enhance diagnostic imaging capabilities and deliver successful outcomes for patients. According to PitchBook data, there was roughly \$1.65B invested into radiology-based AI in the segment.

In recent years, AI has driven a transformative shift in diagnostic imaging services, primarily through workflow optimization and image enhancement. In an industry struggling with surging demand and persistent workforce shortages, AI has helped providers maintain high standards of care by streamlining essential tasks, such as automating scheduling, supporting report generation, and prioritizing high-value imaging exams, without compromising quality.

From the image enhancement perspective, AI serves as a powerful tool that can process and deliver vast, complex datasets from medical images to genetic data far beyond the human capabilities. For instance, one of the notable advances in AI is its evolution from a unimodal to multimodal system. A multimodal system enhances the unimodal system by analyzing multiple types of data input and output for a more comprehensive and accurate interpretation of the data. The integration of different modalities helps with capturing more context and reducing ambiguities and noise that could skew results. According to Radiology Society Network president Dr. Topol, “Multimodal AI will allow us to... predict the future, to know a patient’s risk for a disease and to implement preventative measures well before they actually get the disease.” With AI’s capabilities, advanced imaging recognition and preventative measures will be significant as the diagnostic imaging space continues to leverage AI to assist in improving workflow efficiency and clinical accuracy.

Notable Transactions

M&A activity in 2025 was highlighted by greater consolidation and growing investment in digital health AI, which has been driving competition in the industry.

The industry was introduced to a new public company, Lumexa. Lumexa's Initial Public Offering (IPO) raised over \$460M by selling 25M shares, more than double its initial \$200M target, signaling strong investor confidence in the company's growth and the overall optimism about the diagnostic imaging industry's future. Through its IPO, Lumexa seeks to reduce its financial risk by reducing its \$1.2B outstanding debt and benefit from improved cash flows preserved for future investment initiatives. Lumexa's IPO highlights the diagnostic imaging industry's continued move toward consolidation and increased access to capital for leading providers.

Other transactions driven by AI investment include Viz.ai, a company offering technology for analyzing medical imaging data for CTs and ECGs, raising \$290M; and Rapid AI, a company creating high-quality neurological images, raising approximately \$100M.

Another notable transaction is RadNet's acquisition of iCAD, Inc., a leading provider of AI-powered breast health solutions for a transaction price of approximately \$103M. Mammography saw significant growth in 2025, driven by several factors, such as increased awareness for breast cancer screening, AI-powered technology, and higher incidence of cancer detection. Mammography is anticipated to see approximately 9% volume growth through 2028, a significant driving force for growth in the diagnostic imaging industry. The acquisition of iCAD continues RadNet's trend of AI-based acquisitions, such as the DeepHealth and Quantib/Aidence in 2020 and 2022, reflecting RadNet's commitment to delivering accurate, AI-driven outcomes for its patients.

“Going public is not a finish line. It's the beginning of our next chapter... This platform will allow us to invest even more deeply in AI, advanced technologies and innovative tools that streamline workflows, enhance clinical quality and improve our patients' experience.”

– Caitlin Zulla
CEO, Lumexa, Press Release December 11, 2025

Key Takeaways

In 2025, the diagnostic imaging industry continued its trajectory of growth and transformation, driven by demographic shifts, cost-efficiency initiatives, and technological innovation. Rising demand from an aging population, coupled with the migration of services from hospitals to outpatient centers, is reshaping competitive dynamics and fueling consolidation. AI advancements, particularly in multimodal systems, are enhancing diagnostic accuracy and enabling preventative care, positioning technology as a cornerstone of future strategies. M&A activity reflects these trends, with significant investments in AI-powered solutions and notable transactions, underscoring the industry's commitment to innovation and cost-effective care delivery. Moving forward, the sector is poised for sustained expansion and deeper integration of AI into clinical workflows.

03. Acute-Care Hospitals



Industry Overview

As of January 2025, there were approximately 5,439 total acute-care hospitals (ACHs) in the U.S. Of this total, just under 55% operated as not-for-profit; approximately 22% were investor-owned for-profit; and the remainder were operated by state and local governments. Hospital service spending continues to account for a significant portion of the total national health expenditure. In 2024, hospital service spending was estimated to represent 31.4% of total national health expenditures and has grown 5.3%, compounded annually from \$1.035T in 2016 to approximately \$1.559T in 2024. Once released, CMS forecasts 2025 annual hospital spend to grow to approximately 32% of total national health expenditures or approximately \$1.8T, as noted in the Peterson-KFF Health System Tracker.

On July 31, 2025, CMS issued CY 2025 Inpatient Prospective Payment System (IPPS) policy changes and payment rates final rule that establishes IPPS payment rates will increase by 2.6% in 2025. The final rule is derived from a 3.3% hospital market basket update partially offset by 0.7% productivity adjustment. For outpatient services, CMS finalized its hospital OPSS, which includes a 2.6% increase in payments. Hospitals that do not meet applicable quality reporting program requirements will be subject to a 2% reduction in payments, negating most of this increase.

Additionally, CMS finalized its proposal to phase out the IPO list over a three-year period. Strong opposition to this final rule regarding the IPO, as well as site-neutral cuts, come from the American Hospital Association (AHA).

Entering 2025, many of the operational and financial pressures that shaped hospital performance in 2024 continued to define the sector's trajectory. Rating agencies signaled cautious stability rather than full recovery. Moody's, Fitch, and S&P have maintained neutral and stable outlooks for U.S. not-for-profit hospitals as we enter 2026. Despite these signs of stabilization, hospitals faced an environment in which financial improvement remained uneven. Hospital operators dealt with ongoing cost pressures, particularly labor, as well as rising cybersecurity measures and the continued shift toward outpatient care. Layered onto this backdrop was the passage of H.R.1, which required hospital operators to reassess strategic priorities, regulatory compliance, and long-term capital planning.



“Both policies fail to account for the real and crucial differences between hospital outpatient departments and other sites of care. Studies show hospital outpatient departments are more likely to serve Medicare patients who are sicker, more clinically complex, and more likely to be disabled or living in poorer, rural communities than patients treated in independent physician offices.”

– Ashley Thompson

Senior Vice President, Public Policy Analysis & Development, American Hospital Association, Press Release July 15, 2025

HCA Healthcare				Tenet Health				UHS				CHS				Ardent Health			
Quarterly Results (in \$M)																			
	Q3 24	Q3 25	% Change	Q3 24	Q3 25	% Change		Q3 24	Q3 25	% Change		Q3 24	Q3 25	% Change		Q3 24	Q3 25	% Change	
Key Financials																			
Net Operating Revenue	17,487	19,161	9.6%	5,188	5,353	3.2%		3,963	4,495	13.4%		3,090	3,087	(0.1%)		1,450	1,577	8.8%	
Operating Income	2,421	2,979	23.0%	1,089	889	(18.4%)		384	522	35.8%		(88)	351	nmf		70	16	(76.6%)	
Adjusted EBITDA	3,267	3,870	18.5%	978	1,099	12.4%		527	671	27.4%		347	376	8.4%		98	143	46.3%	
Net Income (Excluding NCI)	1,270	1,643	29.4%	472	342	(27.5%)		259	373	44.2%		(274)	238	nmf		26	(23)	nmf	
Valuation and Profitability (% change in margin calculated as nominal change)																			
Operating Margin	13.8%	15.5%	1.7%	21.0%	16.6%	(4.4%)		9.7%	11.6%	1.9%		(2.8%)	11.4%	14.2%		4.9%	1.0%	(3.8%)	
Adjusted EBITDA Margin	18.7%	20.2%	1.5%	18.9%	20.5%	1.7%		13.3%	14.9%	1.6%		11.2%	12.2%	1.0%		6.7%	9.1%	2.3%	
Net Income Margin	7.3%	8.6%	1.3%	9.1%	6.4%	(2.7%)		6.5%	8.3%	1.8%		(8.9%)	7.7%	16.6%		1.8%	(1.5%)	(3.3%)	
EV / Forward EBITDA	10.4x	9.9x	(0.5x)	7.7x	7.0x	(0.7x)		8.9x	7.2x	(1.7x)		8.5x	8.0x	(0.5x)		9.6x	6.0x	(3.6x)	
EV / Forward Revenue	2.1x	2.0x	(0.1x)	1.4x	1.5x	0.0x		1.3x	1.1x	(0.2x)		1.1x	1.0x	(0.1x)		0.8x	0.5x	(0.3x)	
Same-Facility Benchmarks (Acute Care Divisions)																			
Admissions	555,707	567,382	2.1%	115,562	117,240	1.5%		83,149	84,368	1.5%		96,403	97,648	1.3%		39,568	41,862	5.8%	
Adjusted Admissions	985,269	1,008,805	2.4%	209,351	212,370	1.4%		141,139	143,866	1.9%		221,442	222,132	0.3%		86,833	89,328	2.9%	
Patient Days	2,660,115	2,643,947	(0.6%)	569,044	560,883	(1.4%)		401,479	401,148	(0.1%)		418,913	411,105	(1.9%)		182,023	193,558	6.3%	
Average Length of Stay	4.79	4.66	(2.7%)	4.92	4.78	(2.8%)		4.83	4.75	(1.5%)		4.35	4.21	(3.1%)		4.60	4.62	0.5%	
Revenue per Adjusted Admission	17,245	18,390	6.6%	15,209	16,113	5.9%		15,276	16,773	9.8%		13,033	13,767	5.6%		16,312	17,252	5.8%	
Occupancy / Bed Utilization	71.9%	71.7%	(0.2%)	50.2%	49.5%	(0.7%)		65.9%	65.1%	(0.8%)		50.9%	49.7%	(1.2%)		46.0%	49.0%	3.0%	
Net Revenue	16,991	18,552	9.2%	3,184	3,422	7.5%		2,156	2,433	12.8%		2,886	3,058	6.0%		1,450	1,577	8.8%	
Common-Sized Expense Statistics (Consolidated Enterprise)																			
Salaries & Wages	45.0%	43.7%	(1.3%)	42.8%	41.2%	(1.6%)		48.3%	46.1%	(2.2%)		44.0%	43.9%	(0.1%)		43.8%	42.9%	(0.9%)	
Supplies	15.2%	14.5%	(0.7%)	17.0%	17.4%	0.4%		9.8%	9.2%	(0.6%)		15.2%	14.9%	(0.3%)		17.4%	17.5%	0.1%	
Other Operating Expenses	21.3%	21.7%	0.5%	21.4%	20.9%	(0.5%)		28.4%	29.6%	1.2%		32.7%	27.0%	(5.7%)		31.4%	36.0%	4.6%	
Depreciation & Amortization	4.8%	4.6%	(0.2%)	4.0%	4.1%	0.0%		3.8%	3.4%	(0.3%)		8.6%	0.7%	(8.0%)		2.5%	2.5%	(0.1%)	
Interest Expense	2.9%	2.9%	(0.0%)	3.9%	3.8%	(0.0%)		1.1%	0.9%	(0.3%)		7.0%	7.0%	0.0%		1.0%	0.9%	(0.1%)	
Non-Controlling Interests	1.2%	1.4%	0.1%	4.0%	4.4%	0.4%		0.2%	0.1%	(0.0%)		1.2%	1.3%	0.2%		1.4%	1.6%	0.2%	

Source: Blake Madden's Hospitalology "Hospital 2025 Key Themes" Report, 12/11/25



M&A Trends & Drivers

Against the backdrop of the industry dynamics, operational and financial headwinds and uncertainty around healthcare policies drove acute-care hospital transactions. Pulling from VMG Health's observed market activity, CY 2025 was a low-velocity, back-weighted year for hospital and health system M&A. We tracked just over 40 announced transactions for the year, a clear decline from roughly 70 the prior year. Activity was muted in the first half, particularly among smaller independent hospitals facing sustained operating pressure and constrained balance sheets. Early-year uncertainty around the federal policy agenda further suppressed buyer and lender conviction. Momentum returned in the back half of the year, strengthening through the third and fourth quarters as buyers re-engaged, though the late recovery did not fully offset the early-year stall.

Aggregate deal value also reflected this dynamic, with total transacted revenue of approximately \$20B for the year, the lowest annual level in VMG Health's tracking. Value was heavily concentrated in the later part of the year, with more than half of the transactions

“We finished 2025 with strong performance consistent with previous quarters. Our investments in network expansion, workforce development, and advancing clinical capabilities further strengthened the HCA Healthcare system.”

– Sam Hazen

CEO, HCA Healthcare, Press Release January 27, 2026

recorded in the fourth quarter, driven by a small number of large-scale combinations involving multi-billion-dollar organizations. The resulting mix underscores a barbell effect: fewer transactions overall, paired with a handful of outsized deals that disproportionately shaped annual value, despite broader volume softness.

A growing share of announced transactions involved organizations under material financial pressure, reflecting structurally thin margins, elevated capital costs, and limited standalone paths to recovery for under-scale hospitals. Distress has become a central driver of both deal rationale and structure, a trend we expect to persist as operating challenges remain unresolved across much of the sector. As outlined in the Kaufman Hall report, “Hospital and health system M&A in review: Uncertainty transitions to continued momentum in 2025,” 43.5% of announced acute-care hospital transactions involved financial distressed organizations. This analysis excludes real estate transactions involving closed or shuttered facilities, potentially understating the full extent of financial distress.

Strategic behavior outside traditional acute-care consolidation further shaped the year and informs expectations for 2026. For-profit operators were net sellers, signaling continued portfolio pruning and capital redeployment toward higher-growth or asset-lighter subsectors, alongside selective market exits. At the same time, some of the most consequential moves occurred outside hospital walls, with increased investment in ambulatory care, laboratory services, and behavioral health platforms that support site-of-care migration, diversification, and throughput.

Looking ahead, we expect distress-driven structures to remain prevalent, large combinations to be selective and thesis-driven rather than broad-based, and capital efficiency to dominate strategic decision-making—particularly as operators prioritize portfolio realignment and non-acute adjacency over expansionary acute care bets.

Notable Transactions

Target	Target Tax Status	Acquirer	Acquirer Tax Status	Transaction Type	State	Announced
Hawarden Regional Healthcare	Non-Profit	Avera	Non-Profit	Affiliation	IA	1/2/2026
Nebraska Medicine	Non-Profit	University of Nebraska	Non-Profit	Partial - 50%	NE	1/2/2026
Maimonides Health	Non-Profit	NYC Health + Hospitals	Non-Profit	Affiliation	NY	12/29/2025
Santiam Hospital and Clinics	Non-Profit	Salem Health	Non-Profit	Acquisition	OR	12/19/2025
CHI St. Alexius Health Devils Lake	Non-Profit	Altru Health System	Non-Profit	Acquisition	ND	12/17/2025
Geisinger St. Lukes Hospital (JV Buyout)	Non-Profit	St. Lukes University Health Network	Non-Profit	Partial	PA	12/12/2025
Harrison County Hospital	Non-Profit	Deaconess Health System	Non-Profit	Acquisition	IN	12/8/2025
Southwestern Medical Center / Comanche County Memorial Hospital	Non-Profit	Memorial Health System	Non-Profit	Merger	OK	12/2/2025
Fairfield Medical Center	Non-Profit	OhioHealth	Non-Profit	Acquisition	OH	11/24/2025
Day Kimball Hospital / Bristol Hospital (Prospect)	For Profit	UConn Health	Non-Profit	Acquisition	CT	11/20/2025
Independence Health System	Non-Profit	WVU Medicine	Non-Profit	Acquisition	PA	11/20/2025
DeSoto Memorial Hospital	Non-Profit	Tampa General Hospital	Non-Profit	Affiliation	FL	11/12/2025
Blue Mountain Hospital	Non-Profit	Utah Navajo Health System	Non-Profit	Acquisition	UT	11/12/2025
Waterbury Hospital (Prospect)	For Profit	UConn Health	Non-Profit	Acquisition	CT	11/10/2025
York Hospital	Non-Profit	MaineHealth	Non-Profit	Acquisition	ME	10/31/2025
Prairie Lakes Healthcare	Non-Profit	Sanford Health	Non-Profit	Acquisition	IA	10/31/2025
Tennova Healthcare - Clarksville (CHS)	For Profit	Vanderbilt University Medical Center	Non-Profit	Acquisition	TN	10/31/2025
WoodBridge Healthcare, Inc.	Non-Profit	Tenor Health Foundation	Non-Profit	Acquisition	PA	10/27/2025
Kell West Hospital	Non-Profit	United Regional Health Care System	Non-Profit	Acquisition	TX	10/24/2025

Target	Target Tax Status	Acquirer	Acquirer Tax Status	Transaction Type	State	Announced
Samaritan Health Services	Non-Profit	MultiCare Health System	Non-Profit	Affiliation	WA	10/22/2025
Heritage Valley Health System	Non-Profit	Allegheny Health Network	Non-Profit	Acquisition	PA	10/17/2025
Garnet Health	Non-Profit	Montefiore Health System	Non-Profit	Acquisition	NY	10/16/2025
Crozer-Chester Medical Center (Prospect)	For Profit	Chariot Allaire Partners	For Profit	Acquisition	PA	10/14/2025
Springfield Hospital (Prospect)	For Profit	Restorative Health Foundation and Syan Investments	Non-Profit	Acquisition	PA	10/14/2025
Marshfield Medical Center-Beaver Dam	Non-Profit	UW Health	Non-Profit	Acquisition	WI	10/7/2025
FHN	Non-Profit	Mercyhealth	Non-Profit	Affiliation	IL	9/30/2025
St. Joseph's Health System (Trinity JV)	Non-Profit	Emory Healthcare	Non-Profit	Partial - 49%	GA	9/29/2025
Manchester Memorial Hospital / Rockville General Hospital (Prospect)	Non-Profit	Hartford Healthcare	Non-Profit	Acquisition	CT	9/22/2025
Trinity Health System (3 Ohio Hospitals)	Non-Profit	UPMC	Non-Profit	Acquisition	OH	9/22/2025
Bon Secours Mercy Health JV Hospitals (3)	Non-Profit	WMCHealth (Full Ownership)	Non-Profit	Acquisition	NY	9/19/2025
Southwestern Medical Center	Non-Profit	Comanche County Memorial Hospital / Memorial Health System	Non-Profit	Merger	OK	9/17/2025
Littleton Regional Healthcare	Non-Profit	Dartmouth Health	Non-Profit	Acquisition	NH	9/12/2025
Taylor Hospital	Non-Profit	Individuals	Non-Profit	Acquisition	PA	9/5/2025
Tidelands Health	Non-Profit	MUSC Health	Non-Profit	Partial - Majority	SC	9/4/2025
Javon Bea Hospital-Rockton	Non-Profit	Individual	For Profit	Acquisition	IL	9/4/2025
Olympic Medical Center	Non-Profit	UW Medicine	Non-Profit	Acquisition	WA	9/3/2025
Chestnut Hill Hospital	Non-Profit	Temple Health	Non-Profit	Partial - 20%	PA	8/20/2025
Oktibbeha County Regional Medical Center	Non-Profit	Baptist Memorial Health Care	Non-Profit	Acquisition	MS	8/18/2025
CommonWealth Health (CHS)	For Profit	Tenor Health Foundation	Non-Profit	Acquisition	PA	8/6/2025
CHRISTUS Santa Rosa Hospital	Non-Profit	University Health	Non-Profit	Acquisition	TX	7/30/2025
El Centro Regional Medical Center	Non-Profit	Imperial Valley Healthcare District	Non-Profit	Affiliation	CA	7/29/2025
Palomar Health	Non-Profit	UC San Diego Health	Non-Profit	Affiliation	CA	7/17/2025
Marlborough Hospital	Non-Profit	UMass Memorial Health System	Non-Profit	Affiliation	MA	7/10/2025
Hugh Chatham Health	Non-Profit	Atrium Health Wake Forest Baptist	Non-Profit	Affiliation	NC	7/8/2025
Progressive Health of Helena	For Profit	Helena Health Foundation	Non-Profit	Acquisition	AR	6/30/2025
East Ohio Regional Hospital	For Profit	360 Healthcare	For Profit	Acquisition	OH	6/24/2025
Clinton Memorial Hospital	For Profit	TriHealth	Non-Profit	Acquisition	OH	6/16/2025
Pender Community Hospital	Non-Profit	Bryan Health	Non-Profit	Affiliation	NE	6/9/2025
MercyOne Siouxland Medical Center	Non-Profit	UnityPoint Health	Non-Profit	Acquisition	IA	5/29/2025
Tri-City Medical Center	Non-Profit	Sharp Healthcare	Non-Profit	Affiliation	CA	5/29/2025
OCH Regional Medical Center	Non-Profit	Baptist Memorial Health Care	Non-Profit	Affiliation	MS	5/8/2025
Arkansas Methodist Medical Center	Non-Profit	Baptist Memorial Health Care	Non-Profit	Affiliation	AR	4/22/2025
Cedar Park Regional Medical Center (CHS)	For Profit	Ascension Health	Non-Profit	Acquisition	TX	4/15/2025
Ascension Michigan (4 Hospitals)	Non-Profit	Beacon Health System	Non-Profit	Acquisition	MI	4/8/2025
Magee General Hospital	Non-Profit	South Central Regional Medical Center	Non-Profit	Acquisition	MS	4/1/2025
Logansport Memorial Hospital	Non-Profit	Parkview Health	Non-Profit	Acquisition	IN	2/21/2025
The Bellevue Hospital	Non-Profit	Firelands Health	Non-Profit	Acquisition	OH	2/5/2025

Target	Target Tax Status	Acquirer	Acquirer Tax Status	Transaction Type	State	Announced
Crozer Health (Prospect)	For Profit	Undisclosed Non-Profit Consortium	Non-Profit	Acquisition	PA	1/31/2025
Merit Health Madison (CHS)	For Profit	University of Mississippi Medical Center	Non-Profit	Acquisition	MS	1/29/2025
Essentia Health	Non-Profit	Fairview / University of Minnesota	Non-Profit	Affiliation	MN	1/27/2025
Sharon Regional Hospital (Steward)	For Profit	Tenor Health Partners	For Profit	Partial - 50%	PA	1/10/2025
Central Maine Healthcare	Non-Profit	Prime Healthcare	For Profit	Acquisition	ME	1/8/2025

Sourced from Scope Research Hospital Affiliation Database

Key Takeaways

The acute-care hospital sector ended 2025 under sustained financial and operational pressure, driven by rising labor costs, professional fee inflation, and ongoing reimbursement and regulatory shifts. M&A activity reflected these realities: observed slowdown in deal volume in H1 2025, increased distress-driven deals, and a handful of large transactions dominated total deal value. At the same time, health systems continued to rebalance portfolios by divesting non-core assets and investing in ambulatory, behavioral health, and other non-acute services aligned with long-term strategic priorities.

As the industry moves into 2026, hospitals are expected to remain focused on stabilizing operations, improving capital efficiency, and pursuing selective partnerships. With financial headwinds and healthcare policy uncertainty likely to persist, M&A will continue to serve as a critical tool for restructuring, scale-building, and repositioning within an increasingly complex healthcare landscape.

04. Physician Medical Groups



Industry Overview

The number of physicians in the U.S. has increased 1.3%, compounded annually from approximately 814,000 in 2000 to approximately 1.1M as of September 2025. Of the 1.1M, approximately 544,000 are primary care physicians (including internal medicine, family medicine/general practice, pediatrics, obstetrics and gynecology, and geriatrics) and 561,000 are specialist physicians (including psychiatry, surgery, anesthesiology, emergency medicine, radiology, cardiology, oncology, endocrinology, diabetes, and metabolism).

In 2025, regulatory scrutiny increased with the growing consolidation and involvement of PE- and MSO-backed platforms. Some states have either expanded or implemented new healthcare transaction notices and review requirements. Governments remain focused on corporate practice of medicine boundaries as they assess clinical autonomy and investor influence via management and fee agreements. The expected efforts to ban non-compete arrangements did not take effect in 2025, the enforcement of which has defaulted to state law regimes.

On October 31, 2025, CMS issued a CY 2025 final rule that announces final policy changes for Medicare payments under the MPFS with a conversion factor of approximately \$32.35, representing a 2.8% decrease from CY 2024, driven by statutory budget-neutrality rules and the expiration of temporary prior-year relief. As such, physician practices will face continued Medicare rate pressure that will weight margins, particularly among those specialties that have high Medicare patient volumes.



M&A Trends & Drivers

Since 2012, the number of physicians operating independently has declined by 80,000. Approximately one-third of physicians worked in a hospital-owned practice; physician employment by hospital has doubled since 2012 (12% versus 5.6% in 2012). Independent practices are struggling to keep pace with increasing competition in physician recruiting from health systems, PE firms, and health insurers. PE firms and MSOs offer the capital and business expertise needed to scale and improve operational efficiency. For PE firms, their ability to roll up these acquisitions into an efficient, large, and scalable platform is an attractive investment.

Despite heightened regulatory scrutiny, physician practice management (PPM) M&A activity remained steady in 2025, with dental platforms leading activity throughout the year. Regulatory challenges remained in 2025, with multiple states proposing and renewing legislation efforts to restrict PE involvement in healthcare transactions, notably through MSOs and dental services organizations (DSOs). Private and strategic buyers navigated new state material transaction laws and corporate practice of medicine constraints, including California's SB 351, effective January 1, 2025, while the Federal Trade Commission (FTC) and Department of Justice (DOJ) sustained scrutiny of healthcare consolidation, particularly roll-up transactions.

DSOs were the clear volume leaders, with active expansions by MB2 Dental, Parkview Dental Partners, Heartland Dental, and Straine Dental Management. Notably, MB2 Dental reached its 47th acquisition by the end of Q3 and surpassed 800 locations nationwide, underscoring the sector's scalability.

2025 also featured one of the largest PPM transactions, which occurred in the DSO sector: GTCR acquired Dentalcorp for \$2.2B and was formally approved by security holders on December 4. Dentalcorp is one of the fastest-growing dental practices in North America.

Outside of dental, ophthalmology platforms such as Sight Growth Partners, Eye Health America, and EyeSouth Partners expanded in Connecticut, New York, Florida, and Illinois to broaden their retina care capabilities. Meanwhile, orthopedics remained active, highlighted by two main sales in Q1: OrthoCarolina's sale of its physical therapy business to a joint venture between PT Solutions Physical Therapy and Novant Health, and NYU Langone's acquisition of Rothman Orthopaedics of Greater New York.

Oncology was also a standout sector with OneOncology, as its national expansion continued through strategic partnerships and acquisitions, culminating in a landmark deal where Cencora agreed to acquire the platform for \$7.4B. This transaction underscores growing interest in physician practice assets tied to oncology and specialty care, signaling potential exit opportunities for PE-backed platforms in high-value specialties.

“As cancer care becomes increasingly complex, leveraging the significant expertise of Cencora across the healthcare landscape while still maintaining our independence will allow us to enhance the value we provide to practices, improving physicians’ ability to focus on delivering accessible and innovative care to their patients.”

– Jeff Patton, M.D.

CEO, OneOncology, Press Release December 15, 2025

Throughout 2025, major strategic acquirers and health systems accelerated consolidation in physician practices. Optum acquired Holston Medical Group to strengthen its multi-specialty network in the Northeast and Southwest, while Cardinal Health's Specialty Alliance purchased Solaris Health for \$1.9B to expand its specialty platform. Hospitals also pursued scale, with AdventHealth acquiring Bond Clinic (90 providers across 28 specialties) and HonorHealth agreeing to acquire Evernorth Care Group's 18 clinics from Cigna. These transactions reflect a broader trend toward outpatient integration and specialty diversification.

Consolidation in the PPM sector is driven by market fragmentation, rising administrative and cost pressures, and the pursuit of ancillary revenue streams like ASCs and clinical research, driving many physicians to seek partnerships with MSOs, hospitals, or larger physician groups for additional support.

Lastly, while the PE-driven platform boom of 2021–2022 has cooled, deal activity remains steady across high-growth specialties such as dental, ophthalmology, orthopedics, and oncology. Regulatory scrutiny is shaping the landscape, and many PE firms are approaching exit windows, signaling fewer new platforms and evolving market dynamics.

Notable Transactions

In July 2025, AdventHealth acquired Bond Clinic, a physician group encompassing 90 providers among 28 specialties in Polk County, Florida. AdventHealth purchased Bond Clinic's comprehensive multi-specialty assets and care sites located throughout Polk County.

In August 2025, Optum acquired Holston Medical Group, a 200-provider, multi-specialty practice with approximately 70 locations across Tennessee and Southwest Virginia. Optum continues to scale comprehensive outpatient services. Deal value information is not available. Optum, via its subsidiary, Atrius Health, further intends to acquire Acton Medical Associates, a 45-provider primary care group serving the Boston Area.

In September 2025, HonorHealth, an Arizona-based health system, signed an agreement to acquire Phoenix-based Evernorth Care Group and its 18 clinics from Cigna. Evernorth Care Group operates clinics throughout the Valley, providing integrated primary care services to nearly 80,000 patients.

In November 2025, Cardinal Health (via The Specialty Alliance) acquired Solaris Health in a \$1.9B cash deal, giving Cardinal Health a 75% stake in The Specialty Alliance. Solaris Health brought over 750 providers across more than 250 practice locations in 14 states. This transaction added immediate scale to the Urology Alliance within Cardinal's health leading multi-specialty MSO platform. Clearly, non-PE acquirers are entering high-value specialty practice consolidations.

Intersecting the physician group and practice management and services is the all-stock Wellvana acquisition of CVS Health's Medicare Shared Savings Program (MSSP) portfolio in March 2025. Wellvana operates as one of the largest value-based care enablement companies, serving approximately 1M Medicare patients.

\$7.4B

acquisition of OneOncology
by Cencora

800

MB2 Dental locations nationwide
after its 47th acquisition

\$1.9B

cash deal by Cardinal Health
acquiring Solaris Health

Key Takeaways

As a continuation of past trends, hospital-owned physician practices will increase in number, and doctors will sell their practices and leave private practice. Among the reasons for departure from private practice are pricing pressure with payers, financial challenges, increasing costs and interest rates, and operational and technological challenges.

In 2025, PE activity was robust, particularly around dental transactions; we expect this trend to continue in 2026. However, while PE remains the dominant buyer for 2025, strategic healthcare corporations and systems are increasingly becoming competitive buyers, particularly for multi-specialty groups.

05. Behavioral Health

Industry Overview

The behavioral health services sector remains a significant driver of growth within the healthcare industry. In 2024, the U.S. behavioral health market was valued at \$87.82B and is expected to expand from \$92.14B in 2025 to \$132.46B by 2032. Around 61.5M adults (23.4%) in the U.S. have experienced a mental illness, with 14.6M (5.6%) reporting a serious mental illness in the past year. Additionally, 52.6M people (18.2%) aged 12 or older required substance use disorder (SUD) treatment last year, but only 10.2M (3.5%) received care. The disparity between the demand for and availability of care underscores a clear mismatch in the industry's supply and demand.

As of 2024, the U.S. has almost 28,000 behavioral health facilities (BHF), which include mental health treatment centers, substance abuse treatment centers, and facilities that treat both mental health and SUD. According to the Department of Health and Human Services' National Substance Use and Mental Health Services Survey, private nonprofit organizations operate most of these facilities, accounting for about 51.3% of all BHF. Furthermore, outpatient mental health services make up the bulk of these facilities, comprising 73.9% of the total.

\$4.32B

increase in behavioral health valuation in 2025

28,000

BHFs in the U.S. as of 2024

51.3%

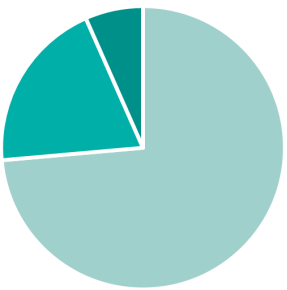
of all BHFs are private nonprofit organizations

Behavioral Health Facility Operators



■ Private Nonprofit ■ Private For-Profit ■ Government

Behavioral Health Facility Types



■ Outpatient ■ Residential ■ Hospital Inpatient

The largest behavioral health providers in the U.S. include publicly traded companies like Acadia Healthcare Company, Inc. and Universal Health Services, Inc. (UHS), along with the privately held Lifepoint Health. By the end of Q3 2025, Acadia, the largest dedicated behavioral health provider in the U.S. and Puerto Rico, operates in 40 states with 278 treatment facilities and more than 12,400 beds. UHS runs 39 facilities in the U.S., the District of Columbia, Puerto Rico, and the United Kingdom, with over 330 inpatient behavioral health centers and 24,400 beds. Additionally, Lifepoint operates more than 30 rehabilitation and behavioral health hospitals across 28 states, with over 15 new locations currently under development.

On October 31, 2025, CMS released a final rule for the 2026 Medicare Physician Fee Schedule (MPFS), which establishes a permanent telehealth framework that clearly distinguishes long-term behavioral-health coverage from the expiring flexibilities applied to non-behavioral services. Under the rule, mental-health telehealth receives enduring statutory and reimbursement protection, making

behavioral health the primary beneficiary of CMS' long-term telehealth strategy. The policy removes geographic and originating-site restrictions, authorizes the patient's home as an eligible originating site reimbursed at non-facility rates under Place of Service code 10 (POS 10), and permanently allows audio-only mental-health services when audio-video capability is available but unused. It also preserves broad provider eligibility, maintains Rural Health Clinics (RHCs) and Federally Qualified Health Centers (FQHCs) as distant-site entities, and expands virtual supervision through real-time audio and video technology.



M&A Trends & Drivers

Behavioral health transactions experienced a revival in 2025, as PE firms re-entered the market with excess unspent capital after sitting on the sidelines for much of 2024. M&A activity was up 35% year over year in Q1 2025, and 68 deals totaling \$1.2B were completed from January through May. PE interest concentrated in autism/applied behavior analysis (ABA), outpatient psychiatric treatment, and tech-enabled models, with autism therapy deals reaching their highest quarterly count since 2020. The increased demand in behavioral health services last year provided strong tailwinds that allowed PE investors to continue pursuing roll-up strategies in this subsector.

Forty deals were reported in the third quarter, putting 2025 on track for approximately 167 transactions. While this volume did not match the post-pandemic peaks of 2021 and 2022, it exceeded the prior two years and substantially surpassed the pre-COVID baseline of roughly 100 behavioral health deals annually. Mertz Taggart's Managing Partner, Kevin Taggart, noted that he anticipates the final 2025 total to be even higher than current projections once delayed transactions are publicly announced.

Turning to joint-venture activity, major industry players Acadia Healthcare Company, Inc. and UHS were less active in announcing new joint ventures than in previous years. Instead, they advanced previously initiated projects. Acadia held a ribbon-cutting ceremony in September for the ECU Health Behavioral Health Hospital, a 144-bed joint venture with ECU Health in North Carolina. Similarly, UHS held a ribbon-cutting ceremony in May for Southridge Behavioral Hospital, a 96-bed joint venture facility with Trinity Health in Michigan, and another in December for Hanover Hill Behavioral health, a 144-bed joint venture with Lehigh Valley Health Network in Pennsylvania.

While both companies continue to leverage joint ventures to expand behavioral health capacity, their 2025 posture centered on operational stabilization and disciplined capital deployment rather than adding new projects to their pipelines.



“Within our behavioral health segment, we’ve taken a disciplined approach to new bed capacity growth... while we increasingly devote resources to accelerate our outpatient behavioral strategy. ... Our strategies are designed to accelerate our outpatient growth rate, diversify our payer mix and allow us to be the provider of choices within the behavioral marketplace that continues to have strong demand across the continuum.”

– Marc D. Miller

CEO, President & Director, Universal Health Services, Inc., Q3 2025 Earnings Call

Furthermore, PE-backed behavioral health platform companies have been increasingly prominent, expanding their market share. BayMark Health Services, backed by Webster Equity Partners, now operates 113 opioid treatment centers, 43 outpatient Suboxone clinics, five outpatient withdrawal facilities, 31 inpatient withdrawal management centers, 12 residential treatment locations, and five mental health treatment facilities across the U.S. Discovery Behavioral Health, also backed by Webster Equity Partners, runs over 100 facilities, spanning from the Pacific Coast throughout the Midwest and Southwest to the Atlantic Coast. Summit BHC, backed by Patient Square Capital, operates 39 facilities in 20 states.



Notable Transactions

In January 2025, BrightSpring announced its plans to sell its community living business, ResCare Community Living, to Sevita in an \$835M deal (0.7x price to revenue and 6.5x price to EBITDA). The Kentucky-based BrightSpring operates more than 2,000 residential homes for individuals with intellectual and developmental disabilities and other behavioral conditions. Sevita is a Boston-based provider of home and community-based specialty healthcare that specializes in care for adults and children with intellectual and developmental disabilities. This sale is expected to allow BrightSpring to focus on its other divisions.

Also in January 2025, Wellpath Recovery Solutions, the behavioral health division of bankrupt Wellpath Holdings, was acquired by a group of its own lenders for \$375M, with a price to revenue of 0.9x. Post-transaction, Recovery Solutions is an independent company that will continue to provide mental health services in correctional and community settings.

In February 2025, Providence, Rhode Island-based PE firm Nautic Partners acquired Proud Moments ABA, a Boston-based autism therapy provider, in a deal valued at \$425M, with price/EBITDA at 21.3x. This acquisition reflects continued PE interest in the behavioral health sector, driven by strong demand fueled by growing autism diagnoses.

According to Axios reports from July 2025, The Carlyle Group, a PE firm, announced they would acquire Psychiatric Medical Care, a provider of psychiatric services in Tennessee from Consonance Capital for \$400M. The deal is reportedly valued at 20x EBITDA, and this acquisition is seen as part of Carlyle Group's strategy to continue their behavioral health portfolio expansion. Psychiatric Medical Care partners with over 300 hospitals across 35 states to provide critical mental health services.

In July 2025, one of the nation's largest nonprofit behavioral health organizations, Centerstone, a Tennessee-based company, announced its merger with Brightlil, one of the largest nonprofit service providers in the U.S. Brightlil is a Missouri-based care provider specializing in various disability services, including behavioral health, SUD treatment, and developmental disability services. After the transactions closed in November 2025, this merger formed the largest nonprofit behavioral health organization in the U.S. The need for dual treatment of both mental and substance abuse disorders drove this merger. The merger of these large, nonprofit behavioral health providers is expected to have more than 360 locations and 1,500 K–12 schools across nine states. The combined organization's annual revenues are expected to exceed \$1B.

“In Sevita, we are pleased to partner with a new owner with extensive experience in the IDD industry, who is well-suited to continue to provide compassionate care to the community living client population.”

– Jon Rousseau
CEO & President, BrightSpring, Press
Release January 21, 2025

Key Takeaways

Behavioral health platforms remain among the most attractive high-growth subsectors, continuing to command strong valuation multiples due to scalable operating models and favorable reimbursement trends. This positive momentum is expected to continue into 2026.

As noted earlier, PE investors were particularly focused on tech-enabled models in 2025, and that trend is expected to grow. Investors are prioritizing software and service platforms that support care delivery, including telehealth platforms, which have become increasingly important modalities for behavioral healthcare. Pure-play telehealth and hybrid models (combining virtual and in-person care) are well-positioned to help address the long-standing inpatient capacity constraints within the behavioral health sector.

35%

upward YOY M&A activity
in Q1 2025

21.3x

price/EBITDA in a \$425M deal of
Nautic Partners acquiring Proud
Moments ABA

\$1B

expected annual revenue for the
newly merged Cornerstone and
Brightli nonprofit service providers

Regarding joint venture activity in 2026, the absence of new joint venture announcements from the two major for-profit players creates uncertainty around whether the pace will pick up. It is possible that Acadia and UHS will stay focused on stabilizing operations, particularly by addressing bed shortages in markets where community need is clear. A potentially emerging trend to watch is the rise of nonprofit-to-nonprofit joint venture partnerships, driven by heightened reputational diligence and increasing caution among some nonprofit health systems toward partnering with large for-profit operators.

06. Oncology

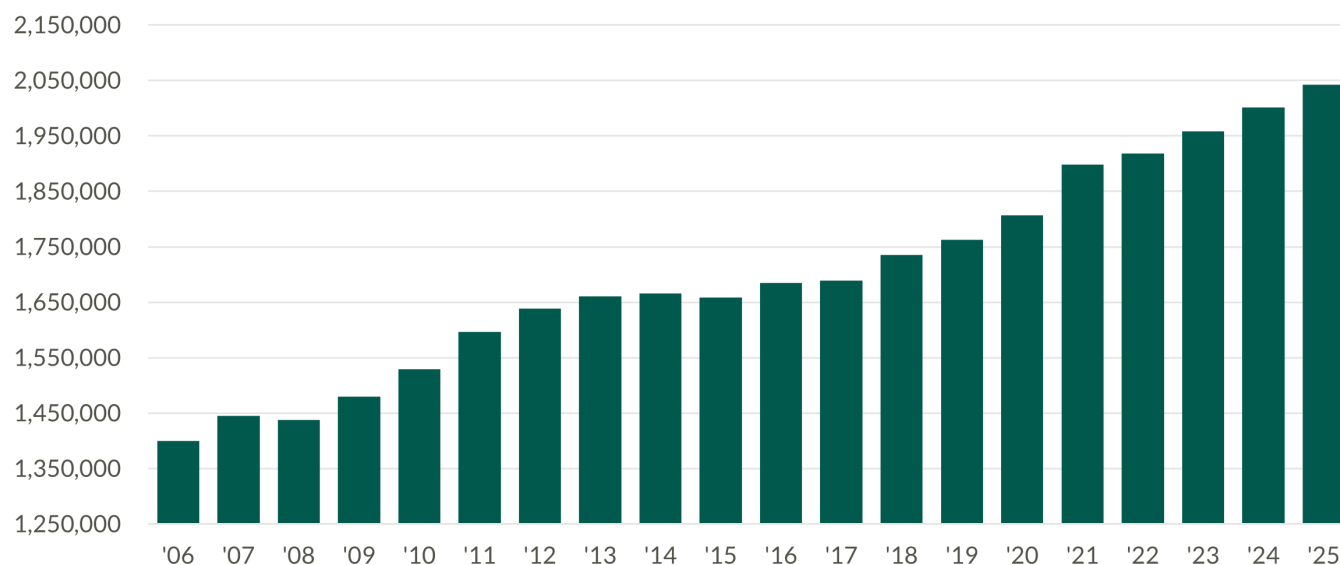


Industry Overview

New cancer diagnoses in the U.S. are estimated to have reached approximately 2.04M in 2025, representing an almost 2% increase from 2024. This level reflects a compound annual growth rate of about 1.9% since 2010, when there were an estimated 1.53M new cases.

Estimated Number of New Cancer Cases, 2006–2025

Total Cases: 2.04 million (2025)



Sourced from the American Cancer Society, Cancer Facts & Figures 2025

Based on the 2025 Oncology Market Report by Precedence Research, the global oncology market was valued at \$250.9B in 2025, up 11.5% from \$225B in 2024. By 2034, it is projected to reach \$668.3B and represent an 11.5% compounded annual growth rate. Oncology therapeutics drive most of the oncology market value. These trends are driven by an aging population, increasing cancer incidence, and the development of innovative immunotherapies and targeted treatments. As the market for oncologic care continues to expand, efforts to meet the growing demand for oncologists have intensified.

In the U.S., however, a persistent shortage of oncologists remains a significant challenge. According to Definitive Healthcare's PhysicianView product, there are more than 28,000 oncologists in the U.S. as of October 2025. Of the total oncologists, 42.6% were hematologists and oncologists, 21.4% were radiation oncologists, and 36% were other subspecialties (e.g., medical, pediatric, surgical, gynecological). It is estimated that 20% of the physicians were over the age of 64, with only 14.5% of oncologists under the age of 40. Given the aging oncologist provider base, Medicus Healthcare Solutions estimated a shortage of nearly 2,200 oncologists in 2025.

On November 1, 2025, CMS released the final rule for the 2026 MPFS, introducing changes that will significantly affect oncology providers and practices in 2026 and beyond. Key updates include reimbursement adjustments and the Enhancing Oncology Model (EOM). While the physician conversion factor will increase slightly to \$33.40 for most clinicians (up 3.26%) in 2026, this will be partially offset by CMS' implementation of a new 2.5% efficiency adjustment that reduces wRVUs for approximately 7,700 codes.

Drug administration codes are not impacted by the efficiency adjustment. Indirect practice expense methodology changes will also shift cost allocations, reducing payments for facility-based services. While chemotherapy infusion and other drug administration codes remain protected, procedural and imaging-heavy oncology specialties could experience reductions of 10%–20%. Overall, these changes signal only modest gains in reimbursement.



M&A Trends & Drivers

The healthcare M&A landscape within the oncology care sector has shifted in recent years, with activity moving away from PE-backed platforms and toward two primary players: large pharmaceutical distributors and health systems. OneOncology became the last major oncology platform with PE ownership when Silver Oak Services Partners sold Integrated Oncology Network in 2024. Then, in December 2025, Cencora entered into a definitive agreement to acquire the remaining controlling interests in OneOncology from PE firm TPG and other shareholders, representing PE's final exit from the oncology care space.

“This updated [reportable segments and organizational structure] reflects a strategic evolution of our business—accelerating growth in the high-margin areas of oncology, multispecialty, and biopharma services.”

– Britt Vitalone
CFO, McKesson Corporation, Press Release September 18, 2025

Nonetheless, the trend toward consolidation for community-based cancer care has continued, as both distributors and health systems seek to secure their share in the space. In many competitive transactions and bidding processes, health systems and pharmaceutical distribution companies have gone head to head. Collectively, three distributors—McKesson, Cencora, and Cardinal Health—control more than 90% of the wholesale drug distribution market in the U.S. With cancer pharmaceuticals comprising much of the drug market, it is no surprise the Big Three distributors have sought to expand their footprint in the oncology value chain through strategic acquisitions and the consolidation of large, oncology-focused provider networks.

Alternatively, health systems have provided employment opportunities for oncology practices seeking relief from the administrative burden associated with independence. With this model, health systems can expand their cancer care service networks and often leverage additional 340B opportunities. On December 31, 2024, Mission Cancer + Blood, a large oncology provider network with more than 20 community clinics, was acquired by Iowa Health for approximately \$280M.

Across the country, there are other health systems seeking to establish similar models of care with the remaining independent practices.

Another recent trend in oncology M&A is the emergence of Florida as a focal point for oncology consolidation and strategic growth. Since McKesson's 2010 acquisition of The US Oncology Network, the company has continued to grow its oncology care footprint. Most recently, in June 2025, McKesson completed the acquisition of a controlling interest in Core Ventures, the administrative and business services arm of Florida Cancer Specialists, one of the nation's largest independent communities of oncology providers. Florida has become an active and closely watched market, with a noticeable uptick in strategic transactions within the oncology care sector. A combination of rapid population growth, high cancer incidence, and a historically strong community-oncology presence has made the state a priority for national platforms looking to expand.



Notable Transactions

On March 31, 2025, the Oncology Institute announced the launch of Florida Oncology Network in partnership with Provider Network Solutions (PNS), a leader in specialty MSO and third-party administrative services, to expand access to high-quality, coordinated cancer care to Florida residents.

\$2.49B

acquisition for 70% controlling interest in Core Ventures by McKesson

11

North Carolina clinics acquired from GenesisCare's last U.S. footprint

\$7.4B

enterprise value for OnceOncology after Cencora bought its remaining interest

On June 3, 2025, McKesson announced the completion of its acquisition of approximately 70% controlling interest in Community Oncology Revitalization Enterprise Ventures, LLC (Core Ventures) for \$2.49B. The agreement had been announced in August 2024. Established by Florida Cancer Specialists & Research Institute, LLC (FCS), Core Ventures is a business and administrative services organization that will allow for the acceleration of clinical development, improved patient outcomes, and expansion of access to quality cancer care. FCS has more than 250 physicians and 280 advanced practice providers across nearly 100 locations in Florida. The professional practices affiliated with FCS will remain independently owned.

On October 1, 2025, AdventHealth announced the acquisition of GenesisCare USA North Carolina radiation oncology locations. The acquisition includes 11 Asheville Urological Associates locations in Asheville and Hendersonville. AdventHealth's acquisitions and integration of these radiation oncology clinics will address the current gap in care in Western North Carolina, as access has been declining in recent years due to the closure and consolidation of clinics. The Florida and North Carolina clinics were the last of GenesisCare's U.S. footprint.



“Addressing Iowa’s cancer rates requires better collaboration across the state and pooling of resources, which is why Mission and UI Health Care joined forces. Both organizations realized we could do more together: We can provide more patients with access to comprehensive services, shortened time between diagnosis and treatment for rare and difficult cancers, and expanded options for the latest therapies.”

– **Phil Stover, JD, MBA**

CEO, Mission Cancer + Blood, Press Release January 6, 2025

On October 8, 2025, OneOncology announced the acquisition of GenesisCare USA of Florida, which will be relaunched as SunState Medical Specialists. The practices will be comprised of over 100 clinicians at 104 practices in 15 counties across Florida. Further expanding its footprint in California, OneOncology acquired Los Gatos Radiation Oncology Center with partner Pacific Cancer Care. Additional partnerships include Ventura County Oncology Hematology Specialists, Cancer Specialists of North Florida, Hematology Oncology Associates of the Treasure Coast, Beacon Clinic, New York Oncology Hematology, and the START Center for Cancer Care.

On December 15, 2025, Cencora, Inc. announced that it will acquire most of the outstanding interest that it does not currently own in OneOncology from TPG for approximately \$5B (approximately \$3.6B in cash and taking on about \$1.3B in debt). The transaction values OneOncology at a \$7.4B enterprise value and equity value of approximately \$6B. Practices affiliated with OneOncology will retain a minority interest.

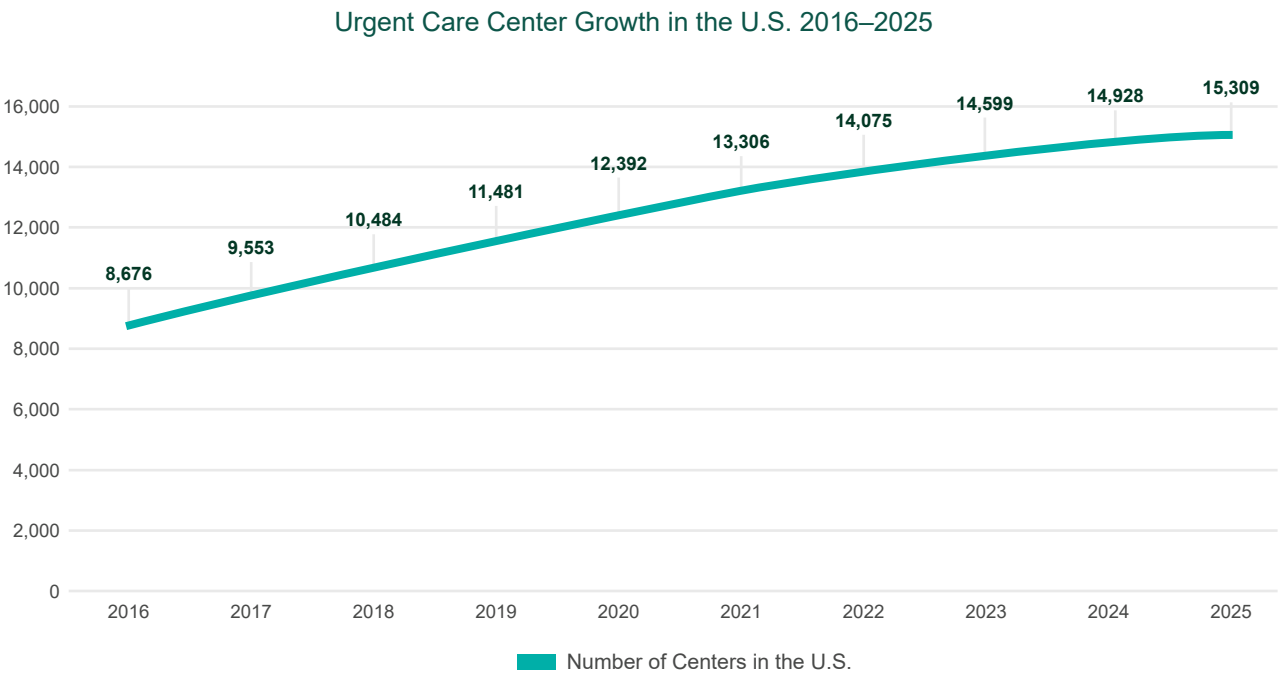
Key Takeaways

In recent years, the oncology care sector has seen substantial changes. There has been a shift away from PE ownership and toward strategic consolidation by drug distributors and health systems seeking to streamline care delivery and capture a larger portion of the rapidly expanding oncology market. Competition to consolidate the remaining independent community oncology practices can be expected in 2026, as distributors work to optimize the oncology value chain and health systems look to broaden their cancer care services. Additionally, organizations may be more motivated to pursue value-based payment models that reward both high-quality and cost-efficient care, encouraging further strategic partnerships to achieve these objectives.

07. Urgent Care & Freestanding Emergency Departments

Introduction

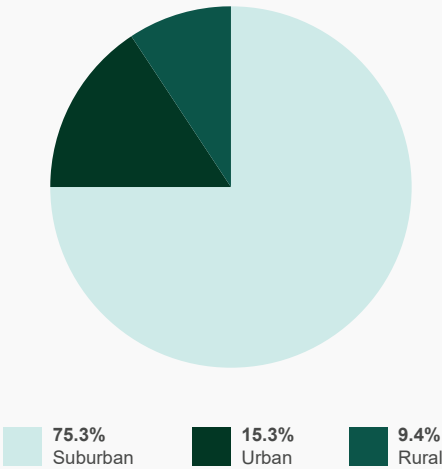
The number of urgent care centers (UCCs) in the U.S. has grown substantially from 6,100 in 2013 to 15,309 in 2025, representing an 8.4% compound annual growth rate. Suburban market saturation continues as approximately 75% of urgent care settings are in



Sourced from the Urgent Care Association

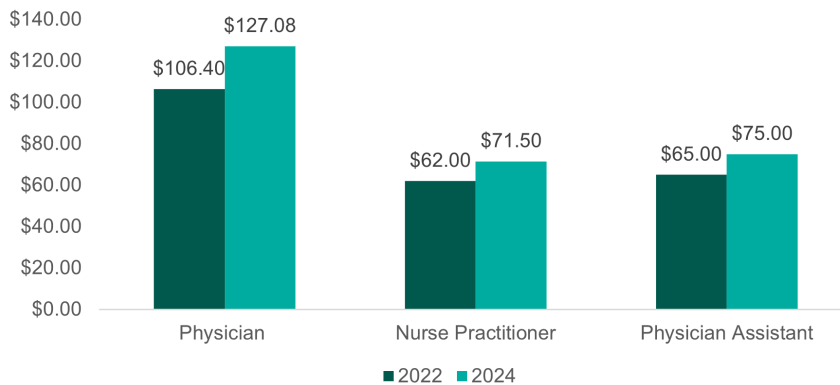
suburban areas, with urban centers representing roughly 15% and rural areas accounting for about 9% of the geographic distribution. Additionally, approximately 89% of the U.S. population is within a 20-minute drive of a UCC, and 79% are within a 10-minute drive.

Distribution of UCCs



The UCC market continues to experience significant growth driven by several interconnected macro trends. Demographic factors are expected to continue to contribute to higher urgent care utilization. The number of Americans ages 65 and older is projected to increase from 58M in 2022 to 82M by 2050, a 42% increase. An estimated 129M people in the U.S. have at least one major chronic disease, with 42% of Americans dealing with two or more chronic conditions and 12% having at least five. Additionally, the Association of American Medical Colleges projects a physician shortage of up to 86,000 by 2036. These demographic pressures will intensify the demand for healthcare services, and UCCs offer a convenient solution for non-emergent care.

Change in Hourly Compensation 2022 vs. 2024



Economic trends also contribute to the growth of UCC utilization. As commercial payers tighten emergency room reimbursement criteria, the significant cost differential, with emergency room visits averaging \$2,600 versus \$100–\$200 for urgent care, has accelerated patient volume redirection to UCCs.

Finally, consumer preference for convenient sites of care with weekend or after-hours capabilities has increased

patient adaptation and urgent care utilization. These factors, combined with technological advancements in telemedicine and electronic health records, position UCCs as increasingly vital healthcare providers and create substantial growth opportunities for market participants.

As of December 2025, the average UCC visit volume was approximately 25 patient visits per day per location. This represents a 1% decrease compared to December 2023 and a 17% decrease compared to the average daily visit volume of 30 for the previous three years (December 2022, December 2023, and December 2024). While 2022 and 2023 may have seen slightly elevated visits related to COVID, 2024 and 2025 data are more in line with normalized post-pandemic utilization patterns.

Despite the industry growth headwinds, UCCs face urgent care–specific workforce challenges that drive operational costs higher. Average hourly wages for urgent care providers increased 15%–20% between 2022 and 2024. Additionally, urgent care operators frequently experience elevated staff turnover, increasing reliance on temporary or agency staffing, which are paid a premium. UCCs typically operate with lean staffing models, and variability in patient demand can strain schedules and increase these premium pay costs when coverage gaps arise. These operational staffing pressures, combined with rising base wages and benefits costs, continue to exert inflationary pressure on urgent care operating expenses.



“The company has already undertaken a workforce optimization program and renegotiated key contracts, including with certain payers and agency labor that will start to benefit earnings in the fourth quarter. We have also launched focused initiatives in precision staffing, supply chain discipline, and OR excellence.”

– Marty Bonick
CEO & President, Ardent Health, Q3 2025 Earnings Call



M&A Trends & Drivers

The demand for urgent care services, combined with continued industry growth, makes UCCs attractive acquisition targets for both strategic and financial buyers. Because of the highly fragmented nature of the urgent care market, acquirers can achieve scale and operational synergies through bolt-on acquisitions and platform expansion. Transaction activity throughout 2025 was largely driven by smaller, tuck-in transactions to grow existing platforms by a variety of buyer types. Transaction activity in 2025 reflects continued consolidation in the urgent care sector, driven by both health systems and PE-backed operators pursuing regional expansion and density.

As of January 2026, Concentra is the largest independent urgent care operator in the U.S., with approximately 604 locations nationwide, although these locations operate as occupational medicine clinics. The largest pure urgent care platform is American Family Care, with approximately 400 locations; and the largest hospital-owned urgent care platform is HCA Healthcare Urgent Care, which operated approximately 355 locations as of January 2026. Other large, multi-state urgent care operators with meaningful national footprints include American Family Care, GoHealth, Fast Pace, CityMD, MedExpress, WellNow Urgent Care, and NextCare, highlighting continued scale and consolidation among leading urgent care platforms.

Urgent Care Chain	Locations (Feb. 2025)	Locations (Jan. 2026)	Type	PE Firm	Vintage
Concentra	532	604	Health System	Select Medical Corp	1
American Family Care	374	395	Franchise	n/a	n/a
GoHealth	266	372	Private Equity	TPG Capital	12
HCA Healthcare	354	355	Health System	n/a	n/a
Fast Pace	285	313	Private Equity	Revelstoke Capital Partners	9.5
CityMD	190	189	Private Equity	Wallgreens / VillageMD	3.5
WellNow Urgent Care	141	144	Private Equity	SV Life Sciences, Petra Capital, River Cities	14
Advocate Health Walk-In Care	122	131	Health System	n/a	n/a
Blue Cross Blue Shield	131	127	Payer	n/a	n/a
Well Street Urgent Care	102	111	Private Equity	FFL Partners	14
Community Care Partners	105	110	Private Equity	Shore Capital Partners	8
NextCare	103	104	Private Equity	Enhanced Healthcare Partners	15
Carbon Health Urgent Care	99	93	Private Equity	Various	n/a
CRH Healthcare	77	85	Private Equity	Freeman Spogli & Co.	7
CommonSpirit Health Urgent Care	81	84	Health System	n/a	n/a



Noteable Transactions

Health systems were active acquirers in 2025. Health systems view urgent care as a strategic access point for patient acquisition and geographic expansion. As noted by the Advisory Board, Rick Murdock, Vice President of Strategic Planning at HonorHealth, stated, “The way a health system uses [urgent care]... is more about getting into new markets with a very low-cost, highly efficient operating model,” highlighting the role of urgent care within broader network strategies.

Two significant health system transactions occurred in 2025. First, Ardent Health acquired 18 urgent care clinics from NextCare across New Mexico and Oklahoma. Ardent Health raised \$192M in its July 2024 IPO, and communicated plans to use proceeds to fund acquisitions in outpatient and ambulatory settings. Ardent views urgent care as a critical access point to bring new patients into the Ardent Health network of care.



“We believe [the acquisition of urgent care clinics] fits into a continuum of care that when patients come to that urgent care, if they don't have a primary care physician, we can introduce them to our primary care network, or our specialists.”

– Marty Bonick

CEO & President, Ardent Health, Press Release 2025

Similarly, Mercy Health acquired 10 centers in the Toledo region from Greater Midwest Urgent Care, effective April 1, 2025, in response to “the growing demand for convenient, accessible care for minor illnesses and injuries.”

PE buyers have also remained active participants in urgent care consolidation, though recent activity has been characterized more by tuck-in and bolt-on acquisitions than large platform transactions. PE-backed platforms continue to focus on building regional density to drive operational efficiencies and payer leverage, through de novo openings and smaller tuck-in acquisitions. American Family Care, backed by Lorient Capital, acquired five Physician One Urgent Care locations in the Boston market in February 2025—exemplifying PE tuck-in transactions.

PE investors typically hold investments for three to seven years. Recently, many PE-backed urgent care platforms have experienced longer hold periods because of market uncertainty and elevated interest rates. As interest rates stabilize and PE exits these investments, there is potential for more platform transactions in the future.

Joint ventures between health systems and PE-backed platforms were active investors during 2025. Piedmont Urgent Care, a joint venture between Piedmont Health and WellStreet Urgent Care, acquired four MedPlus Immediate Care locations in Georgia in July 2025. UPMC and GoHealth launched a joint venture with 81 locations in Philadelphia and West Virginia. Similarly, Community Health Network and GoHealth Urgent Care announced a new joint venture in Central Indiana.

\$192M

in Ardent Health's July 2024 IPO, intended for funding acquisitions in outpatient and ambulatory settings

8.4%

compound annual growth rate of UCCs in the U.S. per year

255

average visits per UCC location per day as of Dec. 2025



Key Takeaways

Throughout 2024 and into 2025, the urgent care market has seen volumes continue to normalize from pandemic-highs. The UCC industry faces similar challenges as the broader healthcare sector and U.S. economy, including persistent labor shortages, elevated staff turnover, wage inflation, and reimbursement pressures from commercial payers.

Despite these headwinds, the UCC industry continued to expand in 2025. Additionally, technological advancements in telemedicine and electronic health records, along with the expansion of specialized services, could drive operational efficiencies and create competitive advantages for operators that successfully integrate these capabilities. Most significantly, the UCC industry will continue to benefit from macro factors such as the rise in healthcare consumerism, evolving patient expectations for convenient access, and sustained payer pressure to redirect non-emergency visits from emergency rooms.

M&A activity and transaction volume are expected to remain robust as PE-backed platforms pursue bolt-on acquisitions, health systems expand their ambulatory footprint, and strategic buyers seek operational synergies in the highly fragmented market. Additionally, larger platform transactions are possible as PE investors look to exit or partner their current investments. UCC operators that successfully adapt to current market dynamics will be attractive acquisition targets and well-positioned for sustained growth as healthcare delivery continues its long-term shift toward outpatient and ambulatory settings.

08. Post-Acute Care



Industry Overview

Post-acute care remains a critical component of the healthcare continuum, serving patients transitioning from acute hospital settings into lower-intensity, cost-efficient care environments. Core post-acute settings include inpatient rehabilitation facilities (IRFs), long-term acute-care hospitals (LTACHs), skilled nursing facilities (SNFs), home health agencies (HHAs), and hospice agencies (HSPAs). Post-acute care continues to benefit from favorable demographic tailwinds, including population aging, rising chronic disease prevalence, and increasing pressure on hospitals to reduce length of stay and avoid readmissions. While utilization has largely normalized in recent years, the industry remains structurally shaped by reimbursement pressure, labor availability, and regulatory oversight.

Inpatient Rehabilitation Facilities

Capacity and supply indicators reflect recent growth in the number of Medicare-participating IRFs. In 2023, the number of IRFs increased 2.1% year over year, rising from 1,181 facilities in 2022 to 1,206 facilities in 2023. MedPAC noted that the 2023 increase was driven by growth in freestanding facilities and that aggregate occupancy remained relatively stable at 69% in 2023 (vs. 68% in 2022), suggesting adequate capacity.

IRFs remain subject to ongoing oversight related to patient mix, documentation, and coding practices given the clinical acuity associated with IRF-level admissions and Medicare's continued focus on appropriate site-of-care utilization. On August 1, 2025, CMS released the FY 2026 final rule for the IRF Prospective Payment System (PPS), which finalized a 2.6% increase to IRF PPS payment rates. This reflects a 3.3% market basket update, offset by a 0.7% productivity adjustment.

LTACHs

Utilization and spending data underscore the sector's relatively concentrated footprint. Additionally, LTACHs operate within a highly regulated reimbursement framework, intended to define and preserve the clinical role of LTACHs for medically complex patients.

On July 31, 2025, CMS released the FY 2026 final rule for the LTACH PPS, which finalized an annual update of 2.7% to the LTACH standard payment rate. This reflects a 3.4% market basket update, reduced by a 0.7% productivity adjustment. CMS further stated that LTACH PPS payments for discharges paid by the LTACH standard payment rate are expected to increase by approximately 3% (about \$72M), primarily from the annual update and a projected increase in high-cost outlier payments.

2.6%

increase to IRF PPS
payment rates

\$72M

valuation of increase to the LTACH
standard payment rate

1.8M

Medicare beneficiaries receiving
hospice services in 2024

HHAs

In 2023, the number of participating HHAs increased to 12,057, with 98% of fee-for-service beneficiaries residing in ZIP codes served by two or more agencies, indicating broad geographic coverage despite ongoing operating pressures. Regulatory and reimbursement complexity has increased the importance of compliance infrastructure, clinical documentation, and operational scale.

On November 28, 2025, CMS issued the CY 2026 final rule for the HHA PPS, which finalized a 2.4% home health payment update (estimated \$405M increase), which is offset by an estimated 0.9% decrease for the final permanent adjustment (estimated \$150M decrease), an estimated 2.7% decrease for the final temporary adjustment (estimated \$460M decrease), and an estimated 0.1% decrease reflecting the updated fixed-dollar loss (FDL) ratio for outlier payments (estimated \$15M decrease).

Hospice

Hospice utilization continues to be substantial, with approximately 1.8M Medicare beneficiaries receiving hospice services in 2024 across roughly 6,500 providers, and Medicare hospice expenditures exceeding \$27B. HSPA utilization among decedents has continued to increase, reaching approximately 52%, reflecting sustained demand driven by demographic trends.

On August 1, 2025, CMS issued the FY 2026 hospice final rule, which finalized a FY 2026 hospice cap amount of \$35,361.44, which reflects an update percentage of 2.6%.

Acute Hospital Care at Home

Since inception, the Acute Hospital Care at Home (AHCAH) program has remained dependent on Congressional action to extend underlying waiver authorities, which has created periodic policy cliffs and regulatory uncertainty for participating hospitals. As of the most current statutory language, the AHCAH waiver period is authorized for inpatient admissions occurring through January 30, 2026.

Payment for AHCAH cases is the same as the amount Medicare would have paid for an in-hospital acute-care stay under the IPPS. This policy has been consistent since the program began in 2020.

M&A Trends & Drivers

Mergers and acquisitions in the long-term care sector increased in 2025 after a muted 2024, driven by stabilized interest rates, narrowing valuation gaps between buyers and sellers, and renewed policy clarity following the 2024 election cycle. Strategic consolidation by well-capitalized public operators dominated activity, as companies sought scale and market positioning amid shifting care preferences.

Expansion strategies varied: Encompass Health and Enhabit Home Health & Hospice focused on a de novo development strategy, opening new locations and expanding existing locations. Addus HomeCare continued its acquisition-led approach, leveraging favorable reimbursement trends, and UnitedHealth's \$3.3B acquisition of Amedisys underscored the accelerating vertical integration of payers and providers. These moves reflect a broader industry pivot toward lower-cost alternatives, supported by demographic trends and cost-efficiency initiatives.

“Our pipeline of announced new hospitals beyond 2025 consists of 14 hospitals with 690 beds, and we continue to see strong interest from health systems in partnering with us to expand access to inpatient rehabilitation.”

– Mark J. Tarr
President & CEO, Encompass, Q3 2025
Earnings Call



“Bed additions to existing hospitals offer the highest return on invested capital we have, and we expect to continue balancing these investments with opportunistic share repurchases.”

– Douglas E. Coltharp
Executive VP & CFO, Q3 2025 Earnings Call

IRFs remain one of the more strategically attractive post-acute subsectors, particularly as hospitals seek to retain high-acuity rehabilitation patients within aligned networks. Demand for inpatient rehabilitation remains supported by orthopedic and neurologic case volume, while staffing conditions have shown modest improvement relative to prior years. From a market standpoint, joint ventures between health systems and national operators remain the preferred growth vehicle, allowing hospitals to expand rehabilitation capacity while mitigating capital risk and operational complexity. IRF M&A activity is still selective, with buyers prioritizing markets demonstrating strong referral alignment, stable physician relationships, and regulatory clarity.

LTACHs still face a challenging operating environment as health systems increasingly internalize care for medically complex patients. While LTACHs maintain a defined clinical role, utilization pressure and reimbursement scrutiny have constrained growth and limited new development. As a result, transaction activity remains muted and is primarily driven by portfolio optimization, balance sheet considerations, or consolidation among established operators rather than expansionary strategies.

Home health remains a focal point for strategic and financial investors, supported by patient preference for care in the home and payer interest in lower-cost settings. However, margin pressure from reimbursement adjustments, rising Medicare Advantage penetration, and labor costs have materially altered underwriting assumptions. Buyers increasingly favor scaled platforms with geographic density, diversified payer mix, and demonstrated ability to manage utilization under value-based arrangements. Smaller, sub-scale agencies face heightened pressure, reinforcing consolidation trends and disciplined acquisition strategies.

Hospice continues to benefit from strong underlying demand; however, heightened regulatory scrutiny, audit activity, and quality reporting requirements have increased execution and compliance risk. Transaction activity persists, though buyer diligence has intensified around compliance history, documentation practices, and referral source concentration.

Hospital-at-home programs have gained visibility as health systems explore alternative care models to manage capacity and costs. While early outcomes have been favorable, long-term expansion remains dependent on regulatory authorization and reimbursement certainty. As a result, hospital-at-home initiatives are currently viewed as more strategic extensions of hospital operations rather than standalone investment platforms.

The following chart presents enterprise value-to-EBITDA multiples, based on trailing 12-month results, for the major public post-acute operators since January 1, 2015. Multiples peaked sharply in 2020 to 2021, driven by pandemic-related dynamics and heightened investor interest, before normalizing to pre-pandemic levels by 2023. Since then, most operators have traded in the 10x–15x range, reflecting a more stable market environment.



Notable Transactions

In 2025, the post-acute care industry saw continued consolidation. Key themes included strategic expansion by national operators, increased PE investment, and sustained interest in IRF assets.

Enhabit Home Health & Hospice (NYSE: EHAB) spent 2025 validating its decision to remain independent. By the third quarter of 2025, the company brought its leverage ratio to 3.9x, a level unseen since late 2022. This improvement allowed Enhabit to exit its covenant relief period a quarter early. This has enabled a shift from defensive cost-cutting to a de novo growth strategy. Enhabit has opened seven hospice de novos through Q3 2025, with three more expected through the end of 2025. It remains to be seen whether Enhabit will pursue any M&A deals in the future.

Conversely, Addus HomeCare (NASDAQ: ADUS) aggressively pursued its acquisition-led growth strategy. Following the integration of Gentiva's personal care operations in December of 2024, Addus completed several key transactions in 2025, including the \$21.2M acquisition of Helping Hands Home Care (Pennsylvania) in August and the acquisition of Del Cielo Home Care (Texas) in November. These moves cemented Addus' position as a dominant regional player in the personal care services space, leveraging increased state reimbursement rates in both Illinois and Texas to fuel organic growth.

The most transformative event of 2025 was the finalization of UnitedHealth's (Optum's) \$3.3B acquisition of Amedisys, Inc. in August. To clear the DOJ's anti-trust concerns, the companies divested 164 locations across 19 states, the largest outpatient divestiture ever required for a U.S. acquisition. This transaction marked the end of Amedisys as a public entity and signaled the continued vertical integration of insurance payers and post-acute providers.

Other notable transactions in the post-acute sector are summarized below.

Home Health & Home-Based Care:

- Pennant Group finalized an \$80M, two-stage acquisition of Signature Healthcare At Home. Pennant Group completed its acquisition of Signature Healthcare's remaining Oregon home health assets in early 2025, adding to its previously acquired Washington and Idaho locations.

Skilled Nursing Facilities:

- Omega Healthcare Investors & Saber Healthcare formed a \$222.4M joint venture, with Omega acquiring and leasing 64 facilities from Saber, and a continued expansion of Saber's Pennsylvania portfolio, including 645 total resident beds, effective December 1, 2025.
- The Ensign Group expanded its footprint by acquiring seven Utah-based SNFs and one Alabama facility, adding 428 beds to its network of 396 healthcare operations across 17 states.

Inpatient Rehabilitations Facilities:

- IRA Capital purchased the 40-bed Reunion Inverness IRF in Englewood, CO, delivered in 2022 and fully leased through 2047.
- Sila acquired two newly built IRFs (48-bed and 40-bed facilities) in fast-growing major metros (Plano, TX and Perioa, AZ) for \$70.3M. Both properties are leased to Reunion Rehabilitation Hospitals with terms greater than 20 years.



“Home health care is a critical component in Optum’s commitment to value-based care, which is designed to keep patients healthy within their own homes. Together, we look forward to meaningfully improving home health and hospice care options for patients and their families.”

*– Optum Spokesperson
Press Release 2025*

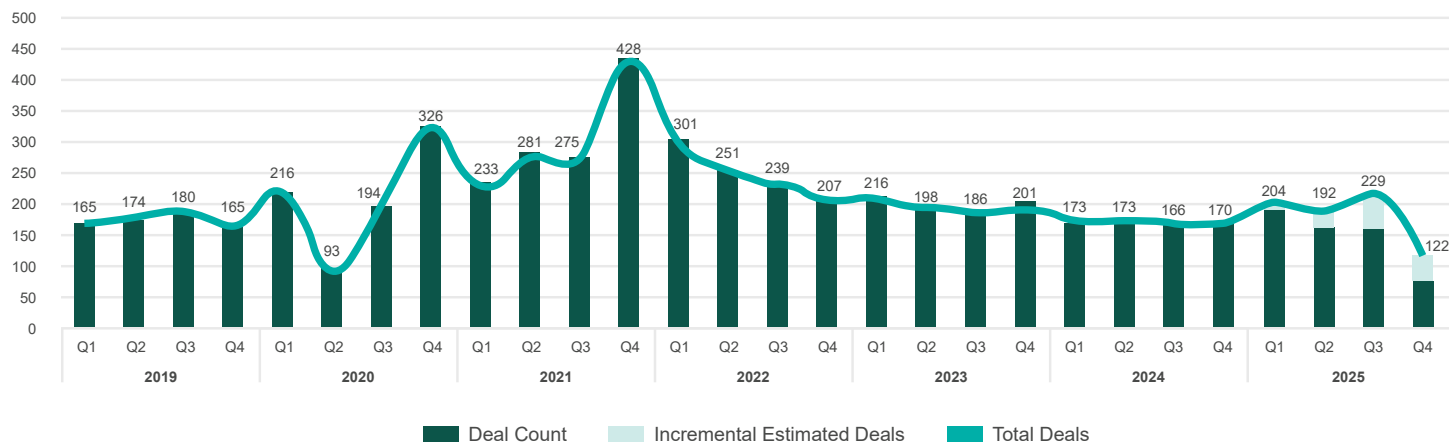
**Key Takeaways**

2025 saw more transactions across the spectrum of post-acute sectors, with a focus on consolidation and market alignment through health system joint ventures. IRFs continue to grow along with an aging population, and their net facility growth has outpaced the decline of LTACHs across the country. As health systems face capital constraints and margin pressure, joint ventures remain an attractive option to alleviate bed capacity previously used by inpatient rehabilitation patients. Home health and hospice agencies saw consolidation among several large transactions in 2025 and continues to grow as the population ages. Hospital-at-home programs still have an uncertain future, as Congressional support is needed to extend COVID-19 era waivers critical to their viability. Overall, transaction activity across nearly all post-acute sectors was driven by an aging population and the need to deliver care in the most appropriate setting.

09. Private Equity

PE investment in healthcare reached an estimated \$191B in 2025, driven by demographics, AI-enabled technologies, market fragmentation, and the sector's recession resilience. While overall deal volume grew only modestly from 2024, activity shifted toward larger transactions, including more billion-dollar deals and a strong rebound in exit value. PE firms remained focused on high-acuity specialties, cash-pay models, pharma services and healthcare IT, and organizations leveraging AI to improve operations and clinical outcomes. Longer holding periods, now often beyond five years, have allowed investors to drive more meaningful operational improvements.

Healthcare Services PE Deal Count by Quarter



Investment strategies have broadened beyond traditional PPM specialties—like ophthalmology, dentistry, and dermatology—to include higher-acuity areas such as cardiology and orthopedics, as well as fast-growing segments like med spas, behavioral health, aesthetics, and healthcare IT. Other subsectors also remained strong in 2025. PPM platforms in dermatology, orthopedics, and cardiology continued to attract investment, particularly those with integrated technology and strong payer relationships. Home health and behavioral health also maintained significant investor interest, along with accelerating consolidation in the med spa and aesthetics sectors.

Sponsor-to-sponsor transactions nearly doubled in 2025, reflecting renewed confidence and creating additional monetization opportunities for providers. Though the sustained interest rates and other headwinds over the last two years pushed previously active firms to prioritize operational improvements over M&A, market dynamics in the second half of 2025 signaled a return to new investment activity heading into 2026.

The September 2025 IPO of Medline Industries, previously held by Blackstone, Carlyle, and Hellman & Friedman, raised over \$7B, demonstrating investor confidence in the healthcare supply chain, providing liquidity to sponsors, and positioning the company for global expansion. Healthcare IT was also a major contributor to global healthcare deal value, increasing to approximately \$32B in 2025.

In 2026, investors face a shifting regulatory environment. While federal oversight may ease, state-level scrutiny continues to intensify, with over 35 states now requiring transaction notifications and several adopting PE-specific review laws. Updates to HSR rules raised the filing threshold to \$126.4M for 2025, reducing some federal requirements. However, growing state regulation and ongoing litigation surrounding the “Friendly PC” model remain key risks for buy-and-build strategies and future exits.

Despite headwinds, PE investment rebounded in 2025, especially in high-value transactions over \$1B. A strong finish in Q3 and Q4 provides momentum entering 2026. With significant dry powder and growing interest in technology-enabled and specialty care assets, PE investment in healthcare is expected to continue rising, though increasing state oversight and CPOM-related litigation will remain important considerations.

10. Med Spas

Aesthetic medicine spans med spas, cosmetic dermatology, and cosmetic surgery, converging on minimally invasive services (neuromodulators, HA fillers, skin resurfacing, and energy-based treatments like laser hair removal, tattoo removal, CoolSculpting®). M&A activity has primarily concentrated on med spas.

The U.S. med spa market remains fragmented. According to the American Med Spa Association, the U.S. had an estimated 12,300 med spa locations in 2025, averaging \$1.5–\$1.75M revenue each (\$18–\$22B market). Most med spa operators are single-site and owner operated. However, beginning around 2020, significant consolidation accelerated through PE investment, mirroring consolidation trends seen in dental, dermatology, and ophthalmology. By 2025, there were approximately 41 PE-backed med spa MSOs active in the sector.

The 2025 M&A landscape was characterized by mixed signals—new investor enthusiasm paired with a broader slowdown in transaction volume. Competitive intensity increased as newly formed, well-capitalized MSOs drove up labor costs, engaged in talent raiding, and pushed digital marketing spend higher.

At the same time, deal velocity cooled significantly after several years of elevated activity. VMG Health recorded 49 closed transactions (excluding Ideal Image divestiture) in 2025, down 38% from 68 transactions in 2024. This slowdown primarily stemmed from the need for buyers integrate prior roll-ups, shore up infrastructure, and reassess strategies after aggressive 2023–2024 activity.

With some established buyers on pause, new platforms had room to enter and scale. VMG Health identified seven new PE-backed MSOs in 2025, including Spa Medicca (Ohio), backed by Seven Hills Capital, and The Aesthetic Syndicate (Arizona), backed by Lorient Capital.



“MSOs are becoming an increasingly attractive option for owners looking to reduce the burdens of business management while continuing to prioritize patient care.”

– Chris Hubble

President, LuxMed Transition Strategies, Press Release April 3, 2025

One of the most consequential transactions in 2025 was Blue Owl's divestiture of Ideal Image, one of the sector's largest brands with over 140 locations across 22 states. Underperformance led to control shifting and Blue Owl began winding down the corporate structure through the closure of the Tampa Bay headquarters, layoffs of nearly all corporate staff, and prebankruptcy divestiture of clinical assets. Dozens of clinics were acquired by MSOs such as SEV Laser, Elase, Advanced MedAesthetic Partners, and Cosmetic Skin & Laser Center. The divestiture process is expected to continue into 2026 and will likely impact appetite and operational bandwidth for M&A activity in 2026.

11. Value-Based Care & Risk-Bearing Entities

Value-based care and risk-bearing entities experienced significantly higher utilization in 2025, especially in Medicare Advantage. The increase in utilization impacted operators' medical care ratios and profitability throughout the industry. Conversely, star ratings declined as favorable provisions from the pandemic era expired, and CMS implemented methodological changes that lowered risk adjustment factor (RAF) scores and capitation payments. These changes, such as the Tukey outlier deletion in 2024 and full implementation of the CMS HCC V28 model in 2025, put downward pressure on RAF scores and resulting funding for value-based care and risk-bearing entities.



“In UnitedHealthcare's Medicare Advantage business, we had planned for 2025 care activity to increase at a rate consistent with the utilization trend we saw in 2024. Instead, though, first-quarter 2025 indications suggest care activity increased at twice that rate.”

– Andrew Philip Witty
CEO, UnitedHealthcare, Q1 2025 Earnings Call

While several organizations faced bankruptcy or narrowed strategic focus, platforms with strong provider networks, flexible business models, and proprietary technology were able to acquire assets. Overall, given the market dynamics and underlying operations, implied market valuations were lower compared to transactions in this industry a few years ago.



Notable Transactions

CareMax, Inc., a technology-enabled, value-based primary care platform focused on Medicare populations, emerged from Chapter 11 bankruptcy on February 3, 2025, selling its MSSP MSO business to Revere Medical for approximately \$10M plus ongoing program payments and its clinic assets to ClareMedica Viking for approximately \$35M cash and \$65M equity. CareMax entered bankruptcy with approximately \$693M of debt, reflecting unsustainable leverage following aggressive expansion into capitated MA and value-based care arrangements.

Humana Inc., a leading Medicare Advantage (MA) insurer and integrated care provider, through its CenterWell Primary Care subsidiary, acquired The Villages Health following its Chapter 11 filing for \$68M. CenterWell acquired substantially all of TVH's assets, including eight primary care and two specialty care centers serving over 55,000 patients.

Walgreens Boots Alliance, a diversified retail pharmacy and healthcare services company with significant value-based care exposure through VillageMD, was taken private by Sycamore Partners in a transaction valued up to \$23.7B. The transaction follows sustained losses tied to VillageMD and value-based care expansion. Walgreens, Boots, Shields, CareCentrix, and VillageMD are expected to be separated post-transaction.

Health Care Service Corporation (HCSC), the largest customer-owned health insurer in the U.S., completed its acquisition of The Cigna Group's MA, Medicare Part D, Medicare Supplemental, and CareAllies businesses in March 2025 for a purchase price of approximately \$3.7B. The transaction added approximately 4.3M Medicare members and expanded its VBC and enablement capabilities. Cigna retained its Evernorth Health Services PBM relationship, with the divested plans under a long-term services agreement.

Wellvana Health, a national, PE-backed value-based care enablement platform, acquired CVS Health's SSP ACO business in an all-stock transaction. The acquisition expands Wellvana's footprint to approximately 1M Medicare beneficiaries across 40 states.

Astrana Health, a California-based, value-based care enablement and physician network operator, finalized its \$708M acquisition of Prospect Health on July 2, 2025, implying an 8.7x EBITDA multiple, based on Prospect's expected \$81M of 2024 EBITDA.

Nordic Capital, a global PE sponsor focused on healthcare and technology, acquired Arcadia Healthcare Solutions, expanding its footprint in value-based care analytics, risk adjustment, and population health.

Privia Health Group, a physician enablement and health technology company, entered into a definitive agreement to acquire Evolent Care Partners' ACO business for \$100M upfront, plus up to \$13M in contingent consideration, implying a 10x multiple before contingent considerations. The transaction adds approximately 120,000 Medicare lives and strengthens Privia's position in risk-based Medicare value-based care models.

CareSource, a nonprofit Medicaid-focused managed care organization, received regulatory approval to acquire ElderServe Health (RiverSpring Health Plans), expanding its duals-focused managed care presence into New York.

Looking ahead to 2026, many value-based care and risk-bearing entities will adjust to the new normal following several years of regulatory, reimbursement, and utilization changes. As broad-based MA risk becomes more difficult to manage and CMS continues to encourage value-based care options, entities may pivot toward specialty care and chronic disease-focused models such as TEAM (hospitals, episodic care) and ACCESS (chronic care). Additionally, operators will respond to the shift from ACO REACH to the new LEAD model, which favors operators with advanced analytics, strong governance, and proven downside-risk management capabilities.

Regarding transactions, these dynamics are expected to encourage continued market activity in 2026, with buyers prioritizing tech-mature platforms, proprietary care management infrastructure, and bolt-on acquisitions. Overall, these market dynamics will provide opportunities for well-capitalized acquirers to selectively deploy capital and build differentiated platforms.

\$68M

acquisition of The Villages Health by Humana

8.7x

implied EBITDA multiple for Astrana Health's acquisition of Prospect Health

\$3.7B

acquisition purchase price by HCSC for The Cigna Group's MA, Medicare Part D, Medicare Supplemental, and CareAllies

12. Ophthalmology

The ophthalmology sector has experienced significant consolidation over the past five years, largely driven by PE and strategic buyers. After the high-volume deal years of 2020–2022, activity slowed in 2023–2024 as economic headwinds, such as higher-for-longer interest rates, widened valuation gaps, and buyers' shifted focus to integrating prior acquisitions, strengthening operational synergies, and pursuing organic growth.

By 2025, transaction volumes reached new lows when compared to the previous nine years. It is estimated that fewer than 100 groups transacted compared to over 300 in 2021. Despite reduced volume, 2025 was notable for two multi-billion-dollar deals that provided a roadmap for other platforms and renewed faith in the concept of a second bite of the apple for independent physicians who roll equity into PE-backed platforms.

A notable development was the emergence of distribution giants as buyers. McKesson and Cencora each completed major acquisitions, opening a new partnership avenue for scaled MSOs. As other ophthalmology platforms reach the appropriate size and scale, the creation of another large-scale partner provides continued paths for value creation. One key trend to watch will be prescribing patterns as the influence of these partnerships cascade throughout the underlying businesses.

Acquirers prioritized high-quality practices in existing markets to build geographic density while seeking cultural alignment to ensure smooth transition into the broader platform. Such assets remain in high demand while supply has been somewhat limited, as valuations normalized from early-2020s peaks and many physicians are choosing to stay independent.

Notable Transactions

- **Retina Consultants of America: 85% sold to Cencora for \$4.4B (15x to 23x EBITDA)**
- **PRISM Vision Group: 80% sold to McKesson for \$850M**
- **Unifeye Vision Partners: Acquired Brooks Eye Centers (May 2025)**
- **EyeSouth: Acquired Sunvera Group (Aug. 2025)**
- **Eye Health America: Acquired Quigley Eye (Feb. 2025)**



“The acquisition of RCA will allow Cencora to broaden our relationships with community providers in a high-growth segment and build on our leadership in specialty.”

– Bob Mauch
CEO, Cencora, Press Release 2024

Lastly, practices focused on retina and cataracts remained highly attractive due to strong margins tied to vitreous drugs. Additionally, premium intraocular lens implantation creates meaningful upside for groups with purchasing power and affiliated ASCs, allowing them to participate in the facility component of these high-value surgical procedures.

To summarize, the notable transaction trends in 2025 included vertical integration, geographic density, and specialty focus. Investors remain optimistic in the long-term given an aging population and the continued innovation in related ancillary ophthalmic services. However, lower transaction volumes should be expected for 2026, as investors remain selective, leading to fewer but higher-quality deals compared with the early 2020s.

13. Dental

The dental sector remained one of the most active healthcare M&A verticals in 2025, showing strong resilience despite overall M&A activity remaining below peak levels. While many sales processes were paused or abandoned during the 2022–2024 slowdown, market sentiment improved modestly over the past year and is expected to continue into 2026. Consolidation efforts dominated by PE sponsors and DSOs resulted in dental being the largest contributor to physician practice management transactions in Q3 2025. Underwriting standards remain strict, but optimism for additional interest rate cuts and early signs of macro stabilization has supported renewed activity.

The sector's long-term fundamentals remain strong, and the aging population continues to drive demand for preventive, restorative, and elective dental services. Additionally, virtual consultation technologies have expanded the patient pool for orthodontics and other elective procedures. These factors reinforce dentistry's reputation as a recession-resistant sector with stable cash flows.

Despite years of consolidation, the market is still highly fragmented. Approximately 130 PE-backed DSOs operate nationwide, but only 25% of practices are affiliated with one, leaving substantial opportunities for platform expansion, regional roll-ups, and targeted acquisitions. Major DSOs, such as Imagen Dental Partners, Sage Dental, and MB2 Dental Solutions, continued to capitalize on these opportunities in 2025.

PE sponsors and DSOs remained focused on consolidation and are increasingly looking to build regional density, achieve scale efficiencies, and improve operating leverage through add-on acquisitions. While add-ons have exceeded 100 annually since 2021, valuation multiples have compressed, with most tuck-ins trading between 4x and 7.5x EBITDA. This has led to longer hold periods and more focus on cash flow stability. Higher labor and supply costs, combined with 2020–2021 low-cost debt nearing maturity, has increased pressure on DSOs to improve margins and emphasize operational discipline. In this context, technology investment has become essential for creating value, with DSOs adopting AI-enabled diagnostics, digital dentistry, workflow automation, and advanced analytics to improve outcomes and efficiency.

~130

PE-backed DSOs
operate nationwide

\$2.4B

privatization of Dentalcorp
Holdings by GTCR in September

In 2025, the most attractive acquisition targets were those demonstrating operational strength, sound data infrastructure, and consistent or improving same-store growth. Investors are placing more importance on organic growth indicators, such as new patient acquisition trends, services per patient, and effective cost management. Additionally, practices with integrated technology systems commanded stronger valuations, while fragmented systems

created diligence and valuation challenges. Specialty practices and larger general dentistry groups continued to receive premium valuations due to diversification and scalability.

Amid the high number of transactions in 2025, several high-value deals led the way. In September 2025, Dentalcorp Holdings was taken private by GTCR for CAD 3.3B (approximately \$2.4B), covering more than 500 practices across Canada. Bridgepoint purchased the UK's MyDentist from Palamon Capital Partners for over £800M (approximately \$1B). Lastly, Smile Doctors expanded through its acquisition of myOrthos, adding 70+ locations across 13 states.

Looking forward, dental M&A activity is poised to accelerate, contingent on further interest rate reductions and improved macroeconomic clarity. With substantial dry powder and pressure on PE funds to deploy capital, the dental sector is well-positioned for ongoing consolidation and recapitalization. Operational excellence, technology-driven decision-making, and continued growth in specialty and subspecialty areas will drive future value creation.

14. Pharmacy

The pharmaceutical industry demonstrated strong growth in 2025, with global transaction value rising an estimated 31% year over year, largely driven by a resurgence of large-scale transactions. Several macroeconomic forces underpinned this resurgence, including ongoing pricing pressures, regulatory uncertainty, and accelerating demand for biologics and specialty therapies. This dynamic has heightened the strategic importance of acquisitions that provide scale, therapeutic depth, and access to high-growth categories.

In contrast, the U.S. pharmacy sector faced regulatory and operational headwinds. The 340B Drug Pricing Program remained a major source of uncertainty, with ongoing litigation and policy ambiguity creating revenue instability for specialty pharmacies dependent on discounted drugs. This unpredictability is dampening optimism among acquirers, as large chains and pharmacy benefit managers (PBMs) consolidate to capture 340B profits while smaller entities face heightened pressures amid revenue squeezes.

M&A activity can be broadly characterized by several recurring acquisition archetypes, including large-scale restructurings, selective “files and stores” asset acquisitions, bolt-on transactions to existing platforms, and vertical integration plays.

Capital intensity and margin volatility pushed buyers toward large-scale restructuring rather than growth-oriented expansion. Notable examples include Sycamore Partners’ take private of Walgreens Boots Alliance in August 2025 and Rite Aid’s bankruptcy-driven asset liquidation, in which strategic buyers acquired only prescription files and targeted stores to capture patient relationships and script volume, while minimizing exposure to underperforming real estate and liabilities. In October 2025, CVS acquired 63 Rite Aid store locations along with more than 600 associated pharmacy prescription files across 15 states, demonstrating how scale players used consolidation to expand script share.

Vertical integration remained a defining feature with CVS Health, OptumRx, and Express Scripts collectively controlling over 75% of pharmacy benefits. Payers and PBM-aligned entities still view ownership of specialty dispensing capabilities as critical to managing drug-spend and retaining members. This dynamic can be seen in Cigna’s Evernorth Health Services’ \$3.5B investment in Shields Health Solutions, which expanded Evernorth’s ability to reach additional providers and patients across a broad range of specialty care settings.

Infusion and specialty pharmacies continued to attract investor attention, supported by demand from complex biologics growth, chronic disease prevalence, higher service intensity, and the continued shift of infusion services into ambulatory and home settings. This site-of-care shift has created meaningful payer cost savings and enhanced the value of scaled platforms.

Industry outlooks suggest that EBITDA across the pharmaceutical value chain is expected to run further, reaching an estimated \$114B by 2029. The pharmacy sector sits at a critical inflection point, shaped by accelerating drug costs, evolving regulation, and intensified competition. Strategic partnerships, innovative pricing models, and vertically integrated capabilities will be increasingly essential. With significant private capital waiting to deploy and a growing backlog of quality assets, pharmaceutical M&A is expected to strengthen in 2026.

“We’re helping maintain and expand access to convenient and trusted pharmacy care across the US and growing our retail footprint and presence in local communities.”

– Len Shankman
Executive VP & President, Pharmacy
& Consumer Wellness, CVS Health,
Press Release October 15, 2025

15. Cardiology

Today, the cardiovascular market continues to be dominated by ASC/OBL hybrid models, often within the same space. Many cardiology groups now operate under an ASC license for one or two days per week, performing coronary procedures, while the same facility functions as an OBL the rest of the week. While this structure allows a group to maximize clinical capability and revenue optimization, there are valuation challenges, such as the allocation of staff and space costs between the OBL and ASC; proper treatment of shared assets and co-ownership agreement; FMV implications of physician buy-ins, especially when ownership includes both OBL and ASC entities; and increased dispute risk for buy-ins and buy-outs.

On November 21, 2025, CMS released its final rule for 2026, which expanded the ASC CPL for 2026 by 289 procedures, including three cardiovascular codes and one vascular code. The expansion of the ASC CPL for 2026, particularly the inclusion of electrophysiology studies and ablation procedures, represents a meaningful shift in the types of cardiovascular services that can be performed safely and economically in the ASC setting.

289

procedures added by CMS for 2026, including three cardiovascular codes and one vascular code

Looking ahead, 2026 is likely to mark the beginning of a new phase of growth and consolidation within the cardiology ASC market. The shift of higher-acuity procedures to the outpatient setting will keep driving this market growth, particularly as Medicare continues to increase ASC reimbursement. The addition of electrophysiology procedures may materially enhance the revenue and strategic value of cardiovascular ASCs,

making them increasingly attractive acquisition targets. As cardiology ASCs evolve to support a broader range of interventional and electrophysiology services, transaction volume and related valuation and dispute activity are expected to increase, underscoring the importance of careful planning, regulatory compliance, and defensible valuation frameworks in this rapidly changing market.

16. Joint Ventures

More healthcare providers, physicians, and operators are using joint ventures as a critical tool to more efficiently deploy limited resources, such as capital and expertise, to align objectives and incentives. In some healthcare verticals, such as ASCs, joint venture strategies have been in use for decades with demonstrated benefits, while in other verticals they have only recently been used to unlock the benefits. Joint ventures are not without risk, as competition, regulatory compliance, and cultural and operational aspects require adaptability from partners to maintain financial sustainability and success.

2025 saw more health systems turning to joint ventures as a strategic mechanism to expand their outpatient footprint. This surge was driven by the ability to pursue growth while mitigating risk, allowing systems to expand service lines without bearing full operational or financial burden. Joint ventures also served as crucial vehicles for physician alignment, particularly as independent physicians continued to face operational and financial pressures. Additionally, hospitals used joint venture structures for service-line diversification, especially in urgent care, post-acute care, home-based care, and imaging.

One of the important joint venture trends seen in 2025 was the expansion of multi-level ASC partnerships between health systems and national ASC operators. For example, Surgery Partners formed new or expanded ASC joint ventures with Parkview Health, Intermountain Health, Methodist Health, and OhioHealth, aiming to build or acquire centers and extend access across broader geographies. Similarly, Atlas Healthcare Partners continued its long-term joint venture strategy with health systems such as Banner Health and Corewell Health, enabling rapid ASC network development. These partnerships illustrate a trend toward integrated, regionalized platforms where health systems contribute clinical infrastructure and brand strength, while ASC operators provide scalability, operational expertise, and physician alignment strategies.

“At Surgery Partners, our mission is to enhance patient quality of life through partnership.”

– Eric Evans
CEO, Surgery Partners

Notable Joint Ventures

Bon Secours Mercy Health and Compass Surgical Partners have partnered with local physicians in Newport News, Virginia to open Coastal Virginia Surgery Center. The center obtained a certificate of public need, and cases began in September 2025, focusing on orthopedic care. This center expands access to quality, cost-effective surgical care across the area.

Baptist Health and Alternate Solutions Health Network partnered to expand and enhance home health services across Kentucky, southern Indiana, and southern Illinois. The goal of both organizations is to improve patient experience, support clinical providers, and meet the needs of a growing population.

GoHealth Urgent Care and UPMC have created a joint venture establishing 81 UCCs across Pennsylvania and West Virginia. Their partnership expands convenient, on-demand access to non-emergency medical care. These centers combine GoHealth's technology-driven, patient-centered care with UPMC's trusted clinical standards and extensive provider network.

Kaiser Permanente is partnering with Renown Health to create Kaiser Permanente Nevada, a new health insurance entity built on Renown's Hometown Health plan. The partnership combines Renown's strong local provider network and hospitals throughout northern Nevada with Kaiser Permanente's national scale, technology, and value-based care model. The venture aims to meet growing demand in the region.

P3 Health Partners and Commonwealth Primary Care ACO formed a joint venture MSO to expand value-based care and better support independent primary care physicians across Arizona, California, Nevada, Oregon, and North Carolina. The MSO will be jointly governed by P3 and Commonwealth with goals of improving outcomes, operational efficiency, and long-term stability.

17. Litigation

While the nature of disputes seen in the healthcare sector during 2025 varied widely, physician-investor transactions involving ASCs and physician practices, alleged breaches of non-compete agreements, and various breaches of contractual agreements persisted as the most common disputes. 2025 also saw more disputes involving dentists and DSOs because of the sector's rapid pace of roll-up transactions that often involved a combination of cash or equity consideration and post-acquisition integration and operational challenges. Other disputes stemmed from buy-sell agreements and operating agreements with stale, vague, or incomplete stipulated transactions and pricing terms.

To highlight the types of disputes impacting the healthcare sector, and subsequent transaction activity, we have summarized recent litigation engagements performed by our team:

- **Dispute between two health systems over an alleged breach of a settlement agreement involving a certificate of need**
- **Dispute related to management services fees charged by the MSO**
- **Alleged breach of a business development agreement, the failure to pay the business development fees, and an improper termination of the agreement**
- **Alleged breaches of non-compete agreements by former physician-investors in ASC partnerships**
- **Post-transaction disputes involving alleged breaches between dentists and dental service organizations**
- **Dispute involving the buyout of a joint venture partner**
- **Damages stemming from an alleged breach of an anesthesia coverage agreement between an anesthesia group and a hospital system**

Overall, the healthcare sector is huge, growing, complex, and is still very fragmented, particularly the provider sector. Reimbursement and regulatory pressures present ongoing challenges, and whistle-blower actions continue to proliferate. Healthcare business models can be complex and may involve various contractual arrangements (e.g., management services agreements, stipend and subsidy arrangements, employment and medical directorships, facility rental agreements, etc.) and often involve multiple types of owners, including physicians, management companies, and health systems. Consequently, VMG Health expects litigation and disputes in the healthcare market to continue.

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2026 M&A Report Contributors

Report Lead

Taryn Nasr, ASA, CVA

Editor

Christa Shephard

Design

Emily Peisker

Contributors

Aaron Murski, CVA

Alex Malin, CVA

Ally Pusich

Bradley Rowlinson

Brett Nelson, CVA

Chad Zoretic, CEPA

Chance Sherer, CVA

Charlotte Devine

Clark Wilson, CVA

Clinton Flume, CVA

Colin Park, CPA/ABV, ASA

Cordell J. Mack

Diego Montes

Don Barbo, CPA/ABV

Dylan Alexander, CVA

Emily Rizos, CFA

Grayson Terrell, CPA

Ingrid Aguirre, CFA

Isabella Rosman

Jack Hawkins, CVA

Jackson Fish

Joe Scott, CPA

Johnny Zizzi, CPA

Jordan Nelson

Jordan Tussy, CVA

Josh Miner

Julie Doyle, CVA

Justin Vachon

Kaitlin Heil, CPA

Karly Bruss

Lukas Recio, CPA

Madi Whyde

Mason Motal, CVA

Melissa Hoelting, CPA

Michi Sumimoto

Molly Smith

Patrick Speights, CVA

Rene Kinkade

Riley Thompson

Savanna Ganyard, CFA

Stephen Schulte, CVA

Taryn Nasr, ASA, CVA

Tim Kent, CVA

Tim Spadaro, CFA, CPA/ABV

Todd J. Sorenson, CVA

William Teague, CFA, CVA

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