

Healthcare M&As will pick up steam throughout 2021

Article



Mergers and acquisitions (M&As) among hospitals, health systems, and health insurers are projected to ramp up for the remainder of 2021, [according to](#) Moody's quarterly reports. In particular, large hospitals and health systems are expected to expand their geographic footprints and diversify their services with digital health via M&As, and health insurers are

expected to increasingly scoop up digital health startups to build out their tech capabilities and offset rising healthcare costs.

Health systems and payers have been warming up to M&As despite pandemic-related setbacks, especially in the last two quarters alone:

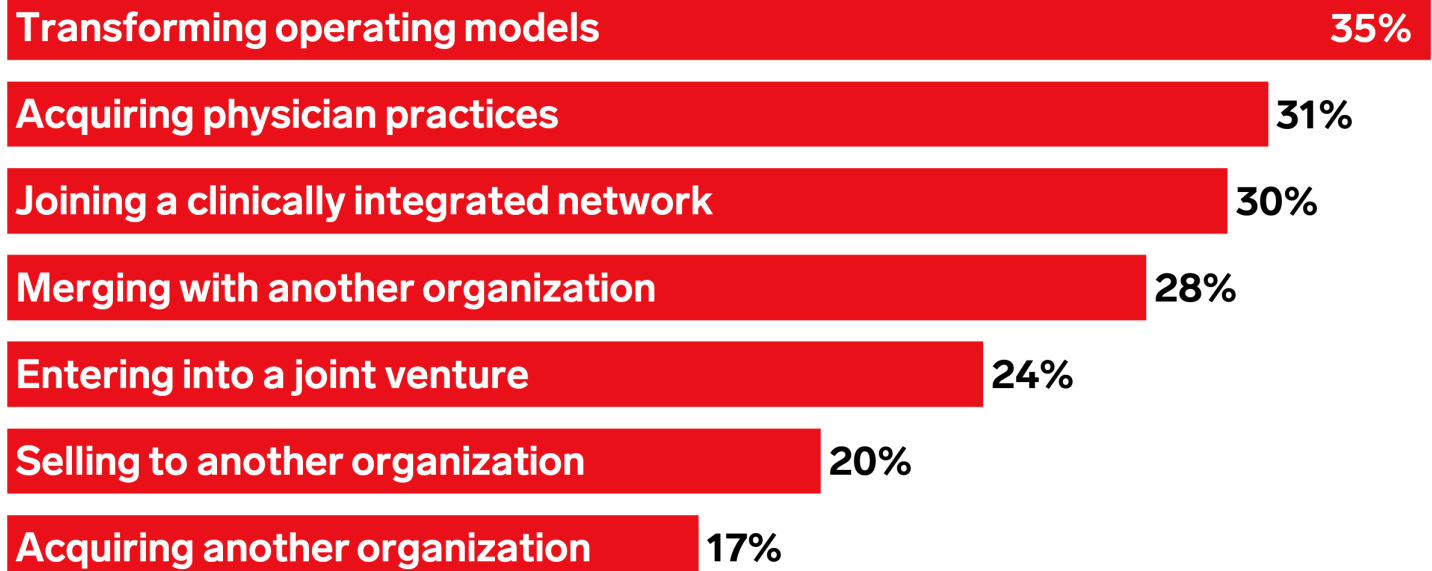
- **Hospitals with strong digital health infrastructure in place were better equipped to weather the pandemic—which prompted greater M&A activity by health systems.** While US hospitals and health systems lost nearly \$203 billion in the first few months of the pandemic, [per](#) the AHA, institutions that already had digital health capabilities or quickly implemented them fared better: For example, CIOs from Penn Medicine and Seattle Children’s Hospital [said](#) telehealth tools were key to their pandemic response. In turn, many larger health systems have been [pursuing](#) M&A deals to [build out](#) their digital health capabilities to bolster interoperability, meet patient demand for telehealth, and cushion themselves financially. Meanwhile smaller hospitals folded to M&A deals from larger institutions as a means to secure financial stability lost during the pandemic.
- **In Q1 2021 alone, major payers made blockbuster M&A deals with digital health companies to offer their members more products, streamline patient-provider communication, and boost efficiency of existing healthcare processes.** For example, UnitedHealth made a \$13 billion [acquisition](#) of Change Healthcare, Centene [scooped up](#) digital mental health company Magellan Health for \$2.2 billion, and Cigna [bought](#) telehealth unicorn MDLive.

As the boom in healthcare M&A activity is projected to continue, it’ll encourage health systems to undergo sustained digital transformation—which could pave the way for a rebound from financial hard times.

- Healthcare CFOs think the pandemic is a catalyst for more M&A activity down the road: **28%** plan to pursue healthcare mergers, and **18%** plan to pursue acquisitions, [according to](#) BDO’s 2021 Healthcare CFO Outlook survey.
- Moreover, half of healthcare CFOs say digital transformation is a top priority for 2021—which makes sense since ramping up services like virtual care and using AI to streamline healthcare operations can help health systems cut healthcare costs and boost revenues through an additional channel of care delivery (telehealth).

Healthcare CFOs Plan to Increase Partnerships and M&A Activity

Q: Which of the following are you planning to pursue in 2021?



Source: BDO, "The 2021 BDO Healthcare CFO Outlook Survey", January 2021
Methodology: Data is from the January 2021 BDO report titled "The 2021 BDO Healthcare CFO Outlook Survey" conducted by Rabin Research Company. 100 US CFOs from for-profit and non-profit hospitals, physician offices, long-term and post-acute care, home health, and outpatient and ambulatory service provider organizations were surveyed in September 2020.

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