tal amount spent on Hospital M&A during the decade, may be attributed to a single deal, the privatization of **HCA, Inc.** by a consortium of private equity groups in 2006. Due to their individually meager results, the figures from four services sectors had to be aggregated: Behavioral Health, Home Health, Physician Medical Groups and Rehabilitation combined accounted for $18.9 billion, or 1.1% of the decade's total M&A dollars.

In terms of decade-over-decade performance, only two services sectors fell against the prior decade, 1990–99: Physician Medical Groups (PMG) and Rehabilitation. In the prior decade, PMG had posted 1,235 deals worth $13.95 billion while Rehabilitation posted 354 deals worth $5.1 billion. Deal volume in the PMG sector thus dropped by two-thirds (67%) and dollar volume by 64%, largely as a result of investors abandoning the one-size-fits-all PPM model in the late 1990s that had led to unrealistic valuations, inflated prices and negative return on investment.

The Health Care M&A Market
2000 Through 2009

Year	Deals	Value (In $ billions)	Rank
2009†	924	231.4	2*
2008	1,001	226.9	4
2007	1,077	231.9	2*
2006	1,010	268.4	1
2005	970	162.3	6
2004	875	164.3	5
2003	932	94.2	9
2002	947	97.9	8
2001	818	74.6	10
2000‡	726	125.4	7

†Preliminary figures.
*It is projected that once final figures are in, 2009 will equal or surpass 2007 in dollar value.
‡Systematic reporting of technology sectors began in Q3:00.

Blockbusters And Other Deals

During the ten years from 2000 to 2009, 20 deals were announced with a price tag of $10.0 billion or more. These involved the acquisition of nine pharmas, four biotechs, four medical device companies, one hospital company, one managed care company and one pharmacy benefits manager. Their combined value was $623.5 billion. While these blockbusters generally skew statistics, prompting us to rely on medians more than averages, they are important because they indicate what the market can bear in terms of financing for M&A activity. Though not typical, they tend to push the envelope for the rest of us.

During this same period, 226 deals were announced with prices in the range from $1.0 billion up to $10.0 billion; their combined value was $567.5 billion. In the next lower tier, from $500.0 million up to $1.0 billion, the cohort produced 212 deals worth $142.1 billion. Beneath that, there were 992 deals with a price from $100.0 million up to $500.0 million; however, their combined total was $222.5 billion. This upward spike of prices in an otherwise downward trend represents the niche that many investors and dealmakers have carved out in the middle market of health care M&A. Deals with prices from $50.0 million up to $100.0 million numbered 580; their combined value was $40.8 billion. The number of deals valued from $10.0 million up to $50.0 million was 1,918; their combined value was $45.8 billion. This second upward spike away from the downward drift may be attributed to intensive acquisition activity by smaller companies, largely in the services segment, that focus on local or regional markets, rather than national or international ambitions. Finally, there were 2,326 deals with prices from $1.00 up to $10.0 million, whose combined price was $9.1 billion.

The M&A market for 2000–09 thus proved to be a capacious one, allowing many different participants focused on different niches and business goals. Going forward, we believe that there will continue to be broad scope for robust M&A activity in the health care industry. Despite the recent economic turmoil, the drive to contain costs, expand market share, achieve a competitive advantage—all of which can be secured through a merger or acquisition—as well as other motivations for deal making, are not going to disappear. In fact, this turmoil has only sharpened the need to undertake deals. One important strand we see in future M&A is the continuing march of globalization, which will provide plenty of opportunities for cross-border expansion during the next decade. Rather than go to the expense and headache of setting up *de novo* operations in untapped global markets, companies will enter them by acquiring existing local operations, particularly companies involved in the various health care technology sectors. Though the psychological aftermath of The Great Recession has many viewing the glass of business opportunity as half empty (paralleled by the plethora of disaster movies in popular culture), we believe that the actual figures and fundamentals of this market better support a glass-half-full interpretation. In the decade to come, we anticipate continued, strong and broad-based merger and acquisition activity in the health care industry. ❑