THE HEALTH CARE ACQUISITION REPORT

SIXTEENTH EDITION
2010

ABSTRACT

IRVING
LEVIN ASSOCIATES, INC.
Health Care and Housing Investments since 1948

Other Irving Levin Associates Publications and Services

Newsletters:

The SeniorCare Investor
The Health Care M&A Monthly
Senior Living Business

Annuals:

The Senior Care Acquisition Report

Transaction Database:

Deal Search Online (www.dealsearchonline.com)

The Health Care Acquisition Report
Sixteenth Edition, 2010

ISSN 1536-7428
ISBN 1-933707-56-9
Published by:
Irving Levin Associates, Inc.
268-1/2 Main Avenue
Norwalk, CT 06851
203-846-6800 Fax 203-846-8300
general@levinassociates.com
Web Site: www.levinassociates.com

Publisher:	Eleanor B. Meredith
Senior Editor:	Stephen M. Monroe
Editor:	Sanford B. Steever, Ph.D
Production:	Stacey Faillaci

Purchase price $595.00

First Class Postage is paid at Norwalk, CT.

Health Care Investment Publications From Irving Levin Associates

THE HEALTH CARE M&A INFORMATION SERVICE

Stay ahead of the M&A activity. *The Health Care M&A Information Service* is a comprehensive service 100% devoted to health care mergers and acquisitions for the serious analyst and investor. Week-in and week-out, this service alerts you to developments in every key segment of the health care service and technology sectors. *(12 monthly issues, 50 weekly e-lerts, 4 quarterly reports, plus standard subscriber access to the Deal Search Online database of M&A deals at www.dealsearchonline.com)*

THE SENIORCARE INVESTOR

Make the smart investment decisions with the "inside scoop." For over 50 years, this hard-working newsletter -- *The SeniorCare Investor* -- has been tracking mergers, acquisitions, IPOs and corporate news in the senior care market, including nursing home and assisted living facilities, retirement communities, REITs and home health care. Find out the latest deals, key financial events and stock performance along with expert news and analysis from the industry's leading market analyst. *(12 monthly issues plus frequent news alerts by email)*

SENIOR LIVING BUSINESS

Where not-for-profits providers turn for financing and growth strategies. *Senior Living Business* is the newsletter where margin meets mission, advising you on how to grow your bottom line to meet the all-important mission of quality care for seniors.Each monthly issue explains the best ways to finance not-for-profit facilities and explores best practices for keeping them top-notch. *(12 monthly issues plus periodic news alerts by email)*

ANNUAL ACQUISITION REPORTS

Track the trends in the hottest health care sectors. Health care investors and executives alike rely on Irving Levin's quarterly and annual acquisition reports to understand the markets for long term care facilities, assisted living facilities, hospitals, physician practices, and other health care assets. All new for 2010: *The Senior Care Acquisition Report* and *The Health Care Acquisition Report*.

DEAL SEARCH ONLINE: M&A TRANSACTION DATABASE

Tap into the most comprehensive database of health care transactions. Irving Levin's online database is updated daily for the most accurate and reliable transaction information. Research at your fingertips, 24 hours a day, 7 days a week. Call 1-800-248-1668 or visit www.dealsearchonline.com for more information or to set up an account.

Publication Order Form

To order, return this order form or call toll-free 800-248-1668.

- ❑ ***The Health Care M&A Information Service*** ($2,197/year)
- ❑ ***The SeniorCare Investor*** ($597/year)
- ❑ ***Senior Living Business*** ($587/year)
- ❑ ***The Senior Care Acquisition Report*** ($595/copy)
- ❑ ***The Health Care Acquisition Report*** ($595/copy)

Please check one:

❑ Check enclosed payable to **Irving Levin Associates, Inc.**

❑ Bill me

Charge my: ❑ Visa ❑MasterCard ❑American Express

Card #: ________________________________ Exp.:________

Signature: ____

Mention this code when calling to order: 1004har

SHIP TO:

Name: ______________________________

Email: ______________________________

Company: ___________________________

Address: ____________________________

____

Phone: _____________ Fax: ___________

Fax Credit Card orders to: (203) 846-8300

IRVING LEVIN ASSOCIATES, INC.

Health Care and Housing Investments since 1948

268-1/2 Main Avenue● Norwalk, CT 06851● 203-846-6800

general@levinassociates.com● www.levinassociates.com

Table of Contents

Preface

This is the sixteenth edition of The Health Care Acquisition Report, which covers seven sectors of the health care services merger and acquisition market for 2009, along with relevant comparisons to prior years. This Report was originally known as The Hospital Acquisition Report, but with the subsequent inclusion of six related health care services sectors—Behavioral Health, Labs/MRI/Dialysis, Managed Care, Physician Medical Groups, Rehabilitation and Other Services—we have given the publication a more inclusive name.

Following the format of previous years, the majority of transactions included here were first reported in various Irving Levin companion publications: The Health Care M&A Weekly, The Health Care M&A Monthly and The Health Care M&A Report (published quarterly). As has been our practice, transactions are tracked based on the date of their announcement rather than their closing date. The announcement date typically receives the most media publicity and, more importantly, reflects terms available in the market at the time.

In preparing this Report, we have amended and updated the deals previously reported in the weekly, monthly and quarterly publications based on information obtained from the media, SEC documents and interviews with management to bring you the most timely and accurate information available. Transactions cancelled after being announced are removed from the data, which sometimes results in changes in the number of transactions from one period to the next. In addition to the deals reported in the other Irving Levin publications, we have added transactions to this Report which were not announced previously, but for which data has subsequently become available.

We hope that the information contained in this Report will assist you in making business and investment decisions. We have tried to obtain as much financial information as possible about each transaction, such as its price, revenue and EBITDA multiples, but for many of the smaller deals these figures are not available. Also, it should be recalled that mergers between two not-for-profits do not, by definition, have a purchase price. And for reasons noted in the text below, we have in certain instances eliminated certain data points, including price/EBITDA ratios that were either negative or unrealistically high.

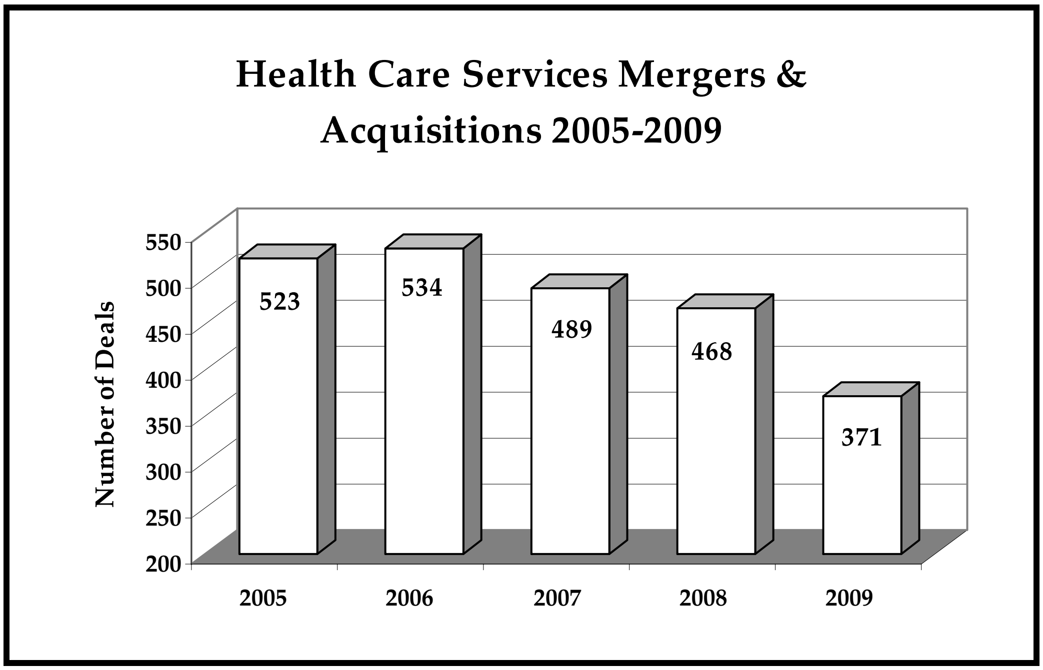
Sanford B. Steever
Editor

Stephen M. Monroe
Senior Editor

INTRODUCTION

This Report deals with all major sectors of the health care services industry except Long-Term Care and Home Health and Hospice Care, both of which are covered each year in our companion publication, *The Senior Care Acquisition Report*. Also excluded from this Report and its statistics is the acquisition activity in what we call the health care technology segment—Biotechnology, e-Health, Medical Devices and Pharmaceuticals—which posted a combined total of 577 transactions in 2009, compared with 526 in 2008. The graph below presents the volume of mergers and acquisitions for all health care services sectors during the past five years, including those transactions oriented toward the senior care industry.

There was a 21% decrease in deal volume in 2009 compared with 2008, as the economy absorbed the body blow of the Great Recession. While the markets began recovering after the first quarter of 2009, the after-effects of the economic slowdown and the credit crunch lingered for most of the year, which served, among other factors, to decelerate the health care M&A market.

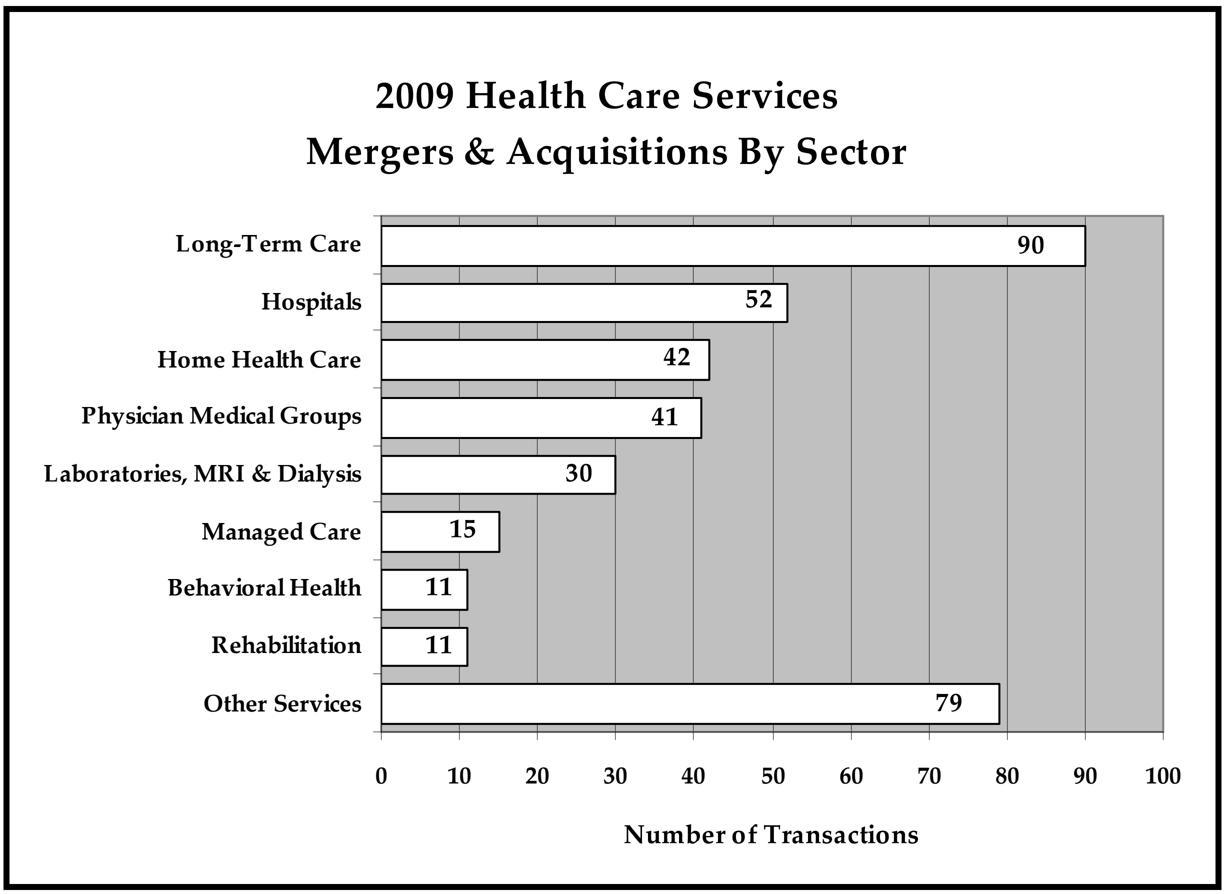


In 2009, all services sectors posted a drop in deal volume compared to 2008. As noted in the chart overleaf, the miscellaneous sub-sectors combined in the “Other Services” category captured 21% of all health care services transactions, historically in line with 2008 when it captured 25%.

Following the drop in the transaction volume between 2008 and 2009, the dollar value of those deals plunged from $18.2 billion in 2008 to $13.2 billion in 2009. We believe that the total dollar value of merger and acquisition activity presented in our charts and statistics is slightly understated because a portion of the smaller deals do not present a revealed price. But because of their presumed small size, all of them combined most likely represent between 3% and 5% of the total dollar value committed to M&A activity each year. In 2009, $5.8 billion, or 44% of the year’s total dollar value, came from just two billion-dollar transactions; by contrast, in 2008, $5.7 billion, or 31% of that year’s total dollar value, came from three billion-dollar transactions. These two years reversed the previous trend, extending for several years up to 2007, in which billion-dollar deals captured the majority of dollars spent on M&A. This reflects the fact that much of the current M&A activity is taking place in the middle market.

The Credit Crunch made credit scarcer and more costly in 2008 and 2009 than companies had become used to during the prior five-year period; consequently, this impacted the health care M&A market in a variety of ways. As an example, the absence of cheap credit has tended to keep financial buyers, such as private equity groups (PEGs) and real estate investment trusts (REITs), out of large segments of the M&A market. And where they have begun to re-enter the market, it is with more modest aims and smaller targets in mind, generally focusing on the middle market.

During 2009, a total of 28 deals (2008, 26), or 8% of the year's deal volume (2008, 6%), were carried out by financial buyers. They accounted for $4.0 billion (2008, $2.9 billion), or 30% of the year's total dollars committed to M&A activity (2008, 16%). In 2009, 12 deals valued at $1.2 billion were carried out by REITs while the remaining 16 deals worth $2.8 billion were carried out by other financial buyers such as PEGs. Still, strategic buyers continued to dominate the Health Care Services M&A market in 2009, as they have done in the past. The resurgence of financial buyers in 2009, particularly during the last three quarters of the year, is a sign that the Great Recession is relaxing its grip on the economy.



Largest Announced Hospital Transactions
2009

The top ten hospital deals of 2009 are listed in the table below. None of them exceeds $570.0 million in price. Only three of the acquirers, Health Management Associates, LifePoint Hospitals and RehabCare Group, are publicly traded companies. The remaining seven deals were carried out by not-for-profit buyers. Within this cohort, Catholic systems did not figure as prominently as in years past.

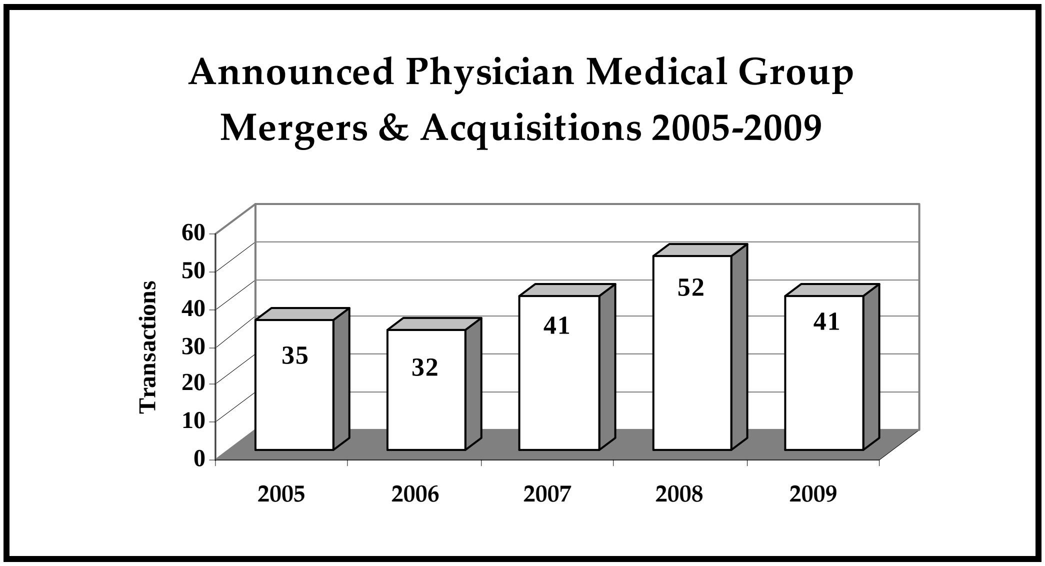
10 LARGEST ANNOUNCED TRANSACTIONS, 2009				
Acquirer	**Target**	**Price**	**Hospitals**	**Beds**
RehabCare Group, Inc.	Triumph HealthCare	$570,000,000	20	1,182
Novant Health	Prince William Health System	$200,000,000	1	180
Catholic Healthcare Partners	Jewish Hospital	$180,000,000	1	209
Health Management Associates	Sparks Health System	$138,200,000	1	492
Texas Health Resources, Inc.	Presbyterian Hospital of Denton	$103,000,000	1	208
UPMC Health System	Beacon Hospital	$96,000,000	1	183
LifePoint Hospitals, Inc.	Rockdale Medical Center	$82,600,000	1	138
Riverside Health System	Shore Health Services	$53,000,000	1	107
Cleveland Clinic Health System	Medina General Hospital	$50,000,000	1	118
Greenville Hospital System	Palmetto Health Baptist Easley	$50,000,000	1	109

PHYSICIAN MEDICAL GROUPS

The 2009 merger and acquisition market for the physician medical group sector closely resembled the corresponding 2007 market. Dollar volume, however, reached its second lowest level for the five-year period 2005-2009.

Since the beginning of this decade, the majority of strategic buyers in the physician medical group sector have been specialty PPMs in such fields as cardiology, hospitalist services, radiology, neonatology, pain management and pathology. Although the specialty PPMs continue to dominate M&A activity, the recent three-year period 2007-2009 witnessed the return of hospitals, clinics and integrated delivery systems as buyers of physician practices: in 2007, they bought 10 practices; in 2008, 15; and in 2009, 12.

Six neonatology and related practices and six hospitalist practices were targeted by specialist PPMs in 2009. Eight deals targeted family and primary care practices while nine targeted multispecialty practices, which had been largely absent from the M&A market earlier in the decade. Nearly, 1,850 physicians were involved in the year's 41 mergers and acquisitions (2008, 1,400).

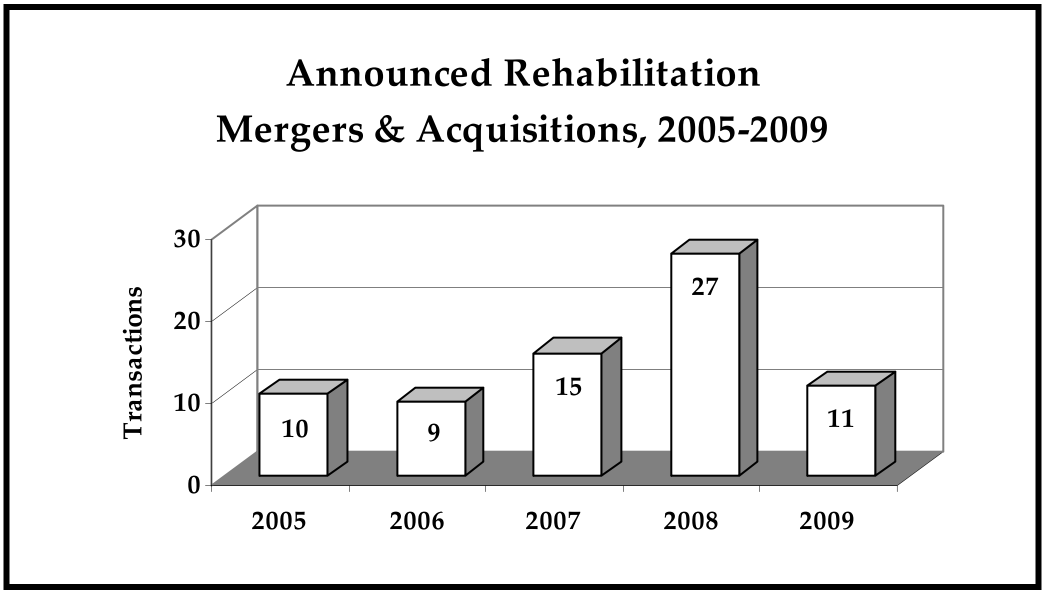


A total of 26 acquirers announced 41 deals in 2009. Five publicly traded corporations announced a combined total of 19 deals. Mednax (fka Pediatrix Medical Group) announced nine acquisitions while IPC The Hospitalist announced seven. Eleven not-for-profit organizations announced one deal each. Ten privately held companies announced 11 deals, with Team Health announcing two. (At the end of the year, Team Health launched an IPO and will be treated as publicly traded in subsequent Reports). Thirty-seven of the targets were private companies; four were not-for-profits.

PHYSICIAN MEDICAL GROUP TRANSACTIONS					
	2005	**2006**	**2007**	**2008**	**2009**
Total Deals Announced	35	32	41	52	41
Deals with Announced Prices	16	7	10	12	8
Combined Purchase Price ($ millions)	$1,093.3	$213.1	$97.7	$274.6	$99.1

REHABILITATION

After three years of growth from 2006 through 2008, merger and acquisition activity in the rehabilitation sector saw a sharp decline back to levels posted in 2005. This sector includes acute rehabilitation hospitals, outpatient clinics, orthotic and prosthetic companies and contract therapy businesses. Dollar volume fell to its lowest level in the five-year period 2005-2009.



Six buyers announced a total of 11 deals in 2009. Two publicly traded corporations announced a total of six deals, with Hanger Orthopedic Group announcing five. Four privately held companies announced a combined total of five deals, with Accelerated Rehabilitation Centers announcing two. Conversely, 11 privately held sellers announced making one divestment each.

Based on prices revealed to date, a total of $38.7 million was spent on the Rehabilitation M&A market in 2009. By itself, Hanger Orthopedic Group spent $22.1 million on its 2009 acquisitions, but we lack sufficient data to apportion it among the individual transactions in the body of the text. The modest sampling in the table below makes it virtually impossible to draw any firm conclusions about the rehabilitation M&A market year over year, other than that it is a financially challenged one.

REHABILITATION TRANSACTIONS					
	2005	**2006**	**2007**	**2008**	**2009**
Total Deals Announced	10	9	15	27	11
Deals with Announced Prices	6	6	4	23	2
Combined Purchase Price ($ millions)	$95.7	$153.2	$432.1	$56.8	$38.7

In the largest rehabilitation deal of 2009, a sale-leaseback worth $15,485,000, Healthcare Trust of America acquired Select Rehabilitation Hospital, a 44-bed rehabilitation hospital, from Select Medical Corporation. Select Medical has a lease on the target facility that runs until 2023, allowing it to pursue its acute rehabilitation business there without the burdens of real estate ownership.

TARGET: ***Siloam Springs Memorial Hospital***

ACQUIRER: ***Community Health Systems, Inc.***

LISTING: Nonprofit
LOCATION: Siloam Springs, Arkansas
UNITS: 74 (beds)
REVENUE: $36,000,000
NET INCOME: $4,300,000 (EBITDA)

LISTING: NYSE: CYH
CEO: Wayne T. Smith
4000 Meridian Boulevard
Franklin, Tennessee 37067
PHONE: 615-465-7000
FAX: 615-645-7001
WEB SITE: www.chs.net

Siloam Springs Memorial Hospital is a 74-bed acute care facility. For the year ended March 31, 2008, the facility generated net patient revenue of $36 million, EBITDA of $4.3 million and net income of $3.9 million.

Community Health Systems operates 121 acute care facilities in non-urban communities in 29 states. On a trailing 12-month basis, CYH generated revenue of $10.7 billion, EBITDA of $1.3 billion and net income of $82 million.

ANNOUNCEMENT DATE: February 2, 2009
PRICE: $42,700,000 (approximate)
TERMS: $2.7 million ($1.6 million in cash; $1.1 million in assumed liabilities). Short-term lease of existing facility for $1.00 per year; commitment to build a $40 million replacement facility by end of the fourth year of lease term.

PRICE PER UNIT: $577,027
PRICE/REVENUE: 1.19
PRICE/INCOME: 9.93

This acquisition gives the buyer its eighth hospital in Arkansas, and its fourth in the northwestern region of the state. Shattuck Hammond Partners acted as the city's hospital broker. The hospital had been in negotiations with Community Partners LLC of Tulsa, but ended talks when the company lost its equity partners.

TARGET: ***Rockdale Medical Center***

ACQUIRER: ***LifePoint Hospitals, Inc.***

LISTING: Nonprofit
LOCATION: Conyers, Georgia
UNITS: 138 (beds)
REVENUE: $111,000,000
NET INCOME: $4,100,000 (EBITDA)

LISTING: NASDAQ: LPNT
CEO: William F. Carpenter
103 Powell Court, Suite 200
Brentwood, Tennessee 37027
PHONE: 615-372-8500
FAX: 615-372-8586
WEB SITE: www.lifepointhospitals.com

Rockdale Medical Center is a 138-bed acute care facility. For the year ended September 30, 2007, it generated net patient revenue of $111 million, EBITDA of $4.1 million and a net loss of $3.7 million.

LifePoint Hospitals owns and operates 49 general acute care hospitals in non-urban communities in 18 states. On a trailing 12-month basis, it generated revenue of $2.7 billion, EBITDA of $451 million and net income of $135 million.

ANNOUNCEMENT DATE: February 2, 2009
PRICE: $82,600,000
TERMS: Not disclosed

PRICE PER UNIT: $598,551
PRICE/REVENUE: 0.74
PRICE/INCOME: 20.15

This acquisition expands the buyer's acute care network in the Georgia hospital market. This transaction was funded from available cash. The transaction closed on February 1, 2009.

Index

FREE Trial Subscription

The SeniorCare Investor -- Make the smart investment decisions with the 'inside scoop'.

For over 50 years, this hard-working newsletter has been tracking mergers, acquisitions, and corporate financings in the senior care market; including nursing home and assisted living companies, retirement communities, REITs and home health care. Find out the latest corporate news and get expert analysis from the industry's leading financial analyst.

Senior Living Business -- Where not-for-profits providers turn for financing and growth strategies.

Senior Living Business is the newsletter where margin meets mission, advising you on how to grow your bottom line to meet the all-important mission of quality care for seniors.Each monthly issue explains the best ways to finance not-for-profit facilities and explores best practices for keeping them top-notch.

The Health Care M&A Information Service -- Stay ahead of the M&A activity.

The Health Care M&A Information Service is a comprehensive service 100% devoted to health care mergers and acquisitions for the serious analyst and investor. Week-in and week-out, this service alerts you to developments in every key segment of the health care service and technology sectors.

Yes! Please send me the subscription checked below for a FREE examination. ***(Available only to first time subscribers)***

Select one:

- ☐ **The SeniorCare Investor**
- ☐ **Senior Living Business**
- ☐ **The Health Care M&A Information Service**

Name: ____________________

Email: ____________________

Company: ____________________

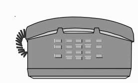
Address: ____________________

City: ____________ State: ___ Zip Code: ____________

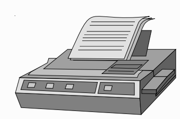
Phone: ____________________

Fax: ____________________

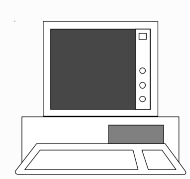
RESERVING YOUR FREE ISSUES IS EASY!



PHONE
1-800-248-1668



FAX
1-203-846-8300



ONLINE
www.levinassociates.com
general@levinassociates.com

NOW AVAILABLE FOR IMMEDIATE DELIVERY!

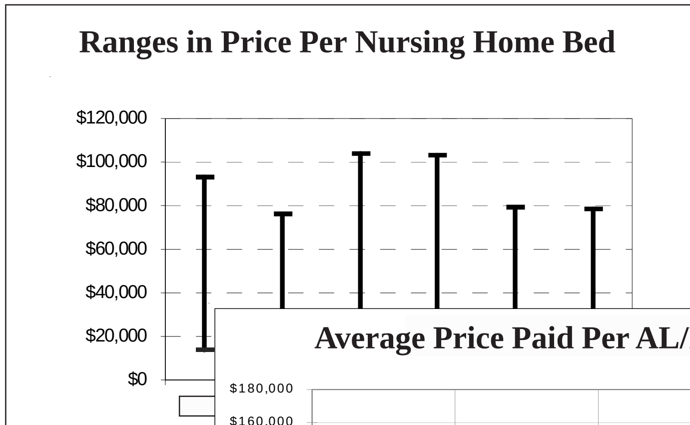
The 2010 Senior Care Acquisition Report

The Senior Care Acquisition Report puts invaluable market knowledge at your fingertips—quickly and easily.

Hard-to-find data, including unit and revenue multiples, and insightful analyses of all mergers and acquisitions are in this single source buyer's and seller's guide to nursing homes, independent and assisted living facilities, home health care and other senior care providers.

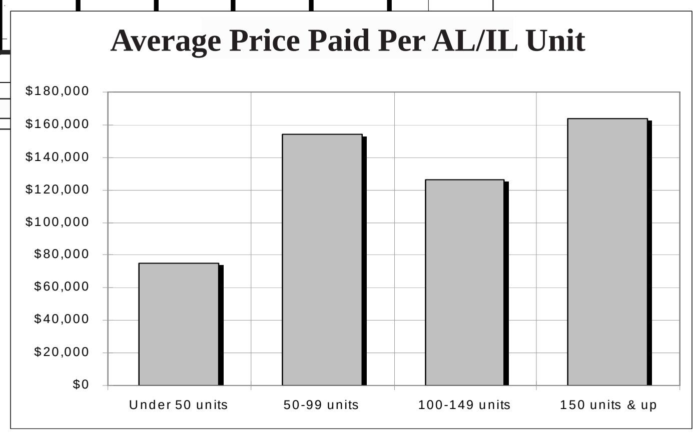
Order the report to:

- Track the activities of your competitors, prospects and potential business partners
- Save time with at-a-glance financial data, including unit and revenue multiples
- Generate leads by contacting key decision-makers



Monitor current market pricing and terms to increase your market knowledge and competitiveness.

Learn the type, size and location of the companies that are selling.



Dozens of charts and tables, plus the nitty-gritty details of every publicly announced transaction, give you the complete picture of the senior care M&A market.

Order Today!

CALL 1-800-248-1668

FAX your order to 1-203-846-8300

MAIL your order to 268-1/2 Main Avenue Norwalk, CT 06851

❑ **YES!** Order ***The 2010 Senior Care Acquisition Report*** $595

ublication Date: March 2010

PAYMENT METHOD:

❑ Bill me.

❑ Check enclosed payable to Irving Levin Associates, Inc.

Charge my: ❑ VISA ❑ MC ❑ AmEx

Card #:____________________Exp. Date: ________

Signature: ____________________

SHIP TO:

Name: ____________________

Email: ____________________

Title ____________________

Company: ____________________

Address: ____________________

City:____________State:______Zip: ________

The 2010 Health Care Acquisition Report

Market Knowledge. Figure out the market quickly and effortlessly when plotting your next strategic move. Want to monitor who's buying what – and for how much? Need to track the market's prevailing pricing and terms? Want insights into the fastest-growing markets, "hot" areas and top dealmakers?

Get these hard-to-find facts directly from the most frequently quoted merger and acquisition source. Join dealmakers and analysts who rely upon ***The Health Care Acquisition Report*** for market intelligence on:

- ✓ Hospitals
- ✓ Managed care
- ✓ Physician medical groups
- ✓ Rehabilitation
- ✓ Labs, MRI and dialysis
- ✓ Behavioral health
- ✓ And other health care servic

Now in its 16th edition, ***The Health Care Acquisition Report*** will make you your firm's mergers and acquisitions expert. Order prior to the deadline for this special offer!

NOW AVAILABLE FOR IMMEDIATE DELIVERY!

ORDER THE ONLY MERGER AND ACQUISITION REPORT THAT HELPS YOU:

Track the growth, acquisitions and consolidations of your competitors, prospects and potential business partners...

Benefit from hard-to-find transaction facts and background information...

ent market pricing and terms to increase your edge and competitiveness...

e, size and location of health care services hat are commanding top dollar...

Save time with at-a-glance financial data, including unit and revenue multiples...and more!

Order Your Copy Today!

Call 1-800-248-1668

FAX your order to 1-203-846-8300

MAIL your order to 268-1/2 Main Avenue Norwalk, CT 06851

❑ Yes! Order ***The 2010 Health Care Acquisition Report*** ***$595***

Publication Date: March 2010

PAYMENT METHOD:

❑ Bill me. ❑ Check enclosed payable to Irving Levin Associates, Inc.

Charge my: ❑ VISA ❑ MC ❑ AmEx

Card #:____________________Exp. Date: ________

Signature: ____________________________

SHIP TO:

Name: ____________________________

Email: ____________________________

Title ____________________________

Company: ____________________________

Address: ____________________________

City:____________State:_____Zip: ________

100% Satisfaction Guaranteed or Your Money Back