

Strategic Transactions in an Uncertain Market

Legal and Business Considerations for
Health Care Deals

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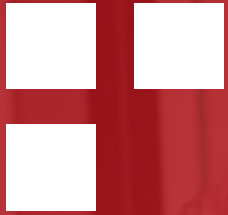


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Agenda

- **Introductions**
- **Current Landscape**
- **Structures and Strategies**
- **Transaction Planning and Diligence**
- **Conclusion**
- **Questions**





Current Landscape

The financial, market and regulatory pressures shaping health care transactions today.



Reimbursement Pressures

Revenue is under pressure from federal policy, payors and the shift in how care is paid for

Key pressure points

- H.R. 1 federal funding impacts
 - Medicaid coverage and eligibility changes
 - Decrease in federal funding
 - Scaled back and expired ACA marketplace subsidies
- Payor utilization management tactics
 - Artificial intelligence tools
- The continued shift toward value-based care

What to watch

- Exposure to Medicaid and ACA marketplace volumes
- Denial, appeal and prior authorization trends
- Readiness to take on risk-based arrangements
- Payor contract terms up for renewal

Broad-Based Expense Growth

Cost pressure is no longer isolated to one line item

Workforce pressures

Wages, contract labor and retention

- Premium and contract labor reliance
- Clinical vacancy and turnover rates
- Union and collective bargaining activity
- Benefit cost trend

Higher input costs

Supplies, drugs, technology and services

- Supply chain and tariff exposure
- Specialty drug spend
- IT, cyber and EHR investment
- Purchased services and outsourcing

Rising patient acuity

Sicker patients, longer stays, more resources

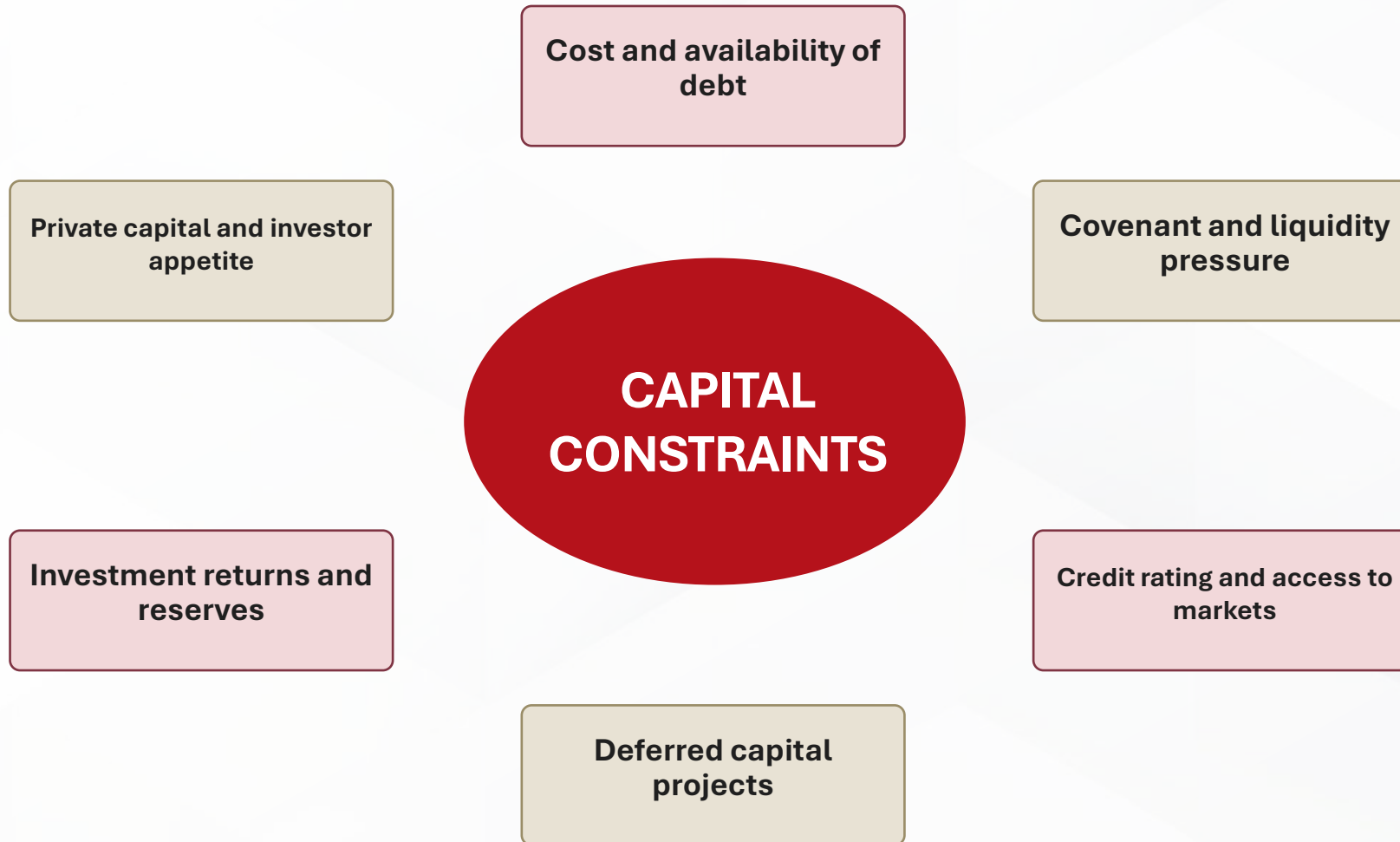
- Case mix
- Post-acute placement delays
- Behavioral health demand
- Capacity and throughput limits

Administrative burdens

Compliance, reporting and revenue cycle

- Payor documentation requirements
- Regulatory reporting obligations
- Denials management staffing

Interest Rates and Capital Markets



Regulatory Environment

Transaction review is expanding at both the federal and state levels

Federal

- FTC enforcement priorities
 - The FTC Healthcare Task Force and broader interagency enforcement coordination
 - Scrutiny of serial and roll-up acquisitions
- HSR filing requirements and expanded disclosures

State

- Expanded state transaction review laws ("Mini HSR's")
 - Pre-closing notice and waiting periods
 - Attorney general and health agency oversight
 - Contemporaneous notices with HSR filing
- CPOM laws

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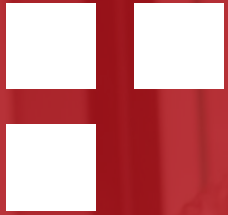
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Structures and Strategies

How organizations are structuring deals and alignment in the current market.



From Garden Variety to Bespoke Structures

Tailored

Fewer off-the-shelf mergers; more structures built around a specific problem.

Staged

Phased or optioned deals that let parties test alignment before full integration.

Partial

Minority stakes, carve-outs and shared control instead of whole-entity change.

Conditional

Economics tied to performance, capital commitments or regulatory outcomes.

Reversible

Unwind rights and exit mechanics negotiated up front.

Cross-Market Transactions

Why parties look outside their market

- Scale without in-market overlap
- Access to capital and management depth
- Diversified payor and service mix
- Reduced antitrust overlap concerns

What makes them harder

- Limited operating synergies
- Distinct payor and regulatory environments
- Governance across geographies
- Culture and integration distance

Focus on Capital Needs and Right-Sizing

Work backward from the capital the strategy actually requires

Which services are core to the mission and the market?



Where is capital being consumed without a return?



Could a strategic divestiture free capital for core services?



Is a non-core asset carve-out or joint venture a better fit?

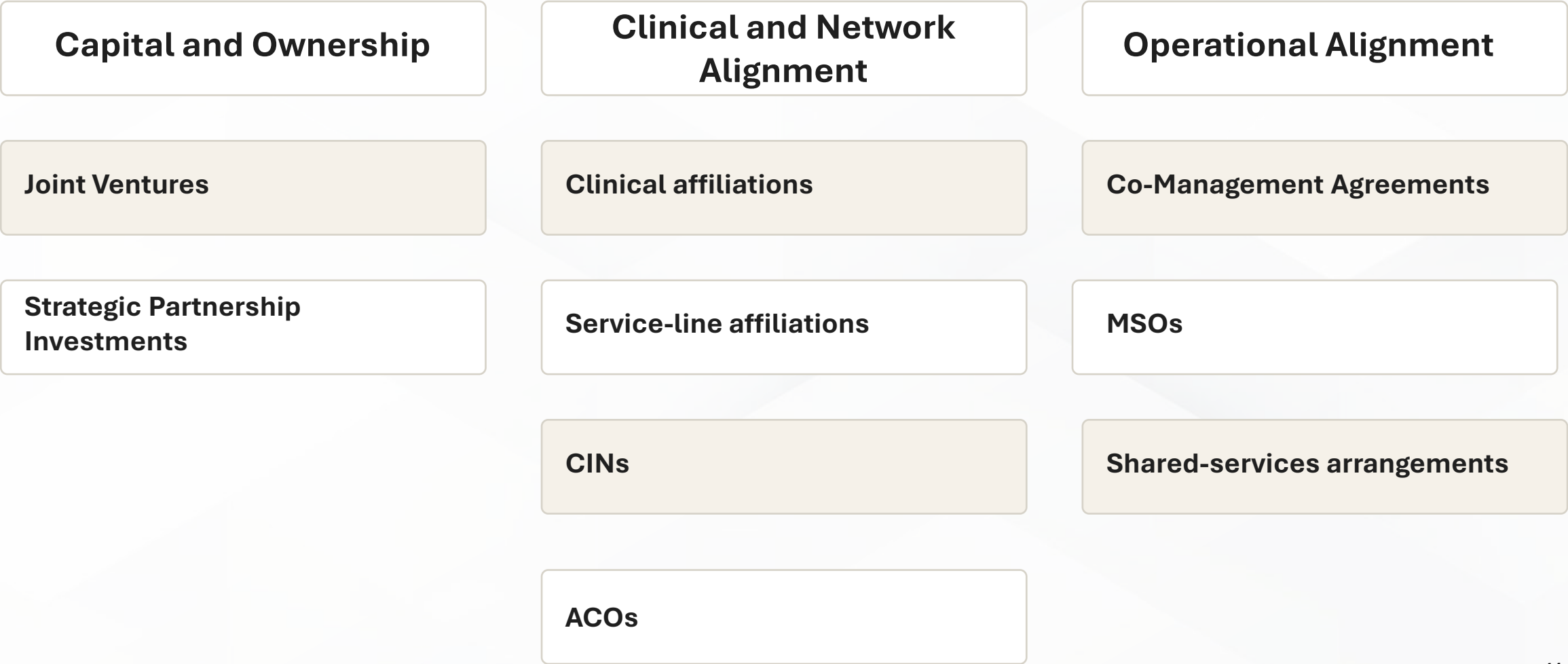


What should we own, partner on, or exit?

DECISION

Alternate Alignment Models

Partnership without a change of ownership



Prioritizing Outpatient Care

WHY NOW

Shift from traditional inpatient hospital settings to lower-cost, community-based outpatient and ambulatory care facilities.

- Portfolio-based approach
- Hub and spoke model
- Ambulatory surgery center partnerships and expansion
- Physician practice and specialty group alignment
- Freestanding imaging, infusion and urgent care

Rural Health

WHY NOW

Rural providers face thin margins and limited access to capital, increasing the need to evaluate partnerships, affiliations, and other sustainable operating models.

- Rural hospital affiliations and sponsorship changes
- Critical access and Rural Emergency Hospital conversions
- State and federal rural funding programs

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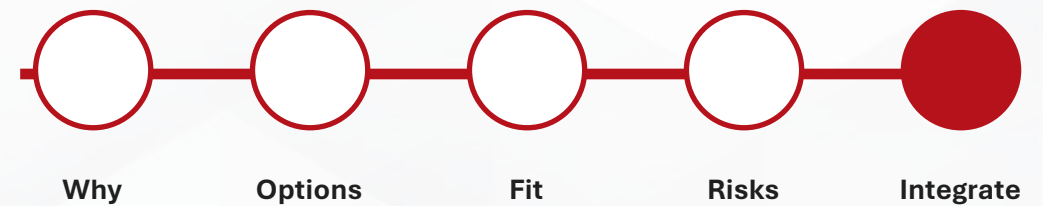
Transaction Planning and Diligence

Establish the rationale, test the structure, surface the risks and plan for integration.



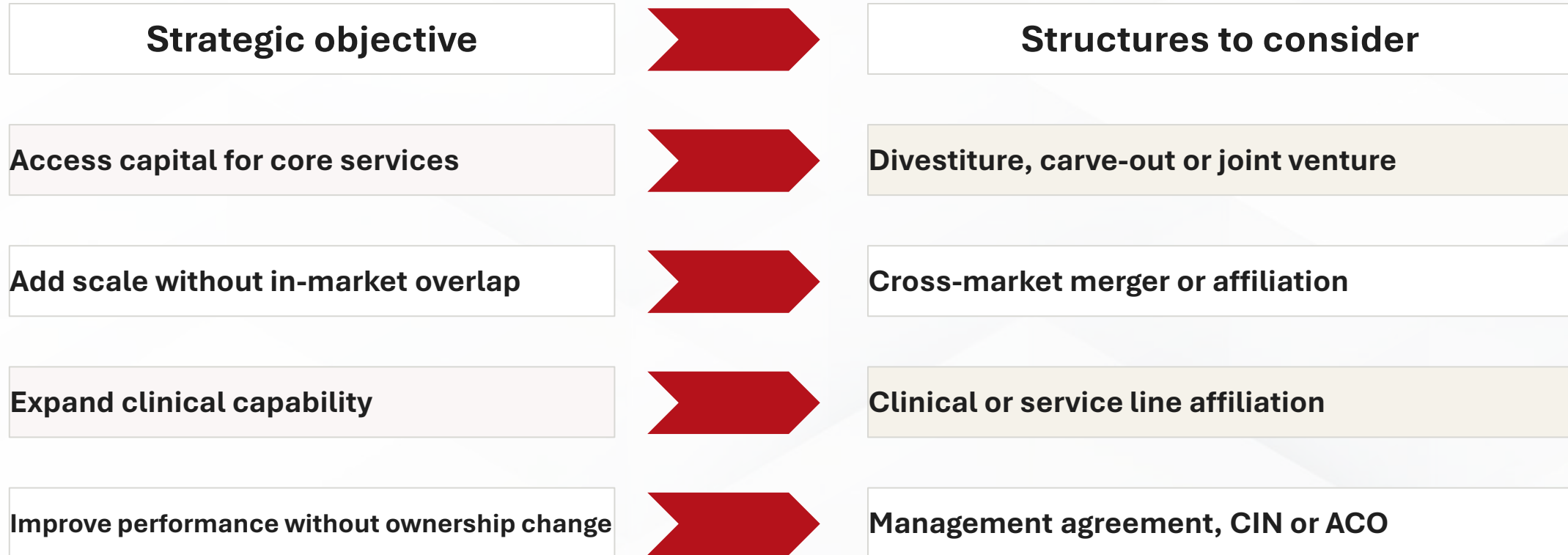
Start with the “Why”

- What problem is this transaction intended to solve?
- What is each party actually trying to accomplish?
- Why this partner, and why now?
- What does success look like two years after closing?
- Which assumptions have not been tested?
- What happens if we do nothing?



A CLEAR RATIONALE BECOMES THE DECISION FILTER FOR THE ENTIRE DEAL

Evaluate Structures, Alternatives and Strategic Fit



Identify Material Risks Early

Where risk concentrates

- Regulatory and licensure requirements
- Compliance, billing and referral relationships
- Financial performance and reimbursement exposure
- Workforce, benefits and labor commitments

How risk gets managed

- Representations, warranties and indemnities
- Escrows, holdbacks and purchase price adjustments
- Pre-closing remediation covenants
- Closing conditions and termination rights

Strong Integration Planning

Integration planning starts well before closing, not after it

Ownership

Named owner and accountability for each workstream

Day One

Day One operational, clinical and staffing requirements

Compliance

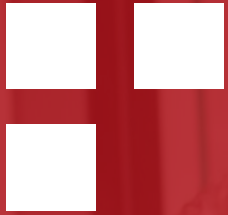
Licensure, enrollment and regulatory follow-through

People

Employee, medical staff and community communications

Governance

Milestones, escalation paths and reporting cadence



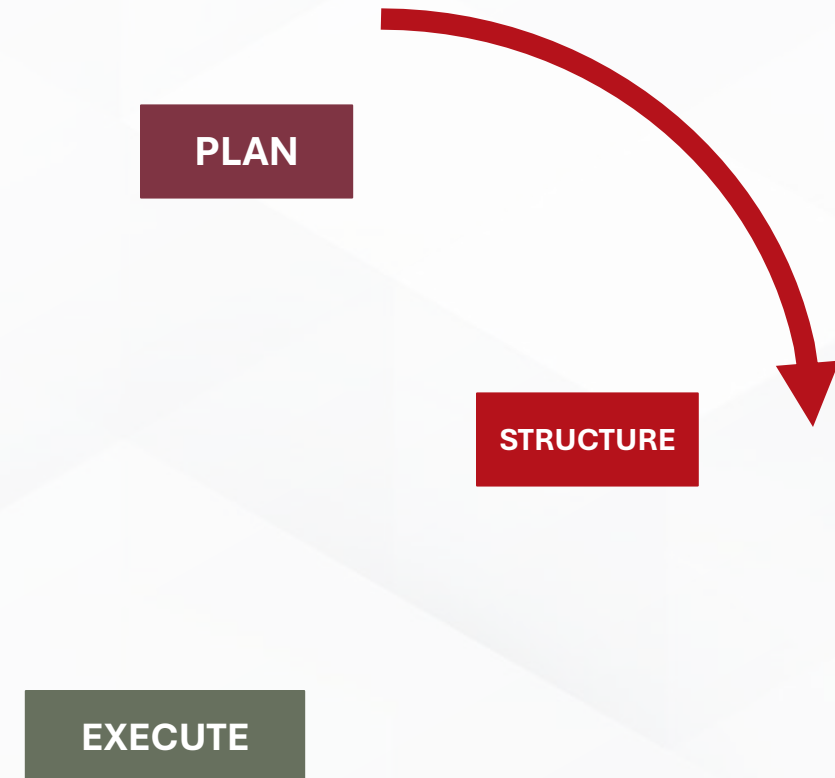
Conclusion

What to carry back to your organization.



Key Takeaways

- Financial pressure is broad-based, not isolated to reimbursement
- Regulatory review now runs through both federal and state channels
- Deal structures are increasingly bespoke and staged
- A clear strategic rationale is the best risk control
- Integration planning belongs in diligence, not after closing



Questions



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