



M&A Quarterly Activity Report: Q1 2025

Hospital and health system transactions

Hospital and health system merger & acquisition activity in Q1 2025 reflected the overall market volatility and economic uncertainty surrounding tariffs and potential policy changes from the new administration, affecting healthcare with a chill on decision-making. Only five transactions were announced this quarter. This low level of activity reflected broader malaise in M&A markets across industries, both globally and in the U.S., as discussed below.

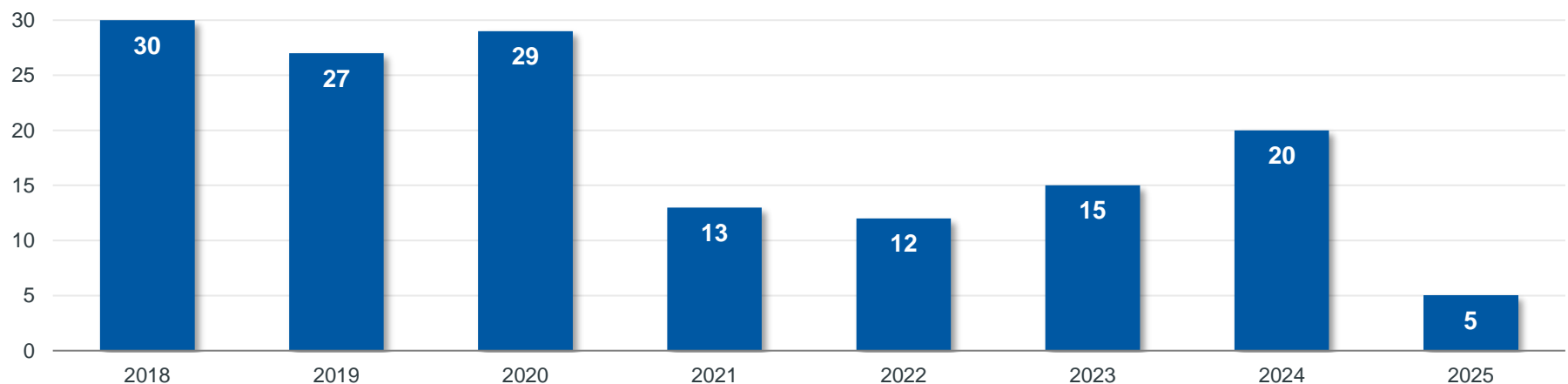
Although there was a very small number of transactions announced in Q1, it is worth noting that four of the five transactions involved financially distressed acquirers.¹ This continues the uptick in financially distressed transactions noted in our [2024 year-end M&A activity report](#).

Overview of Q1 activity

Hospital and health system M&A activity has been gaining momentum since a low point in 2021, when only 49 transactions were announced. [In 2024](#), the number of announced transactions had grown to 72, with consistent year-over-year growth since 2021.

Organizations abruptly hit the brakes in Q1 2025, with only five transactions announced (Figure 1). This is the lowest number in recent history, below the Covid-era low point of [seven announced transactions in Q3 2021](#), a period when pandemic-related operational and financial turmoil distracted health system leaders from strategic transaction planning.

Figure 1: Number of Q1 announced transactions by year, 2018 – 2025

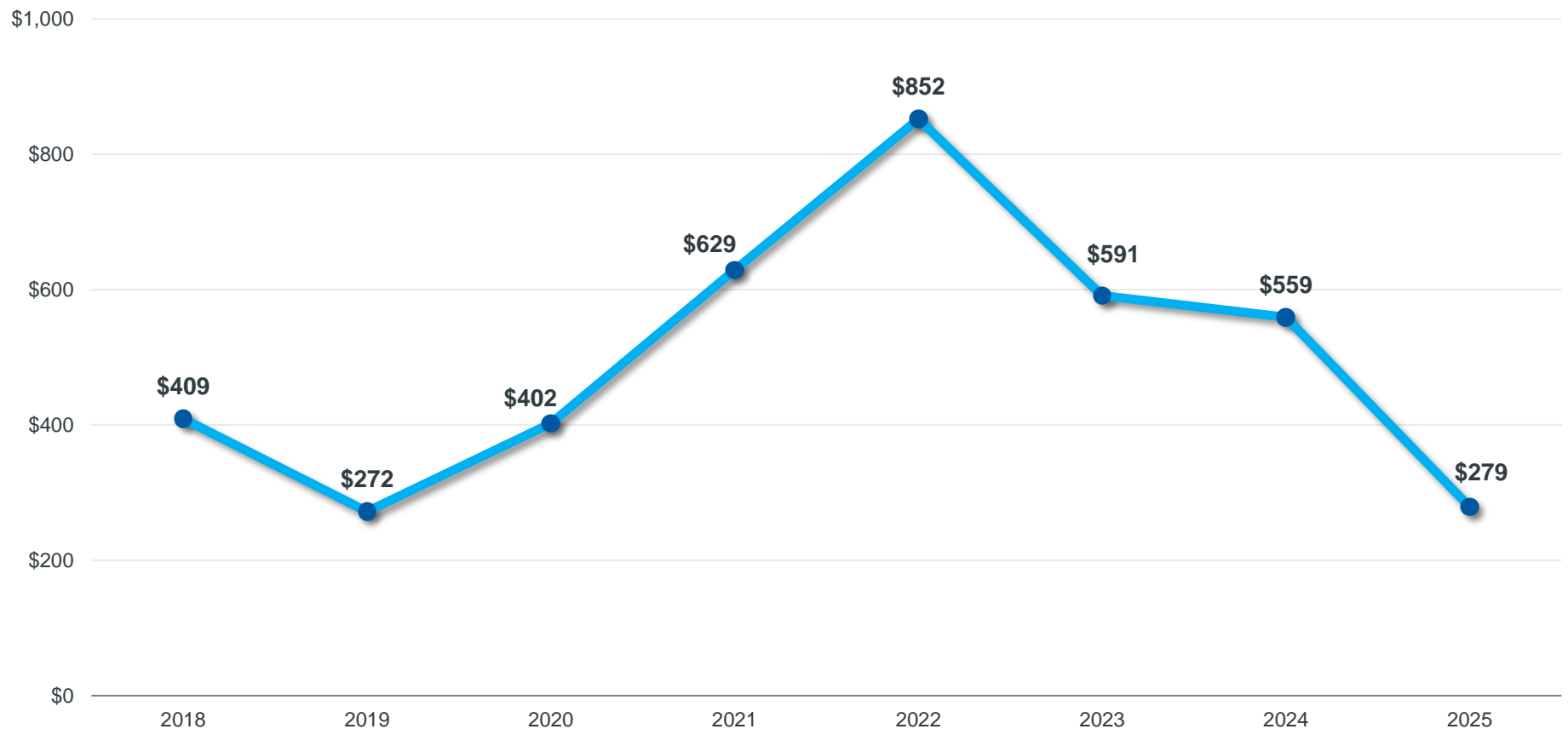


Source: Kaufman, Hall & Associates, LLC

1. Financially distressed transactions are those in which a party has cited, or publicly available information has enabled us to infer, an element of financial distress as a transaction driver.

Not only was the number of transactions low in Q1; the size of the transactions was as well. There were no “mega mergers” (mergers in which the smaller party has annual revenues in excess of \$1 billion), and the average size of the smaller party, measured again by annual revenues, was \$279.3 million. This is roughly half of the average seller size of \$559 million [recorded for 2024](#), and well below the recent high in average seller size of \$852 million in 2022 (Figure 2).

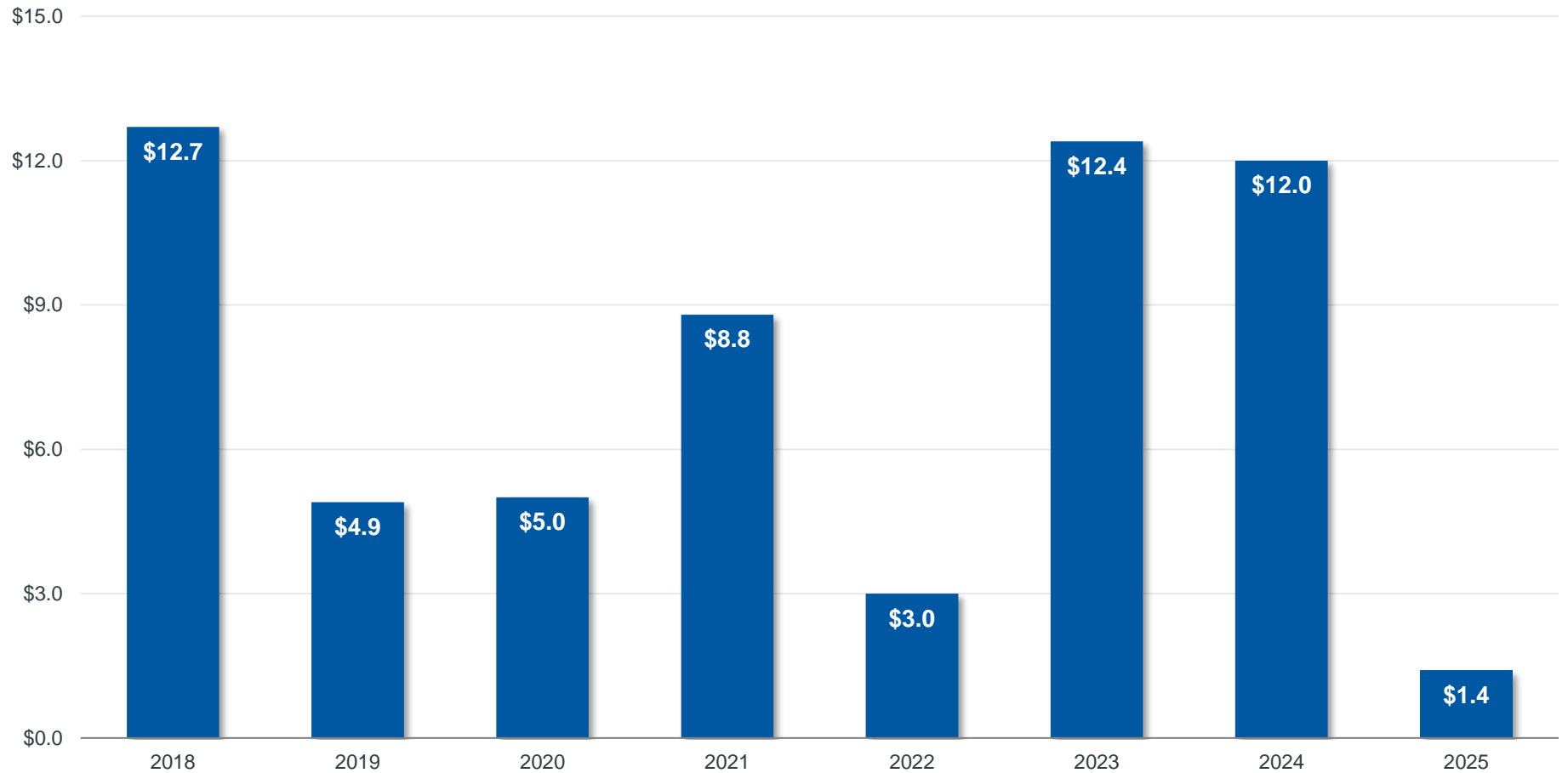
Figure 2: Average seller size (\$s in millions), Q1 2025 compared with year-end averages, 2018 – 2024



Source: Kaufman, Hall & Associates, LLC

Combined, the small number of transactions and small average seller size produced total transacted revenue of just below \$1.4 billion, less than half of the recent low of \$3.0 billion [recorded in Q1 2022](#) (Figure 3).

Figure 3: Total Q1 transacted revenue (\$s in billions) by year, 2018 – 2025



Source: Kaufman, Hall & Associates, LLC

Q1 transaction highlights

The chilled environment in U.S. hospital and health system transactions reflects global M&A trends

The U.S. hospital and health system sector was not unique in its sudden slowdown in M&A activity. Data on global M&A activity trends recently [released by Ion Analytics](#) shows that while deal volume, as measured in dollars, rose by 15.5% in Q1 2025 – driven by a few mega deals later in March – the 6,995 deals announced in Q1 was the lowest number of announced transactions in 20 years.² [Data for the U.S.](#) showed a 14% decline in M&A.³

At the global level, this slowdown coincides with a period of unusual volatility and economic uncertainty surrounding the possibility of a full-scale global trade war, driven by the imposition of new tariffs by the Trump administration and the prospect of retaliatory tariffs imposed by affected nations. Geopolitical uncertainty also continues around the conflicts in Ukraine and the Middle East. At the national level, and specific to healthcare, are a flurry of policy proposals at the state and federal levels that may affect Medicaid payments, NIH research funding, not-for-profit financing options and more.

The uncertainty felt today is reminiscent of the uncertainty that surrounded healthcare organizations at the height of the Covid

pandemic, when M&A activity also slumped. The climb out of that slowdown showed that the appetite for M&A activity remains; revival of activity in 2025 will likely be dependent on a restoration of some certainty about the nation's economic direction and the financial stability of the healthcare sector.

Most of the transactions that were announced were driven by financial distress

We saw a historic percentage of announced transactions [driven by financial distress in 2024](#) (30.6%). That trend continued into Q1 2025, in which only one of the five announced transactions did not involve a financially distressed acquiree. Three of the five involved a divestiture or portfolio repositioning, continuing another trend from 2024.

Kaufman Hall's [National Hospital Flash Report data](#) shows that median financial performance has stabilized. But behind the medians, persistent performance gaps remain between the lowest and highest performing hospitals. As of February 2025, for example, there was a 44.6% spread in operating margin performance between the 5th and 95th percentiles (with the 5th percentile well into negative territory) and a 17% spread between the 25th and 75th percentiles.

What the Q1 2025 data is showing is that those transactions that are moving forward are those that *must* move forward to save struggling organizations.

2. Marie-Laure Keyrouz et al., "Global M&A Volume Climbs in 1Q25 Amid Decline in Deal Count – M&A Highlights," Ion Analytics, March 25, 2025.

3. Dan Primack, "Tariffs Cause New Tumult for Dealmakers," Axios, April 4, 2025.

Strategic, creative partnerships continue

Notwithstanding the slowdown in hospital and health system M&A activity, we are seeing continued activity at a level below the change-of-control transactions that are the subject of this report. Two examples from Q1 2025 include:

- A [partnership between UNC Health and Duke Health](#) to create a new children's health system in North Carolina⁴
- Co-development of a new multi-phase, 30-acre medical campus [by Kootenai Health and MultiCare Health System](#)⁵

These transactions represent forms of ventures and growth strategies around facilities and sites of care that are co-managed and co-owned. Regardless of the current economic and political environment, hospitals and health systems must maintain their focus on what needs to be done to encourage their long-term growth and sustainability.

Looking forward

The appetite for M&A activity still exists, and for some organizations, remains essential to their survival. It is difficult, however, for organizations to focus on strategic growth opportunities in a constantly evolving and uncertain political and economic environment, where current financial performance and valuations could be quickly undone by an economic downturn or an unfavorable regulatory or legislative change. Resumption of more normal patterns of M&A activity will depend on greater certainty around the many factors that are unsettling decision-making today.

4. The University of North Carolina at Chapel Hill, "UNC Health, Duke Health Partner on New Children's Hospital," Press Release, Jan. 28, 2025.

5. MultiCare, "Kootenai Health and MultiCare Announce 30-Acre Prairie Medical Campus in Post Falls," Press Release, March 12, 2025.

For More Information

Co-authors

Kris Blohm, Managing Director and Mergers & Acquisitions
Practice Co-Leader, kblohm@kaufmanhall.com

Courtney Midanek, Managing Director and Mergers & Acquisitions
Practice Co-Leader, cmidanek@kaufmanhall.com

Anu Singh, Managing Director, asingh@kaufmanhall.com

Rob Gialessas, Senior Vice President, rgialessas@kaufmanhall.com

Additional contributors

Nick Bidwell, Managing Director, nbidwell@kaufmanhall.com

Nick Gialessas, Managing Director, ngialessas@kaufmanhall.com

Nora Kelly, Managing Director, nkelly@kaufmanhall.com

Eb LeMaster, Managing Director, elemaster@kaufmanhall.com

For media inquiries

Please contact Haydn Bush at hbush@kaufmanhall.com.