

## WEEKLY HCRE BRIEFING: MORE SENIOR CARE REITS EMBRACE RIDEA | HEALTH CARE INDUSTRY SEEING INCREASED M&A ACTIVITY AND IMPROVED CAPITAL ACCESS

1. PNC's Q3 2024 Corporate Healthcare Index **highlighted** several industry trends, including increased M&A activity, improved access to capital and nonprofit hospital credit rating downgrades outpacing upgrades.
2. Blue Cross Blue Shield recently agreed to a **\$2.8 billion settlement** with health care providers to resolve an antitrust class-action lawsuit alleging that the insurer restricted competition through exclusive service areas and fixed prices paid to providers. The settlement marks one of the largest antitrust resolutions in the health care sector. Providers may participate in the settlement if they have treated BCBS patients between July 2008 and October 2024.
3. LTC Properties is the latest senior living real estate investment trust (REIT) to embrace the **RIDEA model**, which allows health care REITs to participate in income from operations. LTC will invest \$150M-\$200M in RIDEA conversions to boost its growth.
4. Private equity is increasingly **backing** hospital-owned ASCs in order to capitalize on growing demand while avoiding heavy regulatory oversight. In many cases, the private equity partner will contribute capital in exchange for a 49% share of a hospital-owned ASC.
5. University of Alabama at Birmingham Health **closed** on its \$450M acquisition of five hospitals, a specialty care and rehab center, a freestanding emergency department, imaging centers and physician clinics from Ascension St. Vincent's Health. UAB plans a \$230M investment in capital improvements over the next three years.
6. Sabra Healthcare REIT **reported** that occupancy continues to increase steadily and that labor costs continue to improve. Despite a recent \$76M senior housing acquisition operated by Leo Brown Group, Sabra's CEO said it is focused on quality over larger deal sizes.
7. HCA Healthcare **reported** \$1.9B in Q3 operating income (a 10.9% margin) and currently has \$6B worth of capital projects under development. HCA averages 13 outpatient facilities for each hospital and plans to increase that ratio to 17-20 by 2030.
8. Atlantic Health is planning a nearly \$1B **expansion** of Morristown (NJ) Medical Center, to include a 180-bed pavilion, a 25-bed children's hospital addition and a parking garage. However, town officials are urging a delay for further review and public engagement before the project proceeds.
9. Over the past four years, WVU Medicine has **acquired** 12 hospitals and is nearing \$7B in annual revenues. Its board recently approved \$400M in new facility funding and set a 3% margin goal for 2025, up from a 2% margin this year.
10. The University of Maryland Medical System **broke ground** on a new \$540M medical center on 230 acres in Easton, MD. The project will be funded by bonds, public and private philanthropy, federal grants and \$100M in state funds.

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