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Healthcare M&A: 2025 Activity and 2026 Outlook

The healthcare mergers and acquisitions (M&A) market in 2025 has been characterized by strategic recalibration, with transaction activity recovering after a slow start to the year. Hospital and health system M&A began 2025 at subdued levels but gained momentum through the third quarter, suggesting renewed dealmaker confidence.[1] Meanwhile, healthcare services transactions have remained robust, with 231 deals in the first half of 2025, representing a 14.4% increase from the prior period.[2] This Health Capital Topics article examines 2025 year-to-date transaction activity and analyzes factors expected to influence healthcare M&A in 2026.

2025 M&A Activity

The first half of 2025 was a mixed bag for healthcare M&A, defined not by a surge in volume but by a course correction. Hospital and health system transactions started at a slower pace, with five announced transactions in the first quarter of 2025 and eight in the second quarter of 2025, the latter representing the lowest second-quarter transaction volume since before 2017.[3] Approximately half of second quarter transactions were divestitures, reflecting an ongoing market realignment process among large health systems.[4] The average seller size in Q2 was $175 million, notably lower than recent historical averages, with total transacted revenue for the quarter reaching $1.4 billion.[5]

Activity recovered in the third quarter of 2025 with 15 announced transactions, a level more consistent with historical activity.[6] Market analysts surmised this trend may be due to "policy clarity following passage of the One Big Beautiful Bill in July."[7] The third quarter saw the first two mega mergers of 2025, increasing the quarter's average seller size to approximately $591 million and total transacted revenue to $8.9 billion, more than six times the second quarter figure.[8] Notably, eight of the 15 third quarter transactions involved financially distressed parties, underscoring continued financial and operational headwinds.[9]

The healthcare services subsector saw the most M&A activity in the first half of 2025, with 231 deals, representing a 14.4% increase from the prior period.[10] Total deal value in healthcare services reached $20.8 billion, highlighting the larger corporate and strategic acquisitions involved.[11]

Several significant transactions characterized 2025 activity. Ascension announced its $3.9 billion acquisition of AMSURG, which will add over 250 ambulatory surgery centers (ASCs) to its network, representing a strategic pivot toward outpatient care.[12] The Northwell Health and Nuvance Health merger completed in May 2025, forming a combined system with an operating budget of $22.6 billion and 104,000 employees serving patients in Connecticut and New York.[13] Prime Healthcare's $375 million acquisition of eight Ascension Illinois hospitals and General Catalyst's $485 million purchase of Summa Health further illustrated ongoing strategic realignment among large systems.[14]

Interest Rate Environment and Capital Markets

The Federal Reserve's ongoing rate-cutting cycle has improved financing conditions for healthcare transactions,[15] as reduced borrowing costs lower the cost of capital for leveraged buyouts and recapitalizations. The Federal Reserve most recently announced a 25-basis-point cut in October 2025, bringing rates to 3.75%-4.00%.[16]

2026 M&A Outlook

After a three-year period of limited activity, private equity (PE)-backed physician practice management platforms are expected to return to market in significant numbers during 2026.[17] PE firms that invested in healthcare platforms between 2019 and 2021 are reaching typical holding period maturities (typically 5-7 years), creating pressure for exits or recapitalizations. The ophthalmology sector has already witnessed notable large-scale transactions, including Cencora's $4.6 billion acquisition of Retina Consultants of America in early 2025.[18] High-margin specialties such as dermatology (where PE already has sizeable ownership), gastroenterology, and cardiology are expected to see continued consolidation activity.[19] Behavioral health and home-based care are expected to remain high-priority investment targets in 2026 because these sectors offer more attractive reimbursement dynamics and lower capital intensity compared to acute care hospital operations.[20]

Regulatory Considerations

Antitrust scrutiny of healthcare transactions has intensified, with the U.S. Department of Justice (DOJ) and FTC challenging several significant transactions in 2025.[21] The regulatory agencies have expressed particular concern about PE roll-up strategies in

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physician practice markets and the potential effects of consolidation on service prices and quality.

Conclusion

The healthcare M&A market is entering 2026 with renewed momentum following a measured 2025. Improved financing conditions, pent-up demand from delayed transactions, portfolio rationalization among large health systems, and PE recapitalization pressures are expected to drive increased transaction activity. However, regulatory scrutiny, operational challenges facing healthcare providers, and macroeconomic uncertainties will continue to influence deal timing and structure. How these challenges ultimately impact healthcare M&A in 2026 remains to be seen.

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