

SOLIC Capital Advisors Announces Closing of Three Hospital Deals

July 30, 2014

Federal Legislation and Economic Forces Driving Independent Community Hospitals to Seek Affiliations with Regional Healthcare Networks

CHICAGO – July 30, 2014 – SOLIC Capital Advisors, LLC, a leading middle-market financial advisory firm, today announced the closing of three hospital transactions in which the firm served as financial advisor.

The transactions include: Community Memorial Healthcenter’s (South Hill, VA) affiliation with Virginia Commonwealth University Health System; Winchester Hospital’s (Winchester, MA) affiliation with Lahey Health; and Mercy Medical Center’s (Sioux City, IA) partnering with United Surgical Partners International to acquire a majority interest in Siouxland Surgery Center in Dakota Dunes, SD. The transactions closed in July and had an aggregate value in excess of \$250 million.

“The healthcare industry is experiencing a period of rapid change as providers face the challenge of transitioning from fee-for-service to a value-based reimbursement,” said SOLIC Capital Advisors’ Senior Managing Director Gregory Hagood. “This is happening against a backdrop of overall declining reimbursement, some of which is brought about by federal legislation and some of which is caused by broader economic forces and demographic trends. As a result, independent community hospitals are increasingly seeking to affiliate with larger, regional healthcare networks in order to gain access to greater clinical resources while taking advantage of the economies of scale that allow these larger systems to reduce administrative costs and improve bargaining power with payers and suppliers.”

About the Transactions

Community Memorial Healthcenter (CMH), which has received numerous state and national recognitions for quality patient care and customer service, is licensed for 99 acute care beds and provides a wide array of inpatient and outpatient services. The affiliation of CMH and Virginia Commonwealth University Health System (VCUHS) brings together two high-performing organizations, combining the clinical expertise of a leading community-based hospital with the nationally-ranked programs of the VCU Medical Center under the umbrella of the VCUHS. With this affiliation, VCUHS committed a minimum of \$75 million in strategic investments in CMH, including a new hospital facility, healthcare technologies, clinical initiatives and physician recruitment. The SOLIC team, in collaboration with professionals from Navigant Consulting, Inc., was retained to help CMH evaluate its current market position and identify strategic options to grow its presence throughout the south-central region of Virginia and portions of northern North Carolina. SOLIC professionals reviewed CMH’s financial position and operating trends, evaluated strategic transaction proposals and potential strategic partners, and assisted in selecting, structuring, negotiating, and closing the affiliation with VCUHS. The CMH Board of Directors selected VCUHS as the best partner to address its strategic needs after evaluating proposals from a number of regional and national healthcare providers.

Winchester Hospital, located in northwest suburban Boston, is a 229-bed facility with a staff of 2,700. A Magnet designated organization that receives consistent local and national recognition for its patient satisfaction and as a top employer, Winchester Hospital sought to assess its market to continue to serve the community with the same high quality care it had been providing since its founding. The SOLIC team, in collaboration with professionals from Navigant Consulting, assisted the Winchester Board of Directors in evaluating potential strategic partners, and in selecting, structuring, and negotiating the affiliation with Lahey Health. Several hospitals and health systems were reviewed as part of an extensive process. The Lahey Health System was identified as the most appropriate affiliation partner for Winchester, given its access to capital and its commitment to infrastructure upgrades necessary to transition to value-based reimbursement. Together, Winchester Hospital and Lahey Health will build a stronger system of care in key clinical program areas that are responsive to the health needs of the communities they serve. Massachusetts has been at the forefront of hospital consolidation, with over 20 hospitals announcing strategic transactions since 2011. SOLIC professionals have advised on transactions involving 10 Massachusetts hospitals during this period.

Siouxland Surgery Center is a 40-bed facility serving the communities of northwest Iowa, southeast South Dakota, and northeast Nebraska. It is one of only 30 multi-specialty physician-owned surgical hospitals in the U.S. and its medical staff comprises more than 180 of the area's leading primary care and specialist physicians. The SOLIC team, with support from professionals from Navigant Consulting, was asked to evaluate strategic options to help the Siouxland Surgery Center continue its long-term commitment to the Siouxland community, meet future capital requirements, and respond flexibly to a changing healthcare environment. SOLIC determined that Siouxland's multiple interests would be best served through closer affiliation with a larger regional health system in Mercy Health Network and through partnering with a nationally recognized manager in United Surgical Partners International.

"These hospital affiliations are the most efficient means of ensuring that health centers can continue providing high-quality, cost-efficient, community-based care to the local communities who depend on them most," noted Edward Casas, MD, Managing Partner of SOLIC Capital Advisors.

About SOLIC

SOLIC Capital Advisors, LLC ("SCA") is a leading specialty investment bank providing merger & acquisition, restructuring, capital placement and valuation advisory services to companies, lenders, institutional investors, the legal community and other creditor constituencies. SCA professionals have successfully led nearly 500 mandates, involving over \$90 billion in capitalization, across a wide array of industry sectors, creating significant stakeholder value. SCA is part of the SOLIC platform that includes: financial advisory, principal investing, and asset management services. To learn more, please visit SOLIC Capital at www.soliccapital.com.

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