

FOR IMMEDIATE RELEASE

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**HEALTH CARE MERGER AND ACQUISITION ACTIVITY SURGES IN THIRD QUARTER 2005,
ACCORDING TO IRVING LEVIN ASSOCIATES, INC.**

NEW CANAAN, CT – October 12, 2005 – According to a new Report from Irving Levin Associates, a total of \$57.5 billion was committed to finance the third quarter’s health care merger and acquisition activity. This figure represents more than half of the \$111.8 billion committed during the first three-quarters of 2005 to the M&A market, and underscores growing investor confidence and participation in the health care industry.

THE HEALTH CARE M&A MARKET THIRD QUARTER 2005

DOLLAR AMOUNTS BY SECTOR*

Sector	Dollar Amount (Q3:05)	Percent of Quarter	Dollar Amount (Q2:05)	Percent of Quarter	Dollar Amount (Q3:04)	Percent of Quarter
Managed Care	\$ 17.3 B	30%	\$ 720.0 M	4%	\$ 1.1 B	6%
Long-Term Care	3.0 B	5%	1.0 B	5%	487.0 M	3%
Labs, MRI, Dialysis	1.9 B	3%	4.0 B	21%	196.0 M	1%
Hospitals	1.3 B	2%	975.0 M	5%	4.0 B	23%
Home Health Care	153.0 M	<1%	100.0 M	<1%	12.6 M	<1%
Rehabilitation	48.6 M	<1%	42.3 M	<1%	150.0 M	1%
Physician Groups	9.7 M	<1%	27.5 M	<1%	6.5 M	<1%
Behavioral Health Care	4.7 M	<1%	41.0 M	<1%	444.0 M	2%
Other Services	9.9 B	17%	591.0 M	3%	1.8 B	10%
Services subtotal	\$ 33.6 B	58%	\$ 7.5 B	39%	\$ 8.2 B	47%
Pharmaceuticals	\$ 12.6 B	22%	3.4 B	18%	5.8 B	33%
Biotechnology	7.8 B	14%	\$ 4.7 B	25%	\$ 338.0 M	2%
e-Health	2.6 B	5%	482.0 M	3%	282.0 M	1%
Medical Devices	874.0 M	<1%	2.9 B	15%	3.0 B	17%
Technology subtotal	\$ 23.9 B	42%	\$ 11.5 B	61%	\$ 9.4 B	53%
Total health care	\$ 57.5 B	100%	\$ 19.0 B	100%	\$ 17.6 B	100%

**Preliminary figures*

“The third quarter saw increased support for the services sectors as investors put more capital there than in the corresponding technology sectors, reversing a trend of the past three years,” observed Stephen M. Monroe, Managing Editor at Irving Levin Associates. “Nearly 60% of the funds committed in the third quarter went to

finance health care services deals, including six of the quarter's 10 billion-dollar deals. The Managed Care sector alone posted three such transactions, totaling \$16.9 billion."

"The Managed Care sector has recently seen strong M&A activity as companies try to gain market share and position themselves for opportunities and challenges as Medicare Part D comes on line next year," observed Sanford Steever, Ph.D., editor of the Report. "The drug benefit program associated with Part D is also helping to promote mergers and acquisitions in the Pharmaceuticals sector. Big pharma continues a two-pronged strategy to prepare for the implementation of the new program. On the one hand, they are buying late-stage biotechs to gain new branded drugs, which will be under less competition from generics, and, on the other hand, they are acquiring generic equivalents of drugs going off patent so they can better compete as Part D ripples through the economy."

THE HEALTHCARE M&A MARKET THIRD QUARTER 2005 – DEAL VOLUME BY SECTOR*

<u>Sector</u>	<u>Q3:05 Deals*</u>	<u>Q2:05 Deals</u>	<u>% Change</u>	<u>Q3:04 Deals</u>	<u>% Change</u>
<i>Services Segment:</i>					
Long-Term Care	29	30	-3%	26	+12%
Home Health Care	20	15	+33%	8	+150%
Hospitals	16	15	+7%	17	-6%
Managed Care	13	6	+117%	10	+30%
Physician Medical Groups	8	8	0%	4	+100%
Laboratories, MRI, Dialysis	7	14	-50%	9	-22%
Behavioral Health Care	3	5	-40%	7	-57%
Rehabilitation	1	5	-80%	3	-67%
Other	<u>44</u>	<u>29</u>	<u>+52%</u>	<u>26</u>	<u>+69%</u>
Services Subtotal	141	127	+11%	110	+28%
<i>Technology Segment:</i>					
Pharmaceuticals	41	25	+64%	48	-15%
Medical Devices	33	37	-11%	30	+10%
Biotechnology	22	26	-15%	15	+47%
e-Health	<u>14</u>	<u>11</u>	<u>+27%</u>	<u>13</u>	<u>+8%</u>
Technology Subtotal	110	99	+11%	106	+4%
Grand Total	251	226	+11%	216	+16%

**Preliminary figures*

Transactions in the third quarter clustered primarily around two areas. First, acquisitions of acute, home health and senior care facilities, involving the Hospital, Home Health and Long-Term Care sectors, accounted for 26% of the quarter's deal volume. Second, the two drug-producing sectors, Pharmaceuticals and Biotechnology, accounted for an additional 25% of that volume. The contribution of each individual sector to this volume appears in the table above, where each appears in the health care services or the technology segment.

The broad availability of capital through the stock market and private equity firms, coupled with low interest rates, will continue to feed health care M&A activity through the remainder of 2005. "Dealmaking should continue unabated for the rest of the year, reaching nearly \$140 billion and 1,000 deals, with drug-producers dominating the technology segment and facility operators leading services," stated Mr. Monroe.

For more information on *The Health Care M&A Report*, or for a subscription to any Irving Levin publication, call 800-248-1668. Irving Levin Associates, Inc., established in 1948, has its headquarters in Norwalk, CT and is online at www.levinassociates.com. This privately held corporation publishes research reports and newsletters, and maintains merger and acquisition databases, on the health care and senior housing markets.

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