



**FOR IMMEDIATE RELEASE**

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**HEALTH CARE MERGER AND ACQUISITION ACTIVITY REACHES FIVE-YEAR HIGH IN 2005, ACCORDING TO IRVING LEVIN ASSOCIATES, INC.**

**NORWALK, CT – January 12, 2006** – According to a new Report from Irving Levin Associates, with fourth quarter results now in, a total of 964 mergers and acquisitions were announced in the health care industry during 2005. This figure represents the highest level of deal volume in the past five years. Furthermore, based on preliminary figures, a total of \$158.7 billion was committed during 2005 to fund this M&A activity, an amount second only to 2004’s \$164.4 billion total in the past five-year period.

**THE HEALTH CARE M&A MARKET FOURTH QUARTER 2005 AND FULL-YEAR 2005**

**DOLLAR AMOUNTS BY SECTOR\***

<b>Sector</b>	<b>Dollar Amount Fourth Quarter 2005</b>	<b>Percent of Quarter</b>	<b>Dollar Amount Full-Year 2005</b>	<b>Percent of Year</b>
Managed Care	\$ 533,500,000	<1%	\$ 19,100,000,000	12%
Long-Term Care	3,500,000,000	6%	6,600,000,000	4%
Labs, MRI, Dialysis	174,800,000	<1%	6,450,000,000	4%
Hospitals	241,600,000	<1%	2,830,000,000	2%
Behavioral Health Care	413,300,000	<1%	1,173,500,000	<1%
Physician Medical Groups	1,000,000,000	2%	1,100,000,000	<1%
Home Health Care	10,700,000	<1%	496,400,000	<1%
Rehabilitation	2,500,000	<1%	93,425,000	<1%
Other Services	1,700,000,000	3%	8,000,000,000	5%
Services subtotal	\$ 7,576,400,000	13%	\$ 45,843,235,000	29%
Pharmaceuticals	\$ 10,400,000,000	18%	\$ 46,500,000,000	29%
Medical Devices	32,400,000,000	57%	39,300,000,000	25%
Biotechnology	6,300,000,000	11%	22,400,000,000	14%
e-Health	375,000,000	<1%	4,100,000,000	3%
Technology subtotal	\$ 49,475,000,000	87%	\$ 112,900,000,000	71%
Total health care	\$ 57,051,400,000	100%	\$ 158,743,235,000	100%

*\*Preliminary figures*

“The lion’s share of M&A dollars, 71% of the year’s total, were spent in the four health care technology sectors we cover: Biotechnology, e-Health, Medical Devices and Pharmaceuticals,” observed Stephen M.

Monroe, Managing Editor at Irving Levin Associates. “The year also produced 27 billion-dollar deals, worth a  
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combined total of \$110 billion, at a rate of one every two weeks. Nineteen of these mega-transactions, worth a total of \$82 billion, were in the technology sectors with the remaining \$28 billion dedicated to eight deals in the services sectors.”

“The Biotechnology and Pharmaceutical sectors saw strong M&A activity in 2005 as the established big pharma companies positioned themselves for drug patent expirations in 2006 and the resulting competition from generic pharma companies as certain blockbuster drugs lose exclusivity,” observed Sanford Steever, Ph.D., editor of the Report.

**THE HEALTH CARE M&A MARKET FOURTH QUARTER 2005 AND FULL-YEAR 2005**

**DEAL VOLUME BY SECTOR\***

<b>Sector</b>	<b>Deal Volume Q4:05</b>	<b>Percent of Quarter</b>	<b>Deal Volume 2005</b>	<b>Percent of Year</b>
Long-Term Care	39	18%	126	13%
Home Health Care	17	8%	72	7%
Hospitals	13	6%	53	5%
Labs, MRI, Dialysis	6	3%	38	4%
Physician Medical Groups	6	3%	34	4%
Managed Care	4	2%	30	3%
Behavioral Health Care	10	4%	24	2%
Rehabilitation	1	<1%	9	<1%
Other Services	29	13%	136	14%
Services subtotal	125	57%	522	54%
Medical Devices	28	13%	141	15%
Pharmaceuticals	30	14%	128	13%
Biotechnology	25	11%	113	12%
e-Health	13	6%	60	6%
Technology subtotal	96	43%	442	46%
Total health care	221	100%	964	100%

*\*Preliminary figures*

Both in the fourth quarter and the year as a whole, the health care services segment saw greater deal volume than the technology segment. Particularly active was the Long-Term Care sector, which benefited from the longest bull market in that industry in recent history. And while Managed Care saw more modest deal volume, it accounted for the greatest number of dollars committed to any health care services sector, \$19.1

billion. “As the reimbursement environment evolves, with the implementation of Medicare Part D this year, health care insurers are undertaking mergers and acquisitions both to avoid challenges and to take advantage of the opportunities that the drug benefit offers Medicare recipients,” stated Mr. Monroe.

Among the technology sectors, Pharmaceuticals normally captures the greatest deal volume, but in 2005 it trailed Medical Devices. “Viewed from another standpoint, however, Pharmaceuticals remains the main driver in the health care technology M&A,” observed Dr. Steever. “Pharmaceutical companies bought not only other pharma companies but also biotech firms with late-stage drug candidates and technology platforms to fill dwindling development pipelines and replace shrinking revenue streams as their proprietary drugs go off patent in 2006.”

“With the abundance of capital seeking investment, interest rates stable for the near future and the stock market improving, the current year should see a continuation of the robust M&A activity of the past two years,” predicted Mr. Monroe. “The fundamentals of the market are all in place.”

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](http://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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