

# PNC's Corporate Healthcare Index

Second Quarter 2025

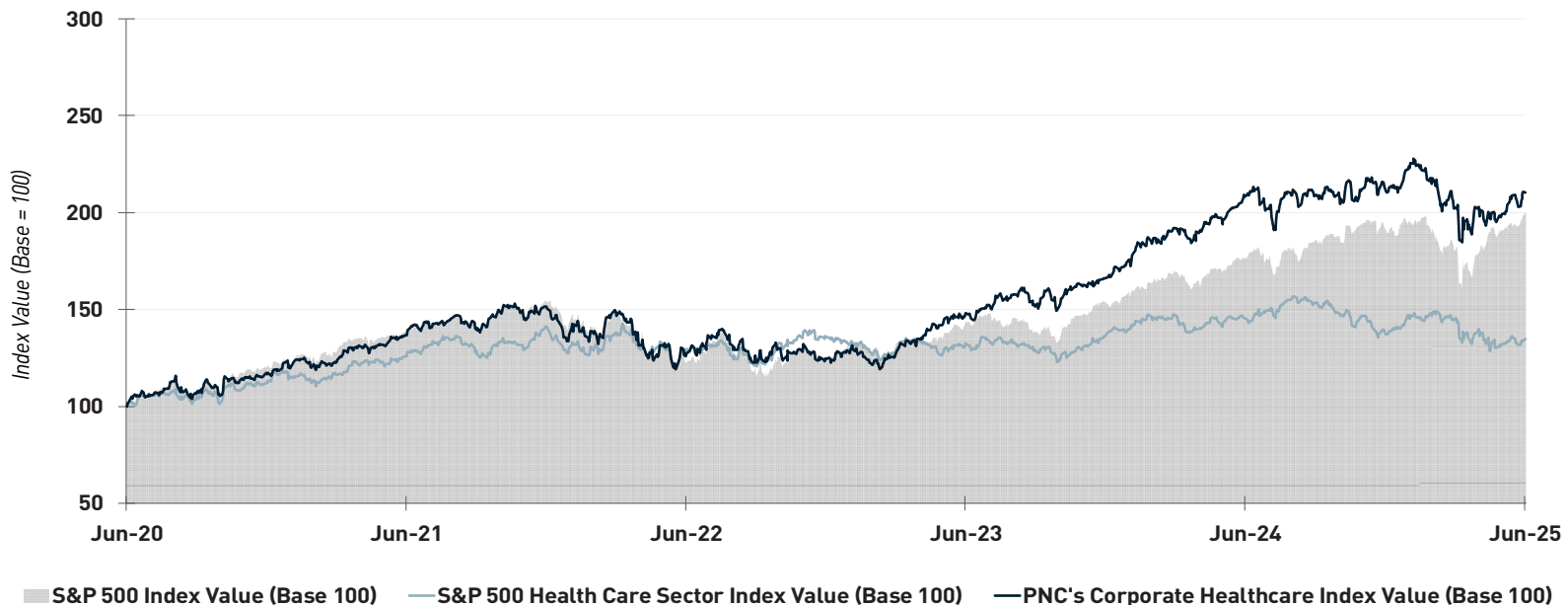


PNC's Corporate Healthcare Index (the "Index") is a tool, calculated quarterly, that examines the performance of—and trends within—the entire healthcare ecosystem. S&P launched the S&P 500 Healthcare Sector Index in 1996, but it is comprised of conventional healthcare entities in traditional subsegments. As healthcare becomes more consumer-centric, PNC's Index takes a modernized, non-traditional view of the healthcare landscape, tracking equity performance of the entire ecosystem based on a broad set of criteria.

Healthcare is being redefined and reshaped nearly every day in a variety of ways, as new entrants disrupt business models, retailers enter the ecosystem, and healthcare professionals search for new ways to improve the impact and efficiency of care delivery. It is the single, largest industry in the United States with an approximate spend of \$4.9T for 2023, nearly 18% of GDP.<sup>1</sup>

- **PNC's Corporate Healthcare Index** examines 40 of the top public companies driving healthcare industry activity within six key categories: Emerging Trends, Health Technology / IT, Payors, Pharmaceuticals & Life Sciences, Providers, and Supply Chain / OEM.
- The Index is calculated on a market capitalization-weighted basis for direct comparison with both the S&P 500 Index and the S&P 500 Healthcare Sector Index.
- Over the last quarter, the Index outperformed the S&P Healthcare Sector Index while underperforming the broader S&P 500. Performance was driven largely by gains among the Emerging Trends, Health Technology / IT, and Providers subsegments (see page 3).

## PNC's Corporate Healthcare Index<sup>2,3</sup>



Market Commentary

Healthcare Industry

Toward the start of 2025, the Administration announced sweeping tariffs for all US trading partners. The declaration invited competing opinions on the ultimate balance of price increases vs. domestic job creation. Regardless, market turmoil ensued—albeit briefly—before those tariffs were sidelined with the announcement of a 90-day pause to further negotiate. Equity markets have staged a significant rebound, though the pendulum may swing back following the end of the moratorium, now extended through August 1. While “tariff talk” has anchored discussions through Q2, many decision-makers remain in limbo, awaiting further clarity before instituting material change. To date, healthcare ecosystem impact has been nominal, primarily affecting some suppliers and group purchasing organizations.

However, the One Big Beautiful Bill Act (“OBBA” or the “Bill”) could have tremendous impact on the healthcare industry. Through enrollment and eligibility changes, site neutrality, and a Provider Tax freeze, among other provisions, the Bill aims to mitigate future federal spending for Medicaid. According to CMS estimates, Medicare spending is expected to increase 7.7% through 2025.<sup>1</sup> Meanwhile, federal Medicaid spend is set to slow while State-based expenditures have, and will likely continue, to increase.<sup>4</sup> Uncertainty persists, but an increase in the uninsured population is likely to drive a significant spike in uncompensated care, and reductions in clinical trial funding could slow progress in research if/when the Bill is passed. With more limited federal support, state policy will be paramount. Ostensibly, the OBBA will materially impact the healthcare industry for years to come, and, as a result of all the activity in DC, there were other notable themes influencing the industry:

- **Payor Vulnerability:** Payor stocks soared immediately following President Trump’s reelection last year, but a recent miss in earnings for one of the Big Five commercial insurers last quarter, proposed decreases in federal Medicaid spend growth, and recent exits from Medicare Advantage (“MA”) strategies have catalyzed consternation in the payor marketplace for the first time in a while. The “pay-vider” components of these insurers (Optum, Evernorth, etc.) have helped buoy revenue and earnings. Meanwhile, payor-provider tensions continue as major health systems, still at the epicenter of the healthcare ecosystem, continue to experience ramped up denials, and increasing prior authorization (“PA”) activity. Because payor output and performance tend to yield significant ripples throughout healthcare, the entire industry is closely monitoring broader and continued shifts within this sector.
- **HHS Regulations:** In response to industry and regulatory backlash, nearly 50 payors have agreed to ease PA requirements, per HHS’ latest stipulations (despite recent layoffs within the dept.). Although providers have broadly expressed content with this change, CMMI’s priorities remain unclear. Speculation is that HHS will likely follow MA trends and will begin eliminating social services / determinants of health, or perceived “perks,” that are covered by some Medicaid plans, impacting healthcare-adjacent services like non-emergent transportation and nutrition services.
- **Transaction Reticence Easing:** Lately, deal activity has picked up significantly across industries. Healthcare’s major contributions for Q2 are anchored by Hinge’s and Omada’s IPOs, as well as Ascension’s \$3.9B acquisition of AmSurg. Pent-up demand and dry powder abound still, but there is cautious optimism that these will ease over the rest of the year, particularly for those providers pursuing growth and margin via outpatient / specialty services. The question remains: **will healthcare entities continue to focus on cost and price today, or pivot towards growth for tomorrow?**

Industry Subsectors

Emerging Trends:

- Hinge Health is off to a strong start, trading at 30%+ over its IPO pricing. Omada Health represents Q2’s other major IPO, though has fared worse, trading down about 25%<sup>2</sup>
- Hims & Hers share price tanked following Novo Nordisk’s termination of their GLP-1 partnership.<sup>3</sup> As reported previously, Hims & Hers has had ongoing disputes with other GLP-1 makers and mixed luck providing them to patients at reasonable cost
- To cut costs, employers are embracing Individual Coverage Health Reimbursement Arrangements (“ICHRA”). Previously, ICHRA primarily appealed to smaller companies looking to subsidize health benefits while managing costs, but many middle market companies are considering ICHRA as well.<sup>6</sup> Moreover, due to health cost inflation over the last several years, point solutions are making a comeback<sup>7</sup>
- While UNH and Amedisys work to close their pending deal, the DOJ has blocked the divestiture of certain home health assets to BrightSpring and The Pennant Group, citing the asset sales as inadequate remedy to antitrust concerns<sup>8</sup>
- 23andMe sold to Regeneron for \$256M via a bankruptcy auction<sup>9</sup>

Payors:

- Payors still grapple with MA, despite benchmark increases, and how to administer without compromising margins. Benefits have already been cut for cost control<sup>18</sup>
- MA Partnerships amongst payors and providers are still being formed. Scan and Sutter announce joint venture to begin in the Fall<sup>19</sup>
- Commercial insurers’ fight for market share rolls on as buyers shop for the best pricing (BCBSID cuts 10% of workforce after losing contracts to UHC and Molina)<sup>20</sup>
- Payor revenues have strengthened surrounding focus on “coding intensity” efforts<sup>21</sup>
- In the shadow of Medicaid growth cuts, Centene reported an increase in exchange membership of 29% for Q1,<sup>22</sup> while Aetna plans to exit exchanges by 2026<sup>23</sup>

Providers:

- Ascension’s \$3.9B acquisition of AmSurg is sparking improvement in the system’s margin projections, particularly as it refines its SAs at the same time.<sup>28</sup> Ascension has also purchased the remainder of Cedar Park Med Center to supplement its Central TX market<sup>29</sup>
- Welsh, Carson invests in Constitution Surgery Alliance with plans for significant expansion.<sup>30</sup> Expect others to tag along on broader ASC investment trend
- Major capital projects underway, albeit under heightened scrutiny, given uncertainty<sup>31</sup>
- Novant acquires 15 Imaging Centers<sup>32</sup> and Duke acquires CHS hospital for \$284MM<sup>33</sup>
- Competition for beds heats up in CON states, particularly NC, due to speed of population growth. Out of necessity, we may see CON repeal / reform take hold in some states<sup>34</sup>
- ABA / Behavioral Health continues to be an attractive investment thesis<sup>35</sup>

Health Technology / IT:

- Cyberattacks continue. Davita hit with ransomware attack,<sup>10</sup> and Oracle notifies its healthcare clients of another cybersecurity breach, piling on from the other incident reported in March<sup>11</sup>
- Digital Health investments are on the rise (again) after a bit of a lull in prior quarters, led by large funding rounds from later stage companies.<sup>12</sup> AMZN, along with major health systems, pledge a series of partnerships with digital health companies as well<sup>13</sup>
- Best Buy Health is restructuring and has sold Current Health, the nexus of its home health operation, back to its founder in a show of further retailer retrenchment from healthcare<sup>14</sup>
- As Millennials and Gen Z begin to utilize more healthcare services, a JD Power survey found that more than 65% favor paying with digital wallet technology (i.e., Apple Pay, Zelle, etc.). Companies like OnBe, Dash, and Verity are focusing solely on healthcare<sup>15</sup>
- AI pilots continue launch across accreditation, credentialing, and even claims appeals<sup>16</sup>
- Cigna rolls out a suite of cutting-edge tech tools to improve the member experience<sup>17</sup>

Pharmaceuticals & Life Sciences:

- Becton Dickinson announces biosciences and diagnostics division’s \$17.5B merger with Waters Corp. Expect this to be a point of inflection for further industry consolidation<sup>24</sup>
- Moody’s predicts that the Inflation Reduction Act’s changes to Medicare Part D benefits will negatively impact pharma’s bottom line, though likely offset by higher volumes<sup>25</sup>
- If drug prices increase due to tariff impact, 340B takes center stage again as hospitals and providers lobby for preservation of the program
- Medtronic and peers continue to refine portfolios, focusing on core operations and unlocking value within lucrative, specialty lines of business (e.g., MDT to spin off diabetes division)<sup>26</sup>
- After initial successes, Elon Musk’s Neuralink raises \$650M heading into clinical trials<sup>27</sup>

Supply Chain / OEM:

- As the Administration continues negotiating trade agreements with US trading partners, tariffs will continue to loom over all healthcare industry subsegments including providers, OEMs, Group Purchasing Organizations, etc. We are circumspect about murmurs that “rationing” may occur within care delivery due to ballooning costs, but ultimate tariff impacts have yet to be felt as the 90-day moratorium has been extended to 8/1<sup>36</sup>
- Continuing the tariff thread, several major companies, both in and out of the healthcare space, have all but torn up their guidance for 2025 and beyond<sup>37</sup>
- Axios reports that UPS has agreed to acquire Andlauer Healthcare Group, a Canadian provider of healthcare logistics and transportation services, for \$1.6B;<sup>38</sup> rival DHL has also announced \$2B of investments in healthcare logistics through 2030 to focus on cold storage and delivery<sup>39</sup>

PNC's Corporate Healthcare Index - Index Constituents and Periodic Return Data<sup>2,3</sup>

	Periodic Return Data as of End of Trading on 6/30/25						
	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Year-to-Date
S&P 500 Index Value	4.96%	10.57%	5.50%	13.63%	63.92%	100.14%	5.50%
S&P 500 Health Care Sector Index Value	1.88%	(7.62%)	(2.01%)	(7.52%)	5.23%	34.66%	(2.01%)
<b>PNC's Corporate Healthcare Index Value</b>	<b>5.67%</b>	<b>3.86%</b>	<b>0.08%</b>	<b>1.17%</b>	<b>67.10%</b>	<b>110.42%</b>	<b>0.08%</b>

## Index Constituents:

## Emerging Trends

1. agilon health, inc.	3.60%	(46.88%)	21.05%	(64.83%)	(89.46%)	-	21.05%
2. Alphabet Inc.	2.61%	13.96%	(6.90%)	(3.25%)	61.73%	148.55%	(6.90%)
3. Amazon.com, Inc.	7.01%	15.31%	0.00%	13.53%	106.56%	59.05%	0.00%
4. AMN Healthcare Services, Inc.	(2.08%)	(15.49%)	(13.59%)	(59.65%)	(81.16%)	(54.31%)	(13.59%)
5. CVS Health Corporation	7.71%	1.82%	53.66%	16.80%	(25.56%)	6.17%	53.66%
6. Hinge Health, Inc.	33.24%	-	-	-	-	-	-
7. JPMorgan Chase & Co.	9.81%	18.19%	20.94%	43.34%	157.45%	208.22%	20.94%
8. Owens & Minor, Inc.	37.88%	0.78%	(30.37%)	(32.59%)	(71.07%)	19.42%	(30.37%)
9. Walgreens Boots Alliance, Inc.	2.04%	2.78%	23.04%	(5.08%)	(69.71%)	(72.92%)	23.04%
10. Walmart Inc.	(0.95%)	11.38%	8.22%	44.41%	141.27%	144.90%	8.22%

## Health Technology / IT

11. Oracle Corporation	32.08%	56.38%	31.20%	54.84%	212.91%	295.57%	31.20%
12. Salesforce, Inc.	2.76%	1.61%	(18.44%)	6.06%	65.23%	45.57%	(18.44%)
13. Teladoc Health, Inc.	25.87%	9.42%	(4.18%)	(10.94%)	(73.77%)	(95.44%)	(4.18%)
14. Veradigm Inc.	9.30%	7.80%	(51.79%)	(50.53%)	(68.31%)	(30.58%)	(51.79%)

## Payers

15. Centene Corporation	(3.83%)	(10.59%)	(10.40%)	(18.13%)	(35.85%)	(14.59%)	(10.40%)
16. The Cigna Group	4.40%	0.48%	19.71%	0.00%	25.45%	76.17%	19.71%
17. Elevance Health, Inc.	1.33%	(10.58%)	5.44%	(28.22%)	(19.40%)	47.90%	5.44%
18. Humana Inc.	4.87%	(7.60%)	(3.64%)	(34.57%)	(47.77%)	(36.95%)	(3.64%)
19. UnitedHealth Group Incorporated	3.33%	(40.44%)	(38.33%)	(38.74%)	(39.26%)	5.77%	(38.33%)

## Pharmaceuticals &amp; Life Sciences

20. Biogen Inc.	(3.24%)	(8.22%)	(17.87%)	(45.82%)	(38.42%)	(53.06%)	(17.87%)
21. Cencora, Inc.	2.96%	7.82%	33.46%	33.09%	111.94%	197.56%	33.46%
22. Eli Lilly and Company	5.67%	(5.62%)	0.98%	(13.90%)	140.43%	374.80%	0.98%
23. Johnson & Johnson	(1.58%)	(7.89%)	5.62%	4.51%	(13.95%)	8.62%	5.62%
24. Merck & Co., Inc.	3.02%	(11.81%)	(20.43%)	(36.06%)	(13.17%)	2.37%	(20.43%)
25. Moderna, Inc.	3.88%	(2.68%)	(33.65%)	(76.77%)	(80.69%)	(57.03%)	(33.65%)
26. Pfizer Inc.	3.19%	(4.34%)	(8.63%)	(13.37%)	(53.77%)	(25.87%)	(8.63%)
27. Roche Holding AG	(2.67%)	(11.05%)	1.14%	3.57%	(18.88%)	(21.30%)	1.14%
28. Thermo Fisher Scientific Inc.	0.66%	(18.52%)	(22.06%)	(26.68%)	(25.37%)	11.90%	(22.06%)

## Providers

29. HCA Healthcare, Inc.	0.45%	10.87%	27.64%	19.24%	127.95%	294.70%	27.64%
30. Surgery Partners, Inc.	(5.84%)	(6.40%)	5.01%	(6.56%)	(23.13%)	92.13%	5.01%
31. Tenet Healthcare Corporation	4.28%	30.86%	39.43%	32.30%	234.86%	871.84%	39.43%

## Supply Chain / OEM

32. Cardinal Health, Inc.	8.78%	21.94%	42.05%	70.87%	221.41%	221.90%	42.05%
33. DaVita Inc.	4.54%	(6.88%)	(4.75%)	2.80%	78.15%	80.00%	(4.75%)
34. GE HealthCare Technologies Inc.	5.00%	(8.23%)	(5.26%)	(4.94%)	-	-	(5.26%)
35. Hologic, Inc.	4.81%	5.49%	(9.61%)	(12.24%)	(5.97%)	14.32%	(9.61%)
36. McKesson Corporation	1.84%	8.88%	28.58%	25.47%	124.63%	377.63%	28.58%
37. Medtronic plc	5.05%	(2.99%)	9.13%	10.75%	(2.87%)	(4.94%)	9.13%
38. Molina Healthcare, Inc.	(2.34%)	(9.56%)	2.35%	0.20%	6.54%	67.38%	2.35%
39. Premier, Inc.	(4.57%)	13.74%	3.44%	17.46%	(38.54%)	(36.03%)	3.44%
40. Solventum Corporation	3.76%	(0.26%)	14.80%	43.42%	-	-	14.80%

Healthcare at PNC Overview

Contact Information

Healthcare at PNC by the Numbers<sup>40</sup>

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1. Centers for Medicare & Medicaid Services  
2. Share price data is sourced from S&P CapitalIQ as of July 1, 2025  
3. "PNC's Corporate Healthcare Index Value" is a weighted average of the constituents' share prices as of the end of trading on June 30, 2025. The Index is a market capitalization-weighted equity index. Rebalancing occurs on the last trading day of each fiscal quarter, most recently June 30, 2025. '-' is shown where there is insufficient share price history to calculate a percentage return over the specified time period.  
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40. Data as of June 30, 2025  
41. "Healthcare Client Assets Under Management" represents assets managed by PNC Bank, NA and PNC Capital Advisors, LLC, an SEC-registered investment adviser and wholly-owned subsidiary of PNC Bank

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