

# PNC's Corporate Healthcare Index

First Quarter 2025

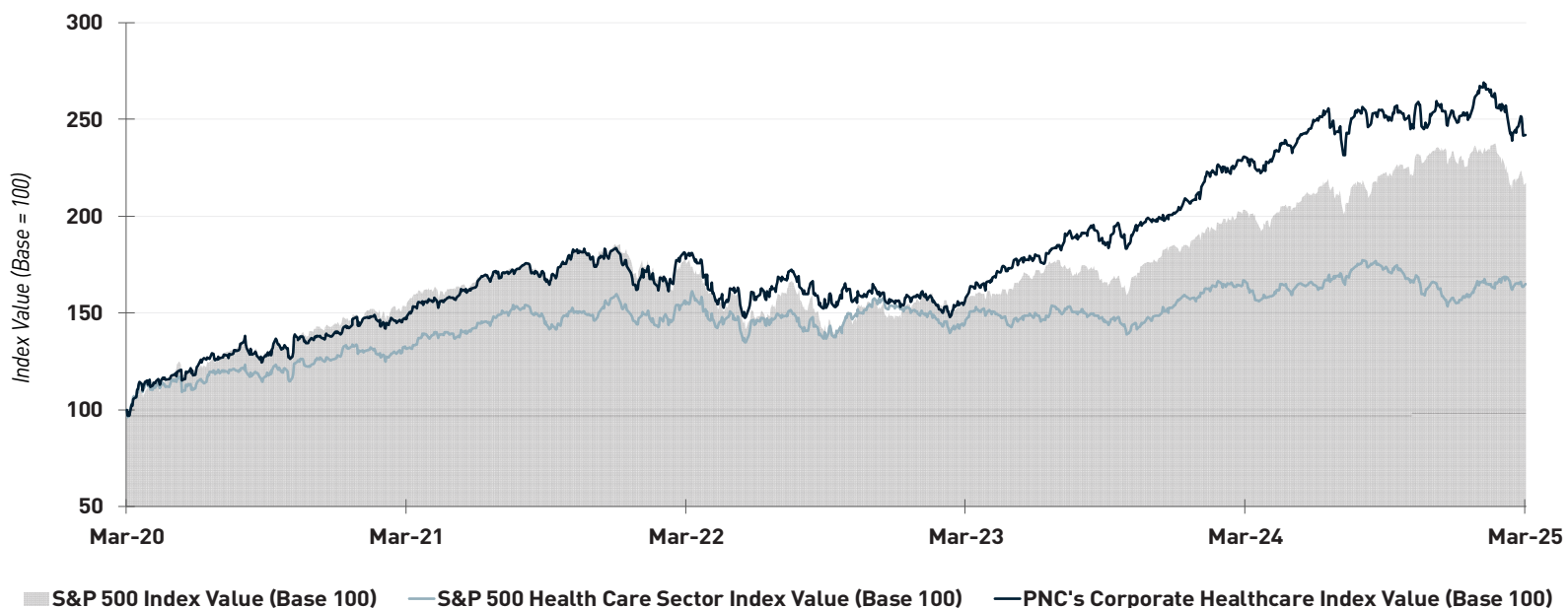


PNC's Corporate Healthcare Index (the "Index") is a tool, calculated quarterly, that examines the performance of—and trends within—the entire healthcare ecosystem. S&P launched the S&P 500 Healthcare Sector Index in 1996, but it is comprised of conventional healthcare entities in traditional subsegments. 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 slightly outperformed the S&P 500 Index while underperforming the S&P 500 Healthcare Sector Index, driven largely by broader market volatility to start 2025, and tempered by strong returns among the more traditional healthcare industry constituents (see page 3).

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



Market Commentary

Healthcare Industry

While both pundits and economists alike predicted a boost in dealmaking throughout the first half of 2025, few signs portended the new administration's policies' and proposals' negative impacts on markets through the first quarter. Moreover, geopolitical strife across Europe and the Middle East have amped up volatility. These factors continue to drive uncertainty among the public and private sectors, fueling “wait-and-see” attitudes and allowing inflation to linger. Recent forecasts predict higher probability to veer from the Fed’s soft landing and into recession while signaling likelihood for more rate cuts through 2025 than predicted just last quarter.<sup>4</sup>

Healthcare executives have little choice but to allow policy decisions to unfold, but the industry is no stranger to negative externalities. Contending with all this, the industry often proves its resilience. In February, S&P upgraded its Health Care Services outlook to stable, reflecting better volumes and the abatement of inflationary pressures rooted in the Pandemic. On the other hand, Moody’s downgraded its outlook for Health Insurers, primarily on utilization concerns.<sup>5</sup> In addition, CMS recently released its latest Healthcare Inflation Report for 2023.<sup>6</sup> CMS states that healthcare costs continued to rise on the backs of higher utilization, billing/collection woes, and continued process issues surrounding throughput/discharge. Correspondingly, healthcare costs rose 7.5% from 2022 and show few signs of slowing.

Often considered a defensive industry, healthcare equity performance may indicate changes in public sentiment regarding the US economy. This Index will continue to examine the organizations that comprise and influence healthcare, the largest industry in our nation’s GDP. However, all subsectors share common concerns surrounding the following:

- **Pending Legislation:** Proposed cuts to Medicaid, totaling \$880B over 10 years, have industry constituents bracing for change and working to anticipate how those changes may bear out over time.<sup>7</sup> Moody’s recently conducted stress tests to model the cuts’ impact on state programs and budgets in different scenarios, concluding that states would likely have to cut Medicaid benefits in the face of reduced support.<sup>8</sup> Medicaid expansion states will feel the greatest impact. Knowing the administration’s preference for public-private partnership (e.g., through Medicare Advantage), we anticipate that insurers could be recruited to close the care gaps created, though it is difficult to augur all the ripple effects. Gaps in wellness often precede gaps in productivity, and states with populations heavily reliant on Medicaid may feel drags on their local economies.
- One provider tailwind is that Congress passed measures extending current Medicare reimbursement levels for telehealth and hospital-at-home services through September.<sup>9</sup>

Industry Subsectors

Emerging Trends:

- Walgreens and Sycamore Partners ink take-private deal. VillageMD, Summit Health, and CityMD continue to explore options for a separate transaction while the other components of WBA are evaluated.<sup>10</sup> At the same time, Advocate Health is closing the clinics it operates inside Walgreens in IL<sup>11</sup>
- Amazon, General Catalyst form Generative AI partnership.<sup>12</sup> Meanwhile, General Catalyst explores potential for IPO, a first for venture capital<sup>13</sup>
- After being outbid for the acquisition of R1 RCM by TowerBrook Capital and CD&R, New Mountain Capital invests in RCM company, Access Healthcare<sup>14</sup>
- Roughly 57 healthcare companies with liabilities in excess of \$10M filed for bankruptcy in 2024, the second highest total since 2019. Gibbins Advisors forecasts further pain for practice groups given the 2.83% reduction in Medicare’s physician fee schedule, as well as changes to Medicaid<sup>15</sup>
- According to Pitchbook analyst Aaron DeGagne, sponsors maintain a high level of interest in infusion, med spa and outpatient mental health. Top deal categories in health services were dental, dermatology, and home-based care, though volume remained muted<sup>16</sup>

Health Technology / IT:

- IU Health, DHR Health, and Oracle are the latest victims of cyber incidents<sup>17</sup>
- We again report that Epic continues to gain acute care market share<sup>18</sup>
- Recent software IPOs are thriving, outpacing services/patient care contemporaries<sup>19</sup>
- Veradigm stays the course after evaluating alternatives, elects new boardmembers<sup>20</sup>
- AI arms race continues, GE Healthcare added 27 FDA-approved, AI-enabled devices; made 2 significant acquisitions.<sup>21</sup> Innovaccer secures \$275MM in Series F funding to, in part, introduce new AI and cloud capabilities.<sup>22</sup> Salesforce releases “Agentforce,” AI solutions prebuilt to tackle admin. to-dos<sup>23</sup>
- Medtech VC funding rose to \$13B in 2024, favoring late-stage, “risk-off” investments<sup>24</sup>
- Teladoc reported \$1B in losses for FY2024, owing in large part to a \$790M impairment charge from its direct-to-consumer mental health unit, BetterHelp, perhaps a bad omen for the future of tele-behavioral / direct-to-consumer models<sup>25</sup>
- Hims & Hers shares plunge as FDA ends some GLP-1 shortage designations, upending the company’s (and many others’) Superbowl-sized foray into discount tele-weight loss<sup>26</sup>

Payors:

- UNH and Amedisys agree to delay close of \$3.3B merger into 2025, citing DOJ / State lawsuits filed in 2024<sup>27</sup>
- The ACA set a record enrollment with over 24.2M members enrolling for 2025. Much of the marked increase was led by red states’ enrollment and may serve as reason to limit future cuts to the program by the new administration<sup>28</sup>
- HCSC closes on \$3.3B purchase of Cigna’s Medicare Advantage business, a bullish bet on the program while Cigna exits the market entirely<sup>29</sup>
- Insurers continue to report elevated Medical Loss Ratios through 2024 results<sup>30</sup>
- Further changes include CMS’ announcement ending Medicare Shared Savings Program models ahead of their scheduled sunset. CVS Health sold its MSSP/ACO operations for a minority stake in Wellvana<sup>31</sup>

Pharmaceuticals & Life Sciences:

- Cigna’s Evernorth is bullish on specialty pharmacy segment, while an FTC report cites the largest PBMs (CVS Caremark, Optum Rx, and Express Scripts) benefit from outsized mark-ups for specialty generic drugs<sup>32</sup>
- JNJ (\$55B) & Lilly (\$27B) both announce investment in US production facilities<sup>33</sup>
- On the flip side, JNJ loses yet again in bid to settle baby powder/cancer lawsuits<sup>34</sup>
- Fresenius to sell some Spectra lab assets to Quest Diagnostics as it continues with portfolio optimization efforts<sup>35</sup>
- Labcorp also agrees to acquire select assets from BioReference Health, a diagnostic oncology service, for up to \$225M<sup>36</sup>

Providers:

- Sanford Health & Marshfield Clinic merge under Sanford Health banner, continuing the trend of bigger systems acquiring smaller, challenged counterparts<sup>37</sup>
- On that note, Kaufman Hall estimates that nearly 50 out of the 72 hospital transactions announced last year involved a health system selling a facility that struggled operationally<sup>38</sup>
- ASCs continue to see record interest through various partnerships and JVs (SurgeNet Health Partners, Spire Ortho, Surgery Partners, etc.)<sup>39</sup>
- Providers also push for more investment in agile microhospitals<sup>40</sup>

Supply Chain / OEM:

- A survey of healthcare industry players indicates the expectation of an approximate 15% increase in costs over the next 6 months due to increased tariffs, potentially disrupting the “levelling off” of expense pressures first felt during the Pandemic<sup>41</sup>
- Hospital & Health System supply chain leaders are getting creative to manage ongoing bottlenecks and supply chain disruptions, partnering up to create new efficiency tools, or redesigning supply chains<sup>42</sup>
- As of this writing, it remains to be seen how 10% baseline tariffs—with some more punitive—will impact the healthcare supply chain, though we expect that Pandemic-driven re-shoring will, at least, mitigate some cost increases

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

	Periodic Return Data as of End of Trading on 3/31/25						
	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Year-to-Date
S&P 500 Index Value	(5.75%)	(4.59%)	(2.61%)	6.80%	23.87%	117.13%	(4.59%)
S&P 500 Health Care Sector Index Value	(1.85%)	6.08%	(5.24%)	(1.26%)	6.74%	64.80%	6.08%
<b>PNC's Corporate Healthcare Index Value</b>	<b>(6.23%)</b>	<b>(2.58%)</b>	<b>(3.97%)</b>	<b>4.83%</b>	<b>35.93%</b>	<b>142.02%</b>	<b>(2.58%)</b>
<b>Index Constituents:</b>							
<b>Emerging Trends</b>							
1. 23andMe Holding Co.	(66.39%)	(77.25%)	(89.36%)	(93.05%)	(99.03%)	-	(77.25%)
2. agilon health, inc.	38.78%	127.89%	10.18%	(29.02%)	(82.92%)	-	127.89%
3. Alphabet Inc.	(9.18%)	(18.31%)	(6.76%)	2.46%	11.20%	166.17%	(18.31%)
4. Amazon.com, Inc.	(10.37%)	(13.28%)	2.11%	5.48%	16.73%	95.17%	(13.28%)
5. AMN Healthcare Services, Inc.	(3.40%)	2.26%	(42.30%)	(60.87%)	(76.56%)	(57.69%)	2.26%
6. CVS Health Corporation	3.09%	50.92%	7.74%	(15.06%)	(33.06%)	14.19%	50.92%
7. JPMorgan Chase & Co.	(7.31%)	2.33%	16.33%	22.47%	79.94%	172.46%	2.33%
8. Owens & Minor, Inc.	(5.74%)	(30.91%)	(42.45%)	(67.41%)	(79.49%)	(1.31%)	(30.91%)
9. Walgreens Boots Alliance, Inc.	4.59%	19.72%	24.67%	(48.50%)	(75.05%)	(75.58%)	19.72%
10. Walmart Inc.	(10.97%)	(2.83%)	8.72%	45.90%	76.85%	131.80%	(2.83%)
<b>Health Technology / IT</b>							
11. Oracle Corporation	(15.81%)	(16.10%)	(17.95%)	11.30%	69.00%	189.28%	(16.10%)
12. Salesforce, Inc.	(9.90%)	(19.73%)	(1.95%)	(10.90%)	26.39%	86.39%	(19.73%)
13. Teladoc Health, Inc.	(16.74%)	(12.43%)	(13.29%)	(47.28%)	(88.96%)	(94.86%)	(12.43%)
14. Veradigm Inc.	(14.51%)	(55.28%)	(55.05%)	(43.38%)	(80.64%)	(38.07%)	(55.28%)
<b>Payors</b>							
15. Centene Corporation	4.38%	0.21%	(19.35%)	(22.64%)	(27.89%)	2.19%	0.21%
16. The Cigna Group	6.52%	19.14%	(5.03%)	(9.41%)	37.31%	85.69%	19.14%
17. Elevance Health, Inc.	9.59%	17.91%	(16.35%)	(16.12%)	(11.45%)	91.58%	17.91%
18. Humana Inc.	(2.15%)	4.29%	(16.46%)	(23.68%)	(39.20%)	(15.74%)	4.29%
19. UnitedHealth Group Incorporated	10.27%	3.54%	(10.42%)	5.87%	2.70%	110.02%	3.54%
<b>Pharmaceuticals &amp; Life Sciences</b>							
20. Biogen Inc.	(2.60%)	(10.52%)	(29.41%)	(36.54%)	(35.02%)	(56.75%)	(10.52%)
21. Cencora, Inc.	9.68%	23.77%	23.55%	14.45%	79.75%	214.23%	23.77%
22. Eli Lilly and Company	(10.29%)	6.98%	(6.78%)	6.16%	188.41%	495.38%	6.98%
23. Johnson & Johnson	0.50%	14.67%	2.33%	4.84%	(6.43%)	26.47%	14.67%
24. Merck & Co., Inc.	(2.70%)	(9.77%)	(20.96%)	(31.97%)	9.40%	16.66%	(9.77%)
25. Moderna, Inc.	(8.43%)	(31.82%)	(57.58%)	(73.40%)	(83.54%)	(5.34%)	(31.82%)
26. Pfizer Inc.	(4.12%)	(4.49%)	(12.44%)	(8.68%)	(51.05%)	(22.37%)	(4.49%)
27. Roche Holding AG	(2.91%)	13.70%	7.35%	26.47%	(20.73%)	(7.50%)	13.70%
28. Thermo Fisher Scientific Inc.	(5.93%)	(4.35%)	(19.56%)	(14.39%)	(15.75%)	75.46%	(4.35%)
<b>Providers</b>							
29. HCA Healthcare, Inc.	12.81%	15.13%	(14.98%)	3.60%	37.88%	284.59%	15.13%
30. Surgery Partners, Inc.	(1.37%)	12.19%	(26.33%)	(20.38%)	(56.86%)	263.71%	12.19%
31. Tenet Healthcare Corporation	6.25%	6.55%	(19.07%)	27.96%	56.47%	834.03%	6.55%
<b>Supply Chain / OEM</b>							
32. Cardinal Health, Inc.	6.40%	16.49%	24.66%	23.12%	142.98%	187.38%	16.49%
33. DaVita Inc.	3.44%	2.29%	(6.69%)	10.81%	35.24%	101.12%	2.29%
34. GE HealthCare Technologies Inc.	(7.60%)	3.24%	(14.00%)	(11.22%)	-	-	3.24%
35. Hologic, Inc.	(2.56%)	(14.32%)	(24.17%)	(20.77%)	(19.59%)	75.98%	(14.32%)
36. McKesson Corporation	5.11%	18.09%	36.12%	25.36%	119.84%	397.55%	18.09%
37. Medtronic plc	(2.35%)	12.49%	(0.19%)	3.11%	(19.01%)	(0.35%)	12.49%
38. Molina Healthcare, Inc.	9.39%	13.17%	(4.40%)	(19.82%)	(1.26%)	135.77%	13.17%
39. Premier, Inc.	6.05%	(9.06%)	(3.60%)	(12.76%)	(45.83%)	(41.08%)	(9.06%)
40. Solventum Corporation	(4.65%)	15.11%	9.06%	9.33%	-	-	15.11%

Healthcare at PNC Overview

Contact Information

Healthcare at PNC by the Numbers<sup>43</sup>

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**\$38B**  
*in Capital Commitments  
to Healthcare Companies Across the US*

**50,000+**  
*Healthcare Clients Served through PNC's  
Extensive Suite of Solutions*

**750+**  
*Relationships with  
Private Equity Firms*

**500+**  
*Employees Directly Serving  
Our Healthcare Clients*

**30+**  
*Years of Dedicated Sector Coverage via the  
PNC Healthcare Industry Vertical*

**\$12.9B**  
*Healthcare Client Assets Under  
Management (AUM)<sup>44</sup>*

Brilliant begins here.



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1. Centers for Medicare & Medicaid Services  
2. Share price data is sourced from S&P CapitalIQ as of April 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 March 31, 2025. The Index is a market capitalization-weighted equity index. Rebalancing occurs on the last trading day of each fiscal quarter, most recently March 31, 2025. '-' is shown where there is insufficient share price history to calculate a percentage return over the specified time period.  
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43. Data as of March 31, 2025  
44. "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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