

## Three Venture Firms to Cash In as Universal Acquires Ascend Health for \$500M

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**Ascend Health Corp.** which launched in 2005 and raised about \$36 million in venture capital to assemble a network of psychiatric hospitals, has agreed to be acquired by publicly held **Universal Health Services Inc.** for \$500 million cash.

The merger, expected to close in the fourth quarter, will produce returns for **CHL Medical Partners**, **Polaris Venture Partners** and Three Arch Partners. CHL and Three Arch seeded the company in 2004, and Polaris led Ascend's final venture round, a \$20.1 million Series B financing in 2007. **Universal Health**, a hospital company based in King of Prussia, Pa., is also assuming \$17 million in debt.

With nine owned or leased psychiatric inpatient centers in five states, Ascend is the largest private psychiatric-hospital company in the U.S., **Universal Health** said. New York-based Ascend has hospitals in Texas, Arizona, Utah, Oregon and Washington.

**CHL Medical** and Three Arch launched Ascend to capitalize on two developments. A change in reimbursement had made psychiatric services less attractive to acute-care hospitals, said Jeffrey Collinson, a founding partner of CHL Medical. There was also a general shortage of hospital beds for patients with psychiatric conditions, he said.

The firms teamed up with psychiatrist and entrepreneur Richard Kresch to get Ascend Health running. Dr. Kresch, Ascend's chief executive, previously had built and sold **Heartland Health** Developments, a psychiatric hospital company.

Ascend sought out facilities that were underused or underperforming that were located in markets in need of psychiatric-health services, Mr. Collinson said. Ascend was also able to secure mortgage debt on attractive terms, he said. As a result, it didn't need a great deal of equity.

Ascend also identified underserved patient populations and developed specialty services for them. It anticipated a need for services for members of the U.S. military who were returning home with symptoms of mental illness, said Polaris General Partner Brian Chee. One of Ascend's hospitals is in El Paso, Texas, near a military base, for example.

The company's last acquisition was disclosed in August of last year, when it acquired **Schick Shadel Hospital**, an addiction-treatment hospital in Seattle.

"We found some markets that really needed psychiatric hospital beds," Dr. Kresch said. "Facilities filled up quickly."

Ascend was projecting revenue of about \$200 million for 2012, Dr. Kresch said. With the company having reached a critical point in its growth, it decided that now was the right time to test the market, he said. Though it had taken calls from corporate acquirers over the past few years, it didn't begin to look seriously at a sale until the beginning of this year, he said.

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