

Private Equity in Health Care Trends & Impact

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Nationally recognized team of private insurance experts

- Part of McCourt School of Public Policy
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 - Federal and state regulation
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- Published reports, studies, blog posts
- Technical assistance

The Rapid Rise of PE Investment in Health Care

- PE investment in health has increased 20 times in the last two decades
 - \$1 trillion in the last 10 years
 - \$200 billion since 2021
- PE currently manages about \$73 billion of capital invested in U.S. health care

Where are they Investing?

- Hospitals – PE owns 460 hospitals in the country; 8% of all private hospitals and 22% of proprietary for-profit hospitals
- Physician Practices – from 75 deals in 2012 to 484 deals in 2021
- Physician Staffing firms
- Revenue Cycle Management
- Hospice Facilities
- Nursing Homes
- Home Health Care Services
- Specialty Care Facilities like Dialysis Facilities, ABA Treatment Centers, Fertility Centers
- Managed Care Plans

The Private Equity Playbook

- Focus on short-term investments – most PE firms only hold the health care companies for 3 to 7 years
- Focus on aggressive, high-risk strategies to make quick profits
- Incentives of PE firms and the health care entities they acquire are not aligned
- Lots of debt, lots of fees
- Chronic understaffing and reduction in safety
- PE firm and investors shielded from liability

Impact on Quality of Care

- PE-owned nursing homes saw a 10% increase in mortality among Medicare patients
- Significant increase in hospital-acquired conditions for Medicare patients at PE hospitals

Impact on Costs

- Associated with increased volume, increased prices, use of profitable service lines, decreased proportion of publicly insured patients, increase in net income, upcoding
- PE hospitals have higher charge-to-cost ratios than non-PE hospitals
- PE hospitals bring in nearly 30% more income
- PE ownership resulted in 32% increase in costs for payers and patients

Impact on Health Care Markets

- Concerns about bankruptcies and closures of hospitals/facilities, particularly in poor and rural communities
- Significant consolidation of health care markets – both vertically and horizontally
- Significant consolidation can give PE-owned entities more leverage in price negotiations with payers

Takeaways for State DOIs

- Price transparency data is essential to continue studying the impacts of consolidation and PE-acquisitions on health care costs
- Insurance practices can drive providers to sell to/partner with PE
- The rise of PE interest in value-based care
 - Investment in companies that focus on quality over volume increased more than 400% between 2019 and 2021

Questions?

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