Private Equity in Health Care
Trends & Impact

March 17, 2024

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Nationally recognized team of private insurance experts

- Part of McCourt School of Public Policy
- Legal & policy analysis
  - Federal and state regulation
  - Market trends
- 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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