

PRIVATE
EQUITY
STAKEHOLDER
PROJECT

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OUTLINE:

—IN THE NEWS: HOSPITALS

—SURPRISE BILLING & NO SURPRISES ACT

—MEDICARE ADVANTAGE

Concerns about private equity ownership drove state's hospital oversight bill

Tribune

GABRIELLE PORTER, THE SANTA FE NEW MEXICAN

March 1, 2024 at 8:33 PM

The pared-down version of the measure, which now is awaiting Gov. Michelle Lujan Grisham's signature, gives the Office of Superintendent of Insurance oversight of changes in hospital ownership for the next 16 months. Sponsors, the superintendent's office and health care industry representatives said they plan to work on a more permanent version of the measure before next year's legislative session.

The office will have to consider a number of factors, including whether the deal would reduce or eliminate access to essential services, drive up costs, affect "availability, accessibility and quality" of health care to the local community, or whether it could stifle competition. The office could then approve the deal outright, approve it with conditions or, in what Duhigg said she considered "the very rare case," block the transaction.

How Steward Health's relationship with private equity soured

February 05, 2024

**Modern
Healthcare**

Private equity investors can spur innovation and bring much-needed financial support to providers struggling to keep the doors open. But the firms typically look to cut costs and sell organizations, leaving providers and communities to deal with any potential fallout.

Bloomberg

May 27, 2021

Cerberus Quadruples Money After Unusual Exit From Hospital Giant

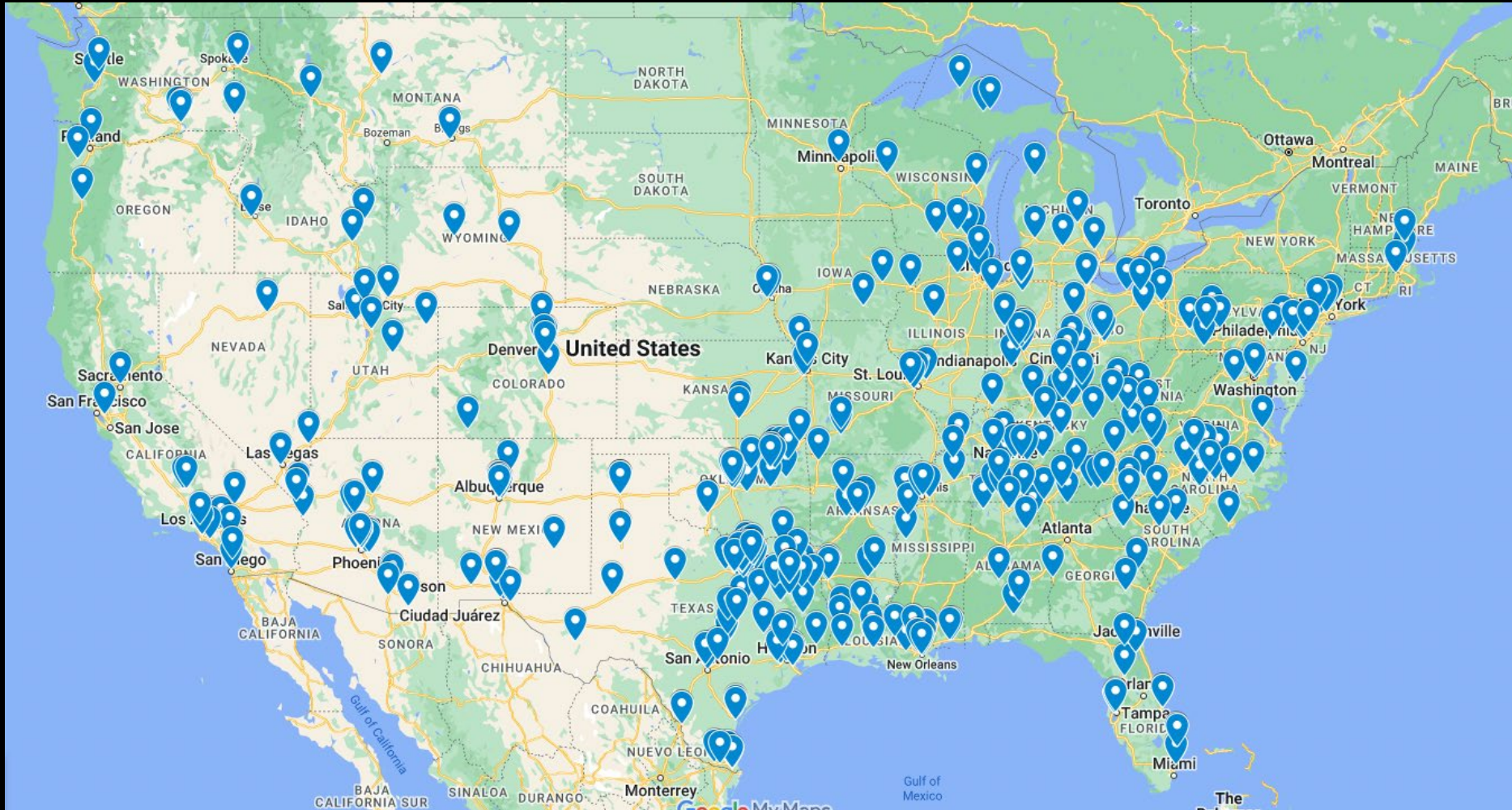
- Private equity firm makes an \$800 million profit in a decade
- It exits after offloading to Steward Health Care doctors

AXIOS

Mar 6, 2024

Hospital debacle puts focus on private equity

MAP: PE-Owned Hospitals (Feb. 2024)



(Source: PESP Private Equity Hospital Tracker)

~460 U.S. hospitals are owned by PE firms, representing:
—8% of all private hospitals
—22% of all proprietary for-profit hospitals

December 26, 2023

JAMA[®]

Changes in Hospital Adverse Events and Patient Outcomes Associated With Private Equity Acquisition

Conclusions and Relevance Private equity acquisition was associated with increased hospital-acquired adverse events, including falls and central line-associated bloodstream infections, along with a larger but less statistically precise increase in surgical site infections. Shifts in patient mix toward younger and fewer dually eligible beneficiaries admitted and increased transfers to other hospitals may explain the small decrease in in-hospital mortality at private equity hospitals relative to the control hospitals, which was no longer evident 30 days after discharge. These findings heighten concerns about the implications of private equity on health care delivery.

The New York Times

Mystery Solved: Private-Equity-Backed Firms Are Behind Ad Blitz on 'Surprise Billing'

Two doctor-staffing companies are pushing back against legislation that could hit their bottom lines.

The proposed legislation, which may advance to floor votes this year, is potentially bad for business for TeamHealth and Envision. The two groups have waged many battles against insurers over what they see as low physician payments for emergency room visits. When there is no agreement with an insurer, the physicians work "out of network," and bill patients for the amount that insurance does not pay.

Published Sept. 13, 2019

The
Guardian

Doctors and insurers clash over US law that protects against surprise billing

Private equity-backed staffing companies are fighting No Surprises Act, which protects patients from unexpected out-of-network bills

But litigation and aggressive billing by physician staffing companies, some **backed by private equity**, have continued as insurance companies and doctors duke it out in court. The result is an enormous backlog of cases in arbitration, **cashflow problems for independent doctors**, and the potential for patients to once again be stuck with the costs. Some argue that there's also a balance of power tilted toward insurance companies.

Fri 29 Sep 2023 06:00 EDT

No Surprises Act: Independent dispute resolution (IDR) filings

<i>Initiating Party or their Representative</i>	<i>PE Firm</i>	<i>2023-H1, Total Disputes Initiated</i>	<i>2023-H1, Percent of Disputes Initiated</i>
<i>Team Health</i>	Blackstone	81,747	30%
<i>SCP Health</i>	Onex	55,356	20%
<i>Radiology Partners</i>	Heritage Group, Whistler Capital Partners	30,433	11%
<i>Envision Healthcare</i>	KKR	24,249	9%
TOTAL		191,785	70%

(Source: PESP analysis of CMS data)

OUTCOMES (CMS analysis):

- Providers, facilities, or air ambulances prevailed in 77% of payment determinations
- In 82% of payment determinations the prevailing offer was higher than the qualifying payment amount

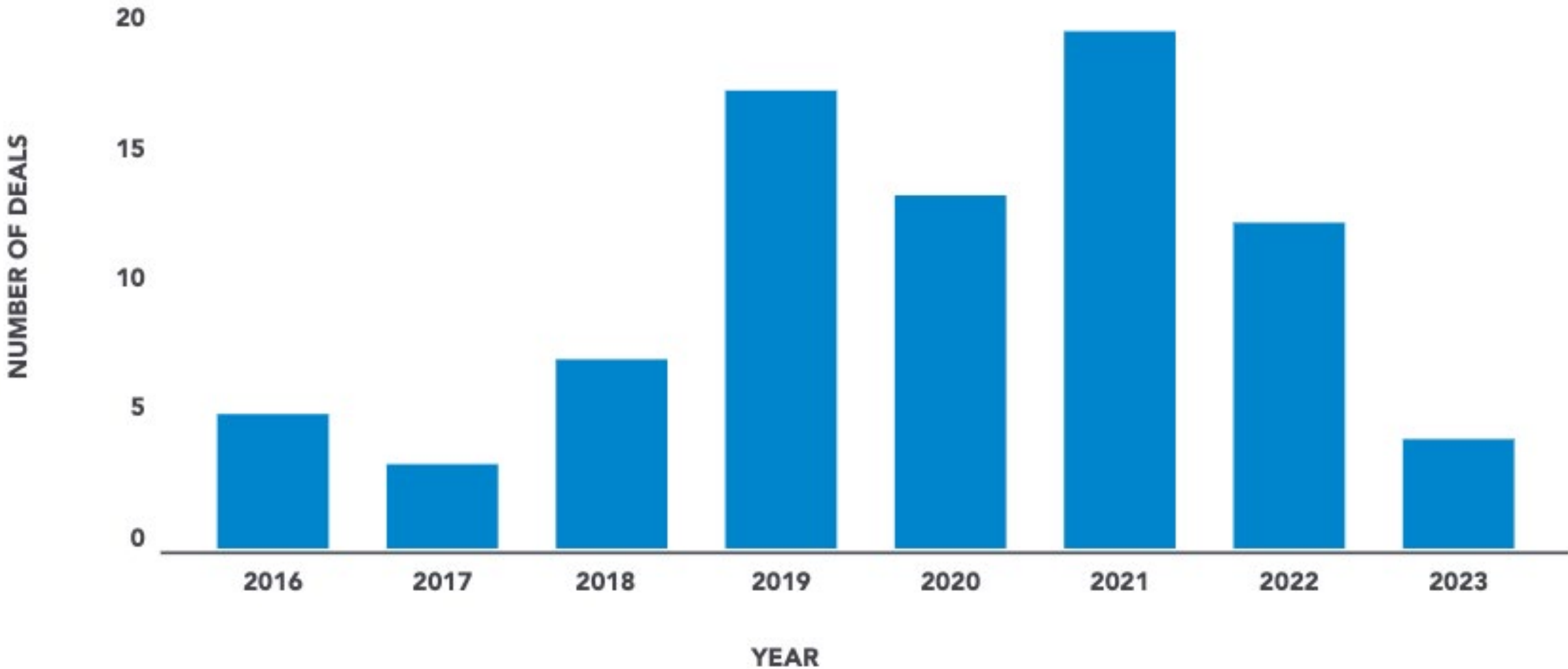
TABLE 1: SELECT LIST OF PRIVATE EQUITY-OWNED OR BACKED MEDICARE ADVANTAGE CARRIERS THAT HAVE GONE PUBLIC OR SOLD TO LARGE INSURERS.

Each of the listed companies had a dual-eligible focus or segment at the time of its sale.

MEDICARE ADVANTAGE CARRIER	FORMER PE INVESTORS	CURRENT STATUS
Alignment Healthcare	Durable Capital Partners, Fidelity Management & Research, T. Rowe Price, Warburg Pincus, General Atlantic, CRG, and Ascension Ventures	IPO in March 2021 (NASDAQ: ALHC)
HealthSun	Summit Partners	Sold to Anthem (NYSE: ANTM) in 2017
MMM Healthcare	Bain Capital, Summit Partners, The Straus Group	Sold to Anthem (NYSE: ANTM) in 2021
Aveta, Inc.	The Straus Group	Sold to UnitedHealth Group (NYSE: UNH)
Senior Whole Health	TA Associates, New Capital Partners, Flexpoint Partners, Council Capital, Noro-Moseley Partners, SSM Partners, Wellfleet Capital Partners	Sold to Magellan Health (NASDAQ: MGLN) in 2017

Following the Medicare Modernization Act of 2003, private equity firms have played a role in facilitating consolidation of early-stage Medicare Advantage carriers, especially ones focused on dually eligible populations. These health plans may go public through an IPO or be sold to large, publicly traded insurance companies.

FIGURE 2: NUMBER OF PE-BACKED MEDICARE ADVANTAGE DEALS PER YEAR, 2016-2023



Some PE-owned Medicare Advantage companies

COMPANY	DESCRIPTION	PE FIRM(S)	NUMBER OF EMPLOYEES
Integrity Marketing Group	insurance brokerage and marketing group	Minority owned by Harvest Partners, HGGC, Silver Lake	5,000
AmeriLife Group	health insurance distribution and marketing	Genstar Capital, Thomas H. Lee Partners	1,800
Benefytt Technologies	health insurance distribution platform and marketing group	Madison Dearborn Partners	855
InnovaCare Health	value-based provider and payer organization	Bain Capital, Ergo Partners, Summit Partners	259
The Hilb Group	insurance brokerage and marketing group	Carlyle Group	2,000
AllyAlign Health	offers Medicare Advantage plans for senior living communities	New Enterprise Associates, Heritage Group, Health Enterprise Partners, Oak HC/FT, Town Hall Ventures, Link-age, Lorient Capital Management	149
Matrix Medical Network	partners with Medicare Advantage plans to conduct in-home health assessments for plan members	Frazier Healthcare Partners, ModivCare	5,000

Recent action

Increased scrutiny has led to government action. Under the Biden administration, CMS issued and implemented new rules to more effectively regulate Medicare Advantage plans, brokers, and marketers, including:

- Requiring CMS review of all prospective television advertisements.¹⁰⁸
- Requiring insurance companies to have greater oversight over the third parties with which they contract.¹⁰⁹
- Requiring that the relevant insurer must be identified in the advertisement of specific plans.¹¹⁰
- Prohibiting the marketing of plan benefits in areas where those benefits are not available.¹¹¹
- Updating the audit process to help recover improper risk adjustment payments made to Medicare Advantage plans.¹¹²

Recommendations

- 1. Prohibit or Limit Dividend Recapitalizations**
– Require private equity and other corporate owners to refrain from incurring new debt to pay shareholder dividends. To the extent dividend capitalization is allowed, limit dividends to a percentage of profits.
- 2. Joint Liability for Portfolio Companies** – Require joint and several liability for private equity owners and portfolio companies. This would mean that if portfolio companies were sued for violations of the False Claims Act or other alleged illegal behaviors, the private equity owner could be held liable as well.
- 3. Greater Antitrust Enforcement** - Because private equity rollups and mergers typically fall under the radar of antitrust regulation,¹¹⁵ the Federal Trade Commission (FTC) and the Department of Justice (DoJ) should scrutinize healthcare deals involving private equity firm owners even if individual deals do not meet the typical threshold to trigger FTC review.

Federal Trade Commission, the Department of Justice and the Department of Health and Human Services Launch Cross-Government Inquiry on Impact of Corporate Greed in Health Care

March 5, 2024



U.S. Department of
Health and Human Services

Enhancing the health and well-being
of all Americans



U.S. Department of
JUSTICE



FEDERAL TRADE COMMISSION
PROTECTING AMERICA'S CONSUMERS

Senate Budget Committee Digs into Impact of Private Equity Ownership in America's Hospitals

12.07.23



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RECAP:

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