February 22, 2024

To whom it may concern,

I am writing this letter of testimony in support of House Bill 4130, presented recently by Rep. Ben Bowman (D-Tigard), former Governor Dr. John Kitzahber and Dr. Bruce Goldberg as “a bill that keeps healthcare affordable by closing loopholes that allow private equity firms and large corporations to skirt Oregon’s requirement that licensed doctors be in charge of medical offices.” I listened to their testimony and those of others before the House subcommittee and felt compelled to write my own testimony.

First, I want to introduce myself. My name is Dr. Douglas Shumaker and I am the recent outgoing President of the Medical Staff at Providence St. Vincent Medical Center in Portland. My roots in Oregon and at St. Vincent run deep and my passion and commitment to this vital community institution and Oregon health care in general are unquestioned. I am a native Oregonian. When my family moved to the Westside of Portland in 1973, St. Vincent became our community hospital and the place we looked to when we needed care. In June of 1980, I underwent an appendectomy at St. Vincent and that was the moment I decided to become a doctor. I graduated from Banks High School in 1986, then went on to earn a Bachelor’s Degree in biology from Willamette University in 1990 and my medical degree from Oregon Health Sciences University in 1994. I joined the medical staff of St. Vincent in 2001 as a gastroenterologist and my life came full-circle when I was elected President of the Medical Staff in 2022. As a physician, I highly value the importance of service to others, especially the vulnerable, and the belief that great health care is a local endeavor. My commitment to the welfare of our community is unwavering.

It is with this background that I feel the need to speak to trends in health care that have me concerned. In my two years as medical staff President, I witnessed troubling threats to physician autonomy and control, resulting in increased physician burnout, unionization of doctors and most recently, the angst and very real consequences of the decisions around the handling of the anesthesia staffing crisis.

I have been fully aware of the challenges facing anesthesia staffing that have hindered the ability of Providence ministries in Oregon to fully provide anesthesia services and the impact on surgical and procedural availability over the past year. This has been in large part due to a national shortage of anesthesia providers. I fully recognize that improvement in anesthesia staffing is needed to continue to provide the community with access to care. However, I remain concerned about the decision to fire our local physician-owned community anesthesia group, Oregon Anesthesiology Group, with a 35-year history of providing outstanding local care and award an exclusive anesthesia contract to Sound Physicians, a large corporate physician staffing company with no local, community relationship. The effects of this decision and implementation has resulted in major negative impacts on many of the Medical Staff members. Most directly, the almost complete turnover of the entire anesthesia department. This is unprecedented. This has resulted in the sudden and unexpected loss of stable employment and professional satisfaction for these members and produced an immeasurable emotional toll, not only on the anesthesia providers who have left, but on many of the remaining Medical Staff members, throwing the delivery of anesthesia care into a deeper crisis.

A second concern revolves around Sound Physicians entry into the Providence Health System as a major provider of physician staffing. Specifically, Sound is majority owned and controlled by a large for-profit health delivery system (Optum Health, an arm of United Health Care) and a private equity firm, Summit Partners. The corporatization of medicine is a real concern, shared by many. The US spends a staggering $4.3 trillion per year on health care (a whopping 18.3% of the entire economy), a higher per capita cost than any other developed nation. Yet, our

health outcomes are poorer. Private equity is looking to tap into this extraordinary amount of money, and we have seen private equity investments in the US increase from $5 billion in 2000 to $206 billion in 2021. Studies have shown that there are consequences to private equity in health care, including increased costs, increased mortality and morbidity, closure of hospitals and clinics and taking away dollars from healing and caring. A new study, published in JAMA in December, found that “private equity acquisition of hospitals, on average, was associated with increased hospital-acquired adverse events despite a likely lower-risk pool of admitted Medicare beneficiaries, suggesting poorer quality of inpatient care” (Kannan S, et al. JAMA. 2023;330(24):2365-2375). In addition, Sound Inpatient Physicians had their credit rating downgraded to Caa2 last year, calling into question the financial stability of the company. In an article by Moody’s last year, they reported “nearly 90% of healthcare companies rated B3 negative or below are owned by private equity”. Attracted by healthcare's historical stability and buoyed by accommodative debt markets, financial sponsors have aggressively consolidated fragmented subsectors, including physician practices, emergency medicine and anesthesiology, to name a few. The resulting roll-ups carry high levels of debt, which will pressure their cash flow and limit their ability to adapt to the changing macroeconomic environment, as well as to increasing social risk, new legislation and litigation.

In addition, the purported reason for this decision (improving anesthesia staffing and the number of available anesthesia locations) appears to be unattainable in the short-term, due to the not unexpected difficulties in recruiting anesthesia staff. In fact, the Hospital has been worse off since the transition than they were before this decision was made. The roll-out of this transition to Sound Physicians staffing model has been fraught with delays and challenges under a tight timeline. We, the medical staff, were promised that Sound would be able to “fully staff” anesthesia on day one of the transition and they were experts in recruiting. This has proven to be untrue. In fact, they predicted the ability to retain 80% of the current anesthesia staff at the Hospital but have retained only about 5%. This was in large part due to the way the previous anesthesia providers were informed of the change (a mass email to all medical staff without any warning that destroyed any trust) and major concerns about joining Sound Anesthesia in particular (due to their reputation and backing by private equity). Furthermore, the decision and timeline for the transition have resulted in a profound and sudden change in the way anesthesia is delivered at the Hospital (complete transition from a physician-only model to a CRNA predominant team model), presenting additional threats to the staff morale, culture and patient safety. There have been significant restrictions on surgical services following the transition on November 22, 2023, without a definitive timeline for resolution. The community has been, and continues to be, negatively impacted. I also remain concerned about the long-term stability of utilizing this corporate, private-equity backed model of physician staffing, when there is no local, community commitment by these companies outside of profit.

Unfortunately, there continues to be a dramatic rise in large corporate and private equity investments into health care staffing, shifting dollars and control away from physicians and their patients. The decision to align with private-equity and corporate-backed physician staffing during this current crisis in anesthesia is the latest example of the pitfalls that this approach offers. Though HB4130 does not solve all of the issues that threaten the way health care is delivered, it is one step toward keeping local control of our health care decisions and dollars and remain focused on the sanctity of the physician-patient relationship.

Thank you for your time and consideration.

Best regards,

Douglas Shumaker, MD