

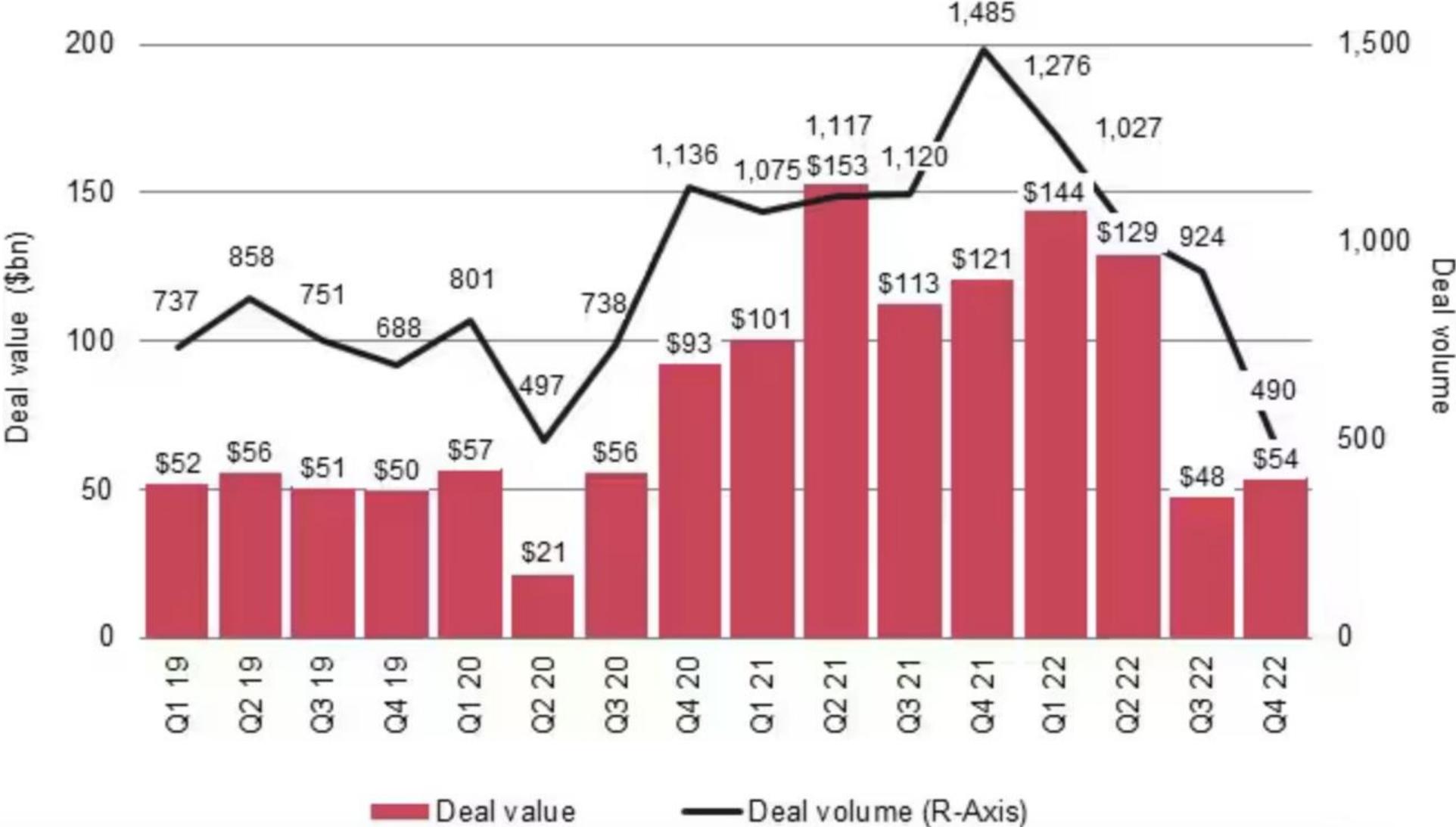
The background of the slide is a faded, grayscale image of various medical instruments. On the left, there is a piece of equipment with a vertical scale and the letters 'WA'. In the center, there are two ophthalmoscopes mounted on a white base. To the right of the ophthalmoscopes is a vertical thermometer with a scale from 250 to 300. Further right is a white cylindrical device with a power cord. At the bottom, there are several coiled cables and a white basket-like container.

Private Equity Acquisitions in Health Care: Trends and Evidence

Oregon Senate Health Care Committee
Informational Hearing
September 27, 2023

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U.S. Private Equity Deal Value and Volume in Health Care



Perceptions of PE among Physicians

Q. Compared to the following forms of ownership in the health care sector, is private equity ownership...

- Practice pressures:
- Aging workforce, preference for salaried employment
- Infrastructure and HIT capital needs
- Admin, regulatory compliance costs
- Contracting practices with dominant insurers and hospitals
- Risk-bearing payments, lower reimbursement

- Independent physician ownership
- Not-for-profit hospital or health system ownership
- For profit hospital or health system ownership
- Other corporate ownership (e.g. Optum, CVS)

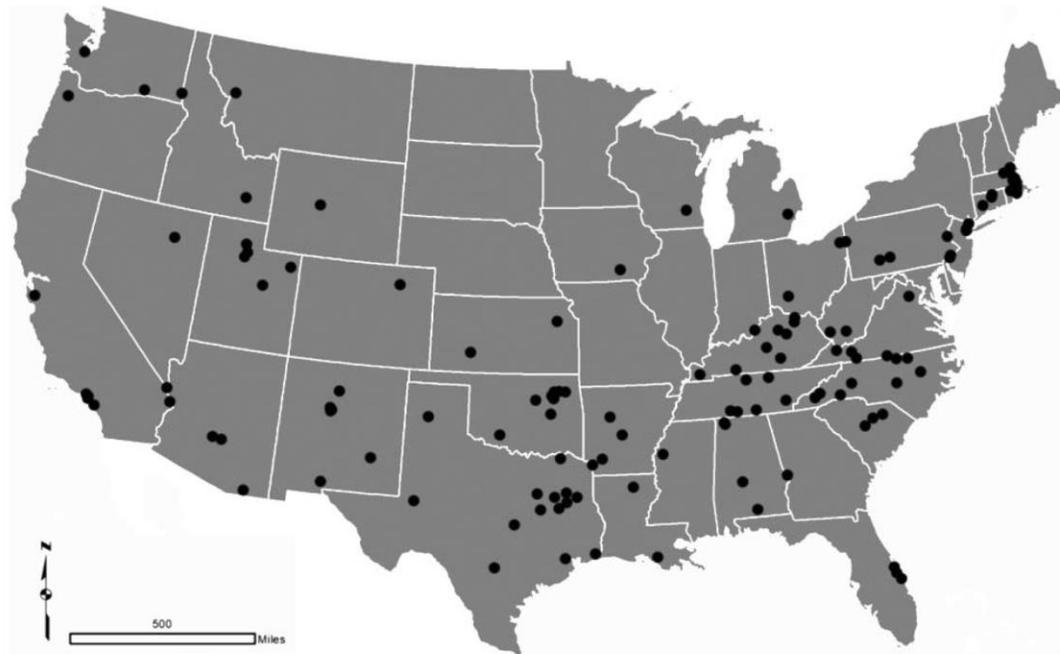


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Geographic Distribution and Penetration

Hospital Acquisitions

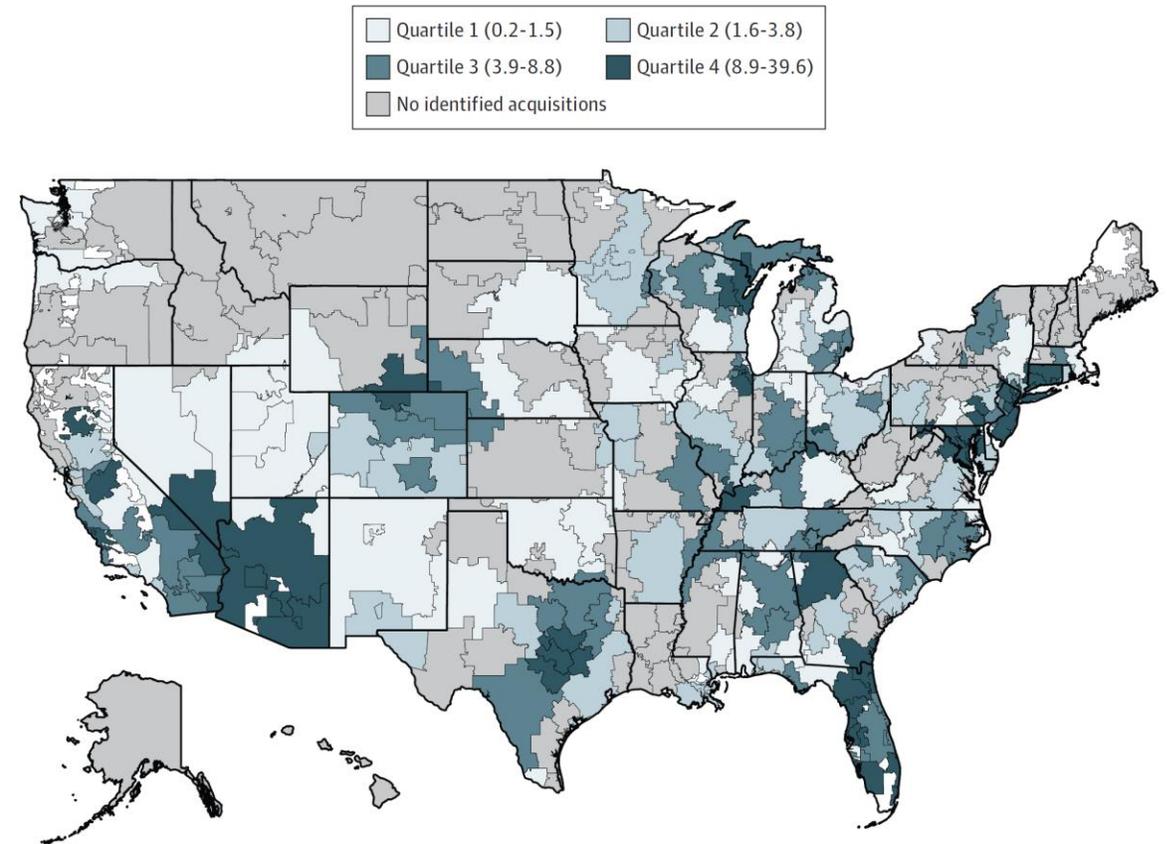
Figure. Locations of private equity-owned hospitals in 2018.



Using Medicare cost reports, the addresses for the 130 private equity-owned hospitals in 2018 were identified. There were no such hospitals located in Hawaii or Alaska.

Physician Practice Acquisitions

Figure 1. Private Equity (PE) Penetration Across 6 Office-Based Specialties by Hospital Referral Region (HRR)



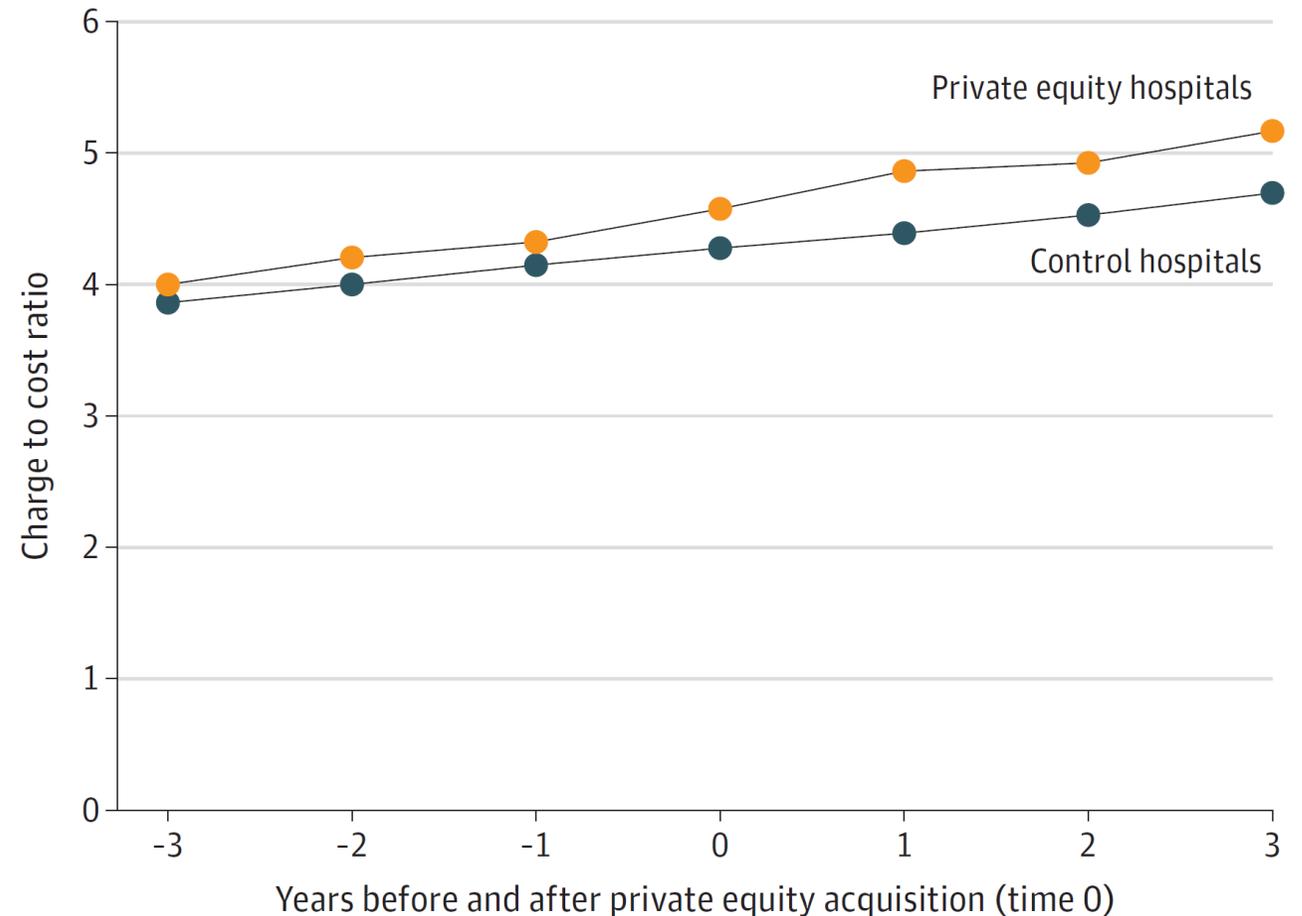
Acquisitions of Hospitals → ↑ Income, Charges, Case Mix, Commercial %

JAMA Internal Medicine

Relative to controls, PE acquisitions increased:

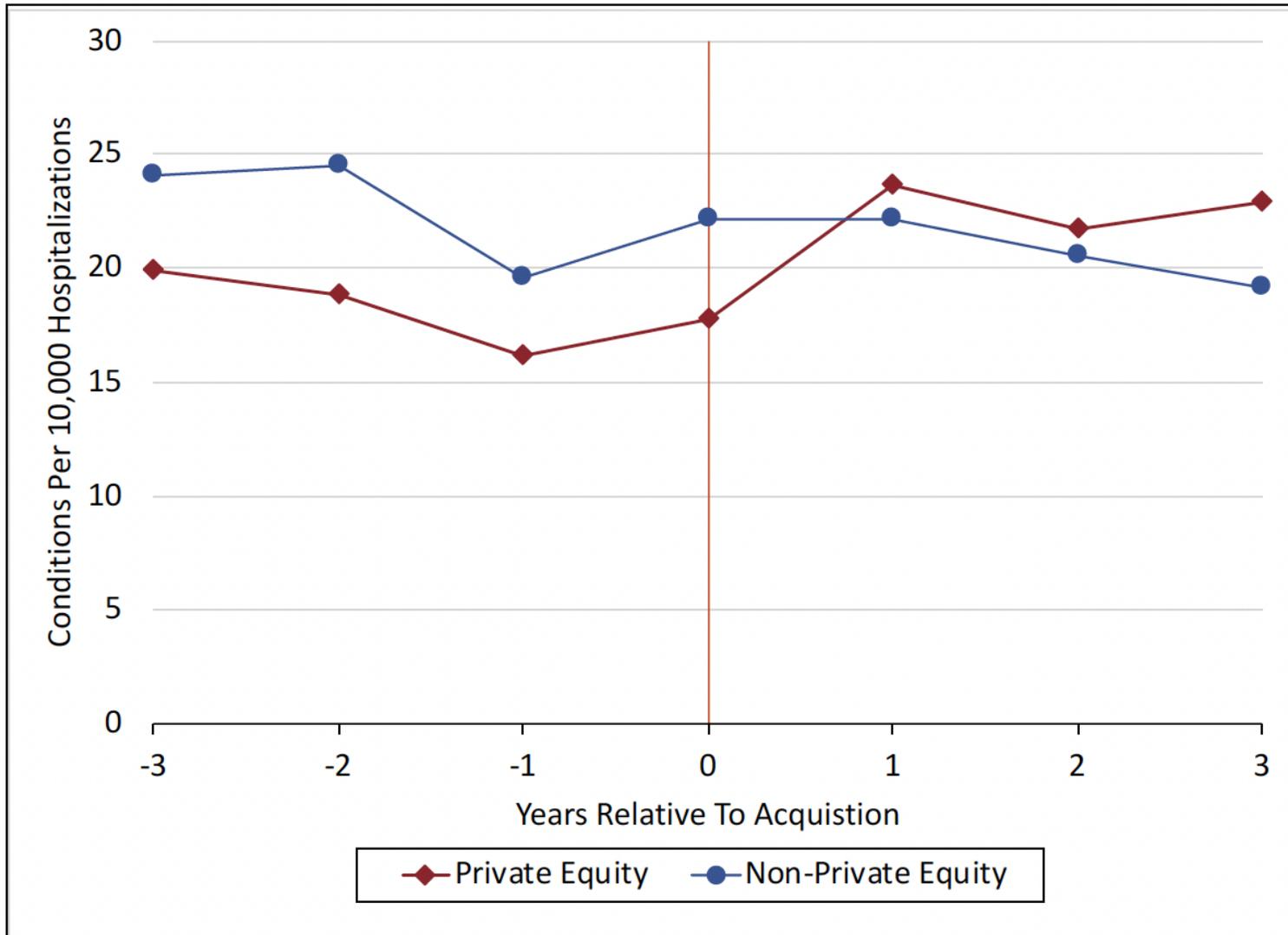
Net income	27%
Charges per day	7%
Charge/cost ratio	7%
Charge/cost ratio (ED)	16%
Case mix	1.4%
Medicare %	-2.4%

Figure. Total Charge to Cost Ratios Before and After Private Equity Acquisition



Acquisitions of Hospitals → ↑ Hospital Complications

CMS Hospital-Acquired Conditions (HACs) – Composite

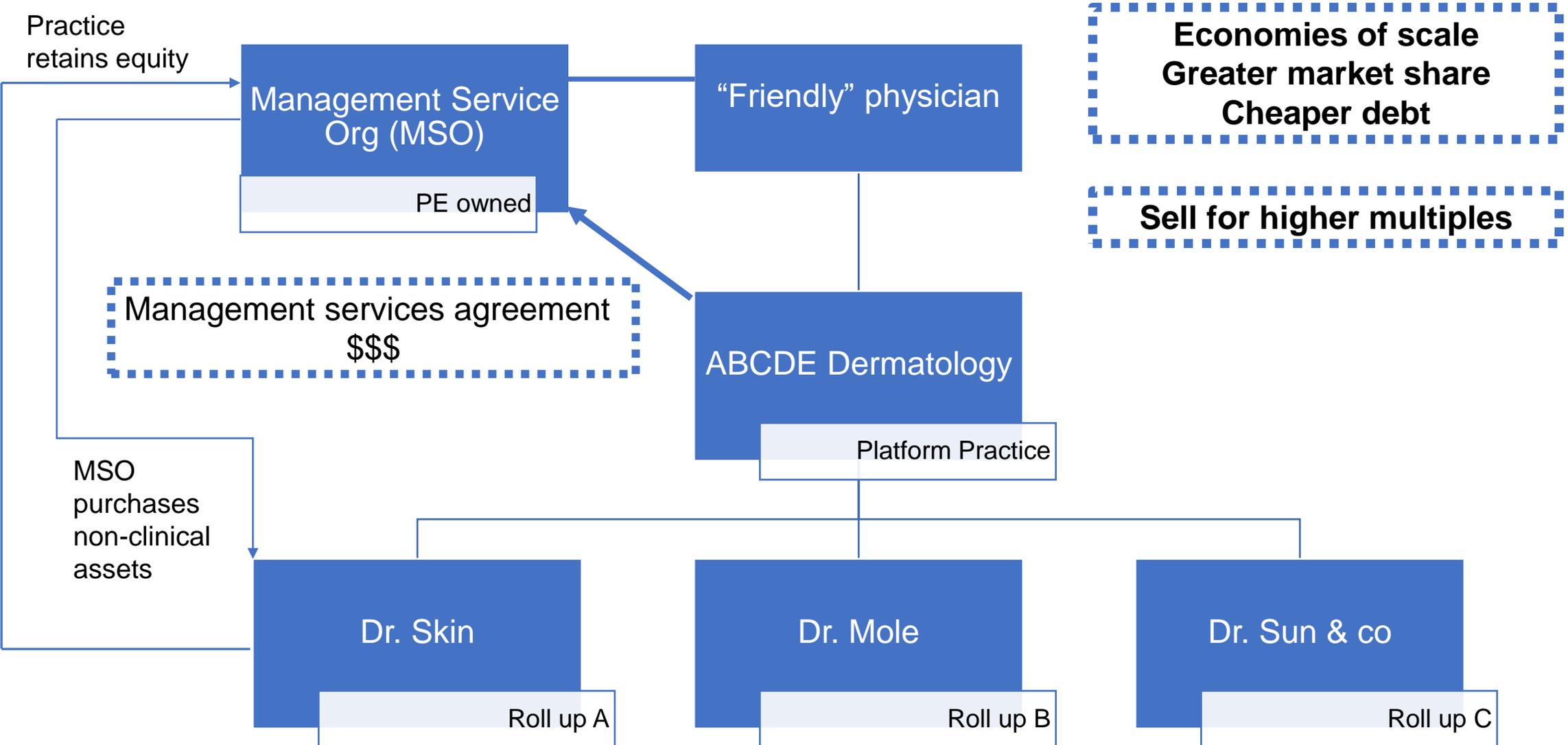


Relative to control, PE acquisitions increased:

Composite HACs	25%
Falls	27%
Central line infections	38%
(Despite 16% fewer central lines)	

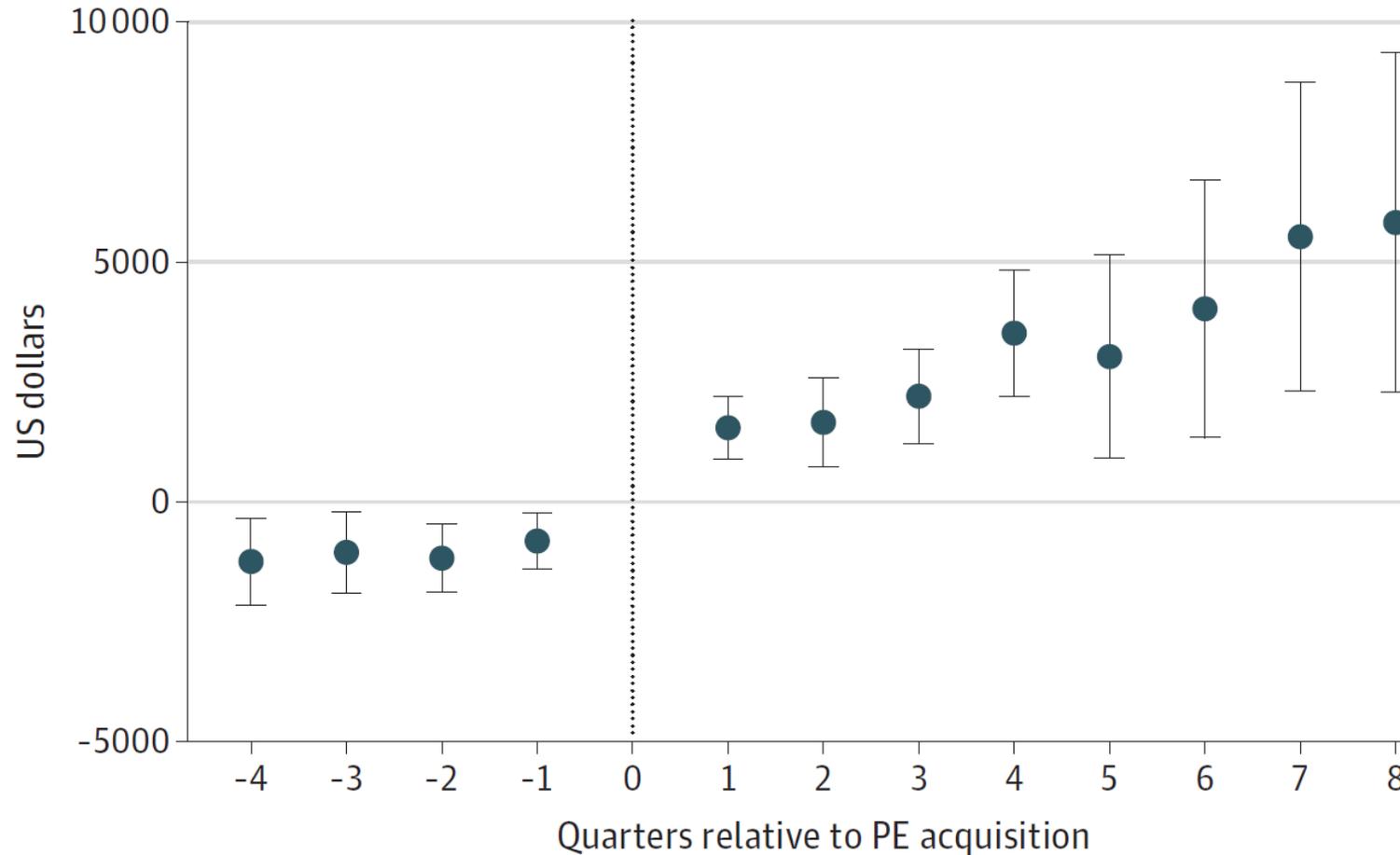
Surgical site infections doubled at PE hospitals, while declining at controls. (Despite 8% fewer surgeries performed)

Empire Building by Roll-Up



Acquisitions of MD Practices → ↑ Spending, Charges, Prices, Volume

Figure 1. Changes in Total Spending per Practice Associated With Private Equity Acquisition, by Quarter



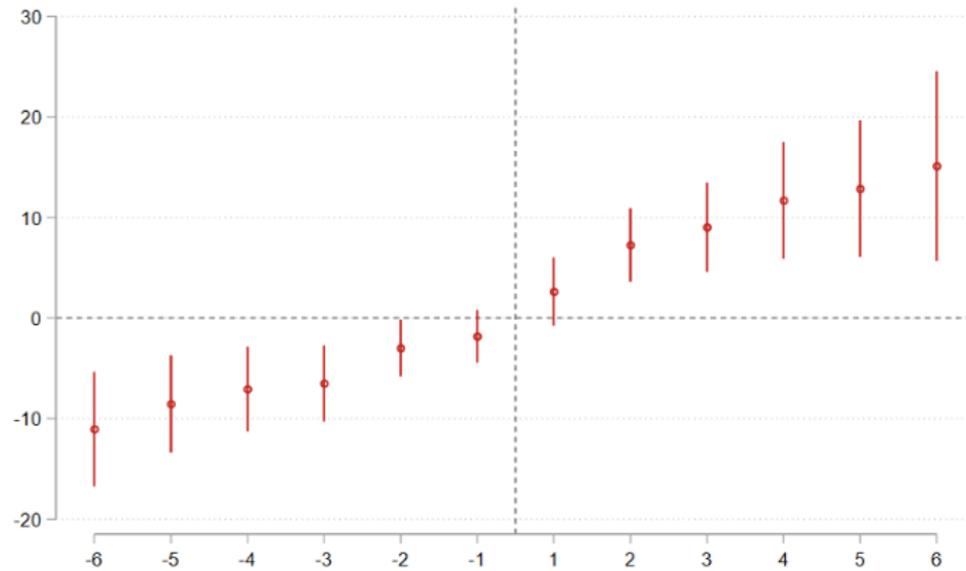
JAMA Health Forum™

Relative to controls, PE acquisitions increased:

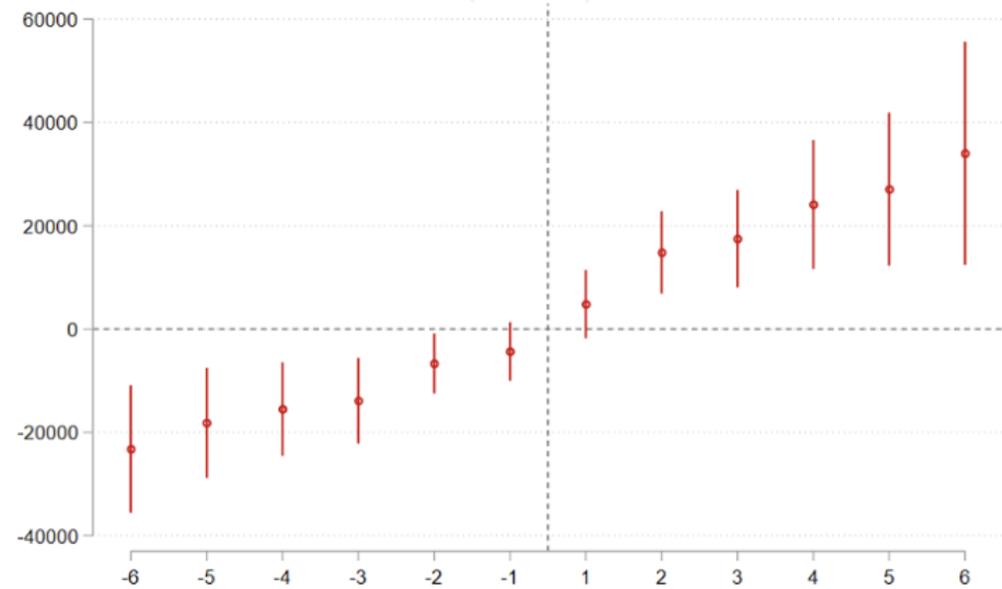
Charges	20%
Prices	11%
Aggregate volume	16%
Unique patients	26%
New patient visits	38%
Long (>30 min) visits	9%

Additional Evidence on Private Equity Acquisitions: Ophthalmology

(c) Utilization - Aflibercept



(d) Total spending - Aflibercept

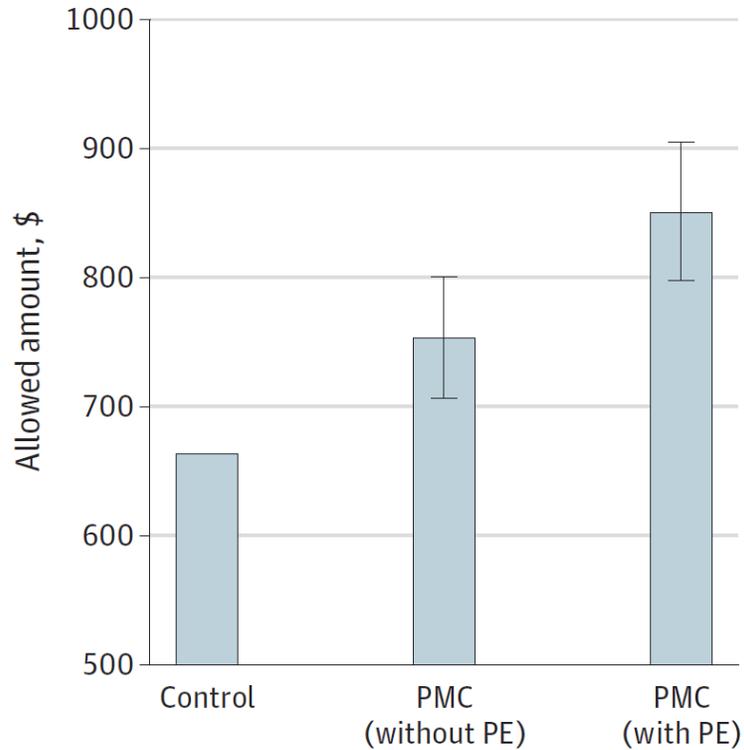


Relative to controls, PE acquisitions increased spending on high-priced injectable aflibercept by 21% → annual increases of \$250,000 per practice

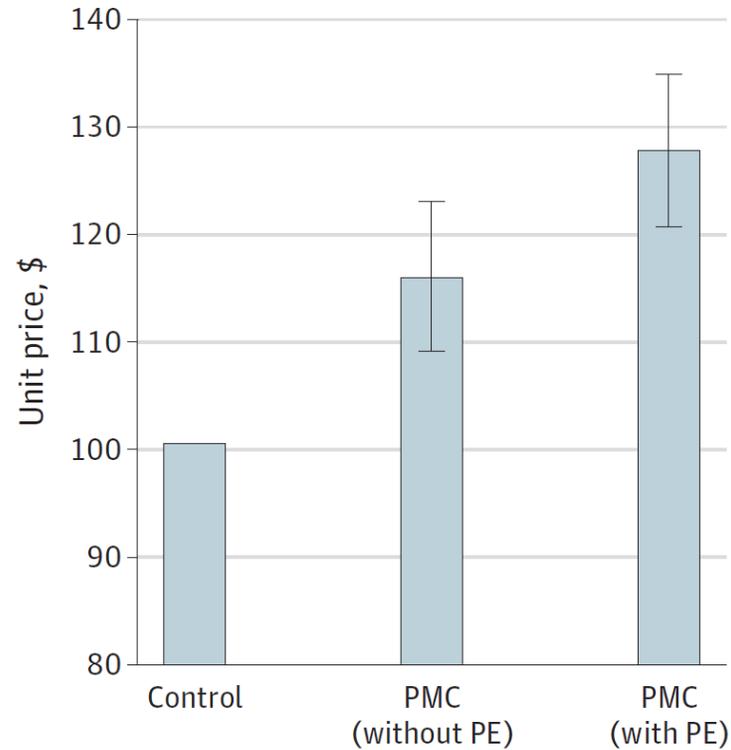
Additional Evidence on Private Equity Acquisitions: Anesthesia

Figure 2. Adjusted Differential Changes in Outcomes Associated With Physician Management Company (PMC) Contract With and Without Private Equity (PE) Investment

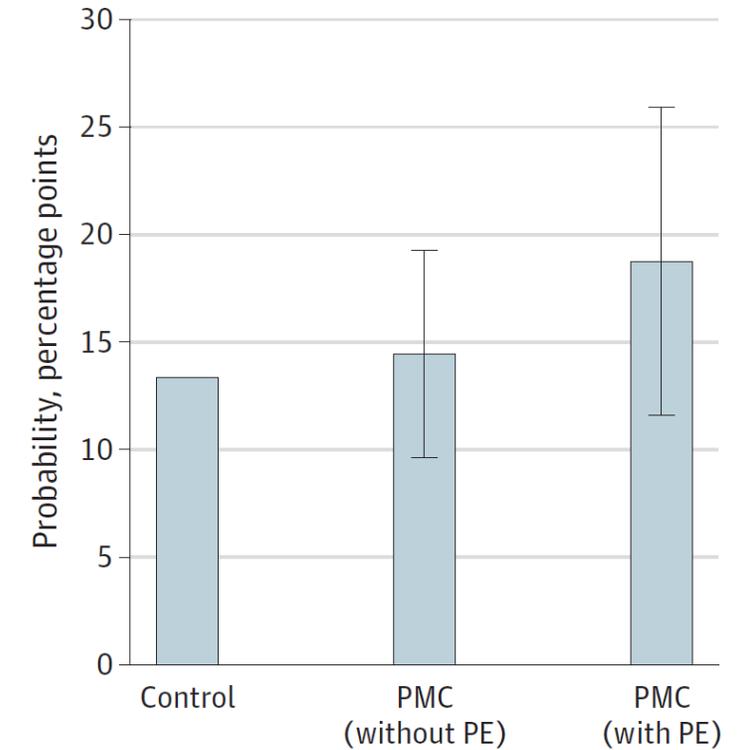
A Allowed amount



B Unit price



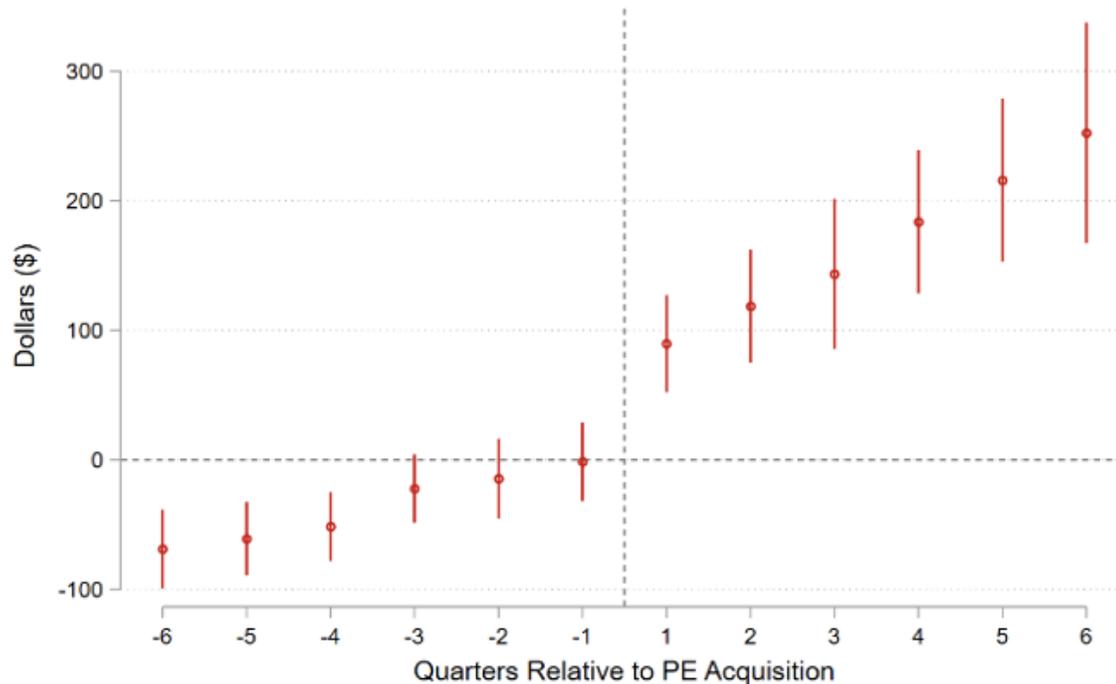
C Probability that practitioner is OON



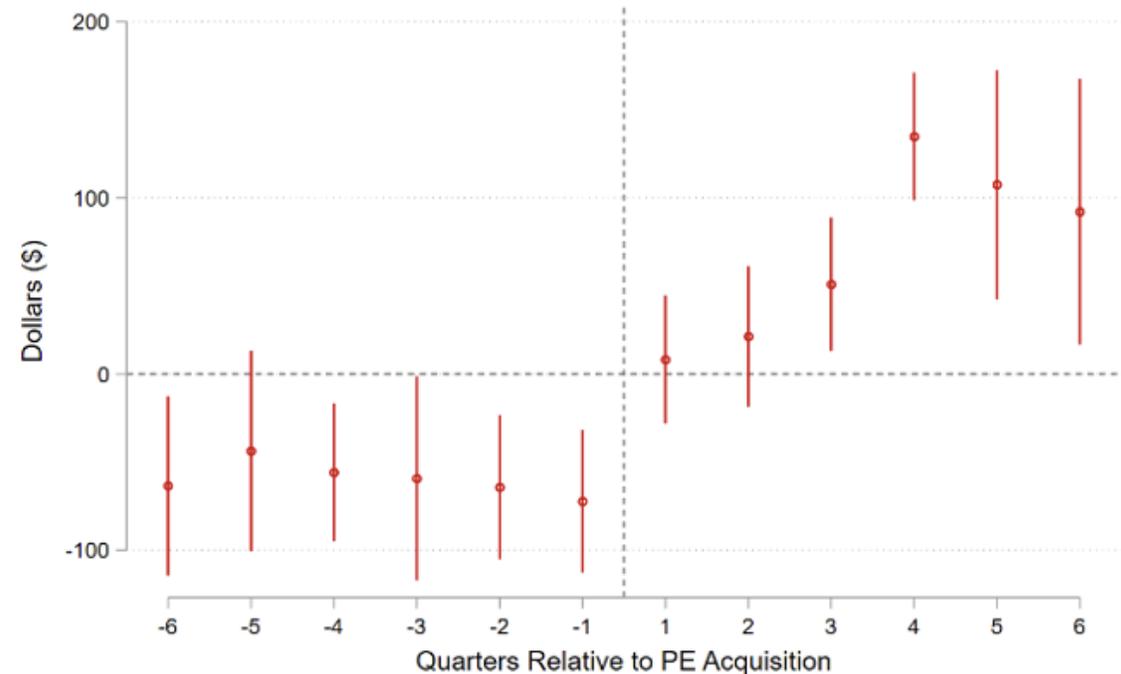
Additional Evidence: Comparisons to HOPD

Relative to HOPDs, PE-acquired GI practices increased spending on common services by 31%, driven by increases to professional fees

(a) Physician professional fees per claim



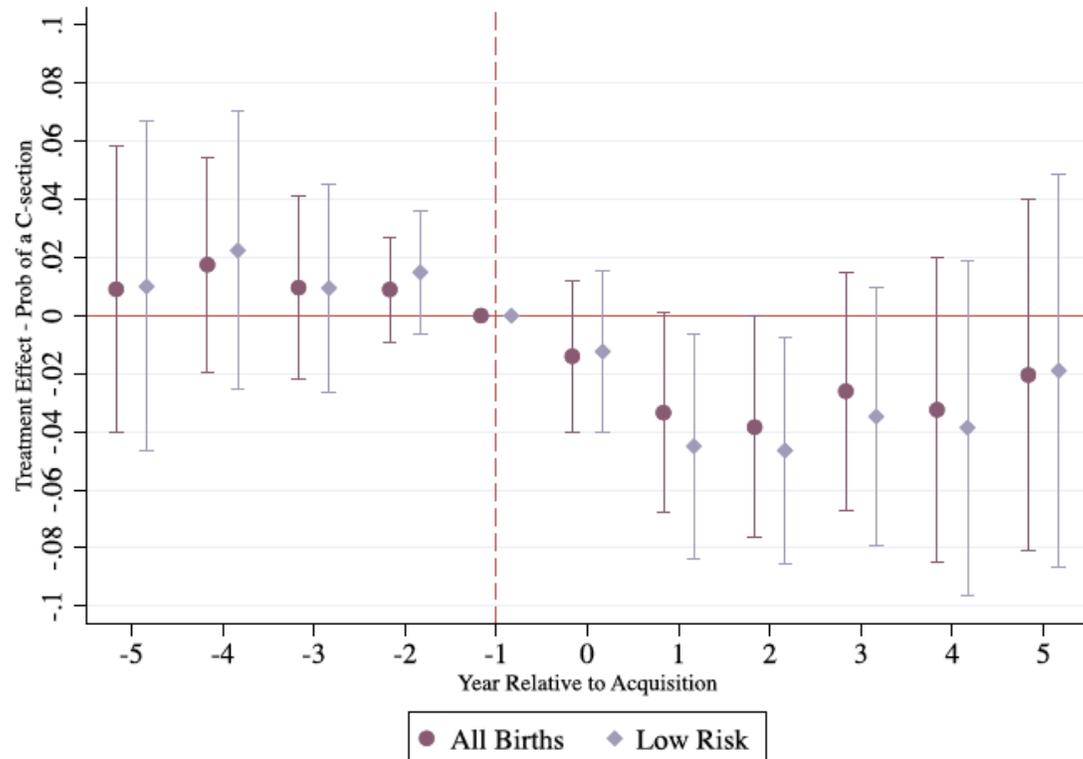
(b) Facility fees per claim



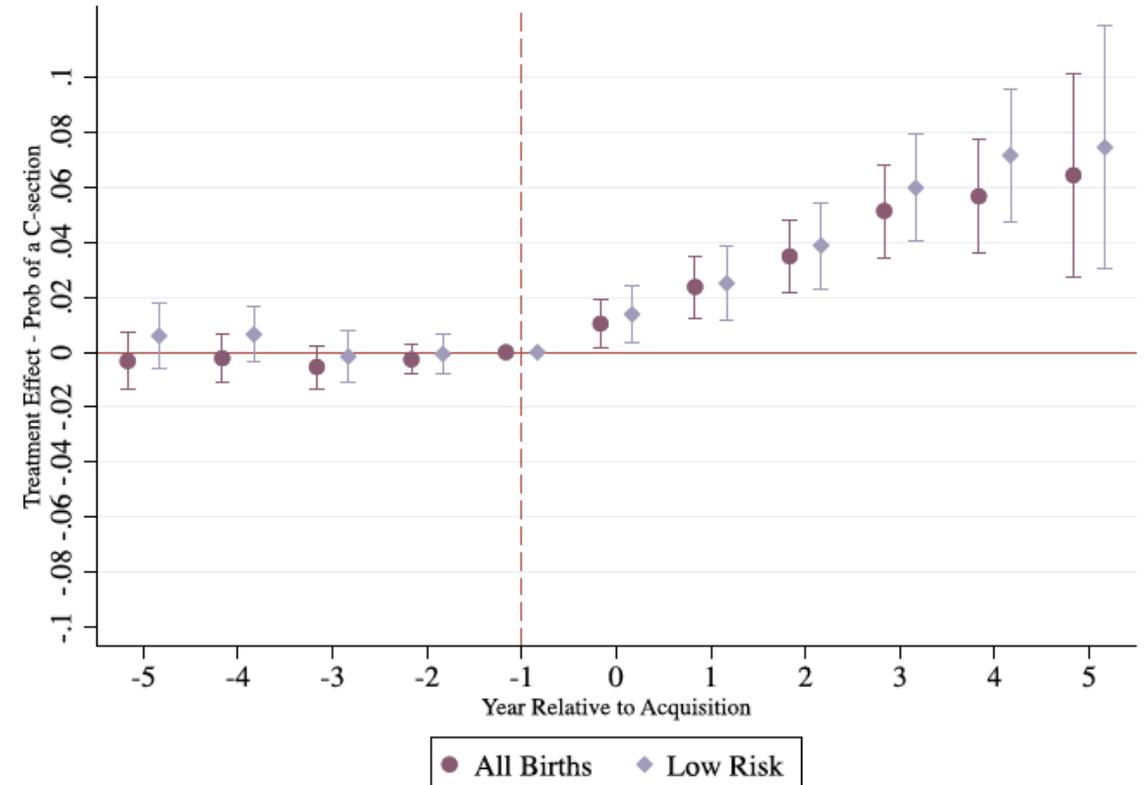
Role of Management Priorities

Probability of low-risk C-sections decrease by 22.3% in PPMC focused on clinical quality, and increase by 11.2% in PPMC focused on financial management

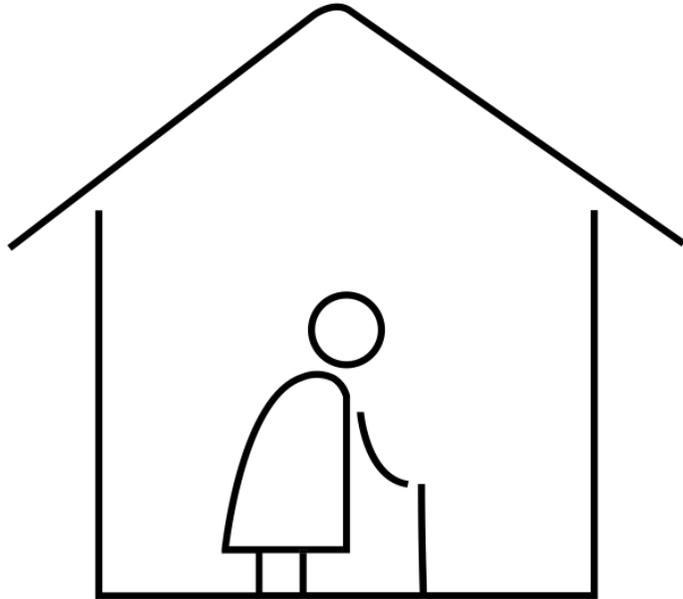
PPMC focused on clinical quality



PPMC focused on financial management



Effects on Clinician Workforce

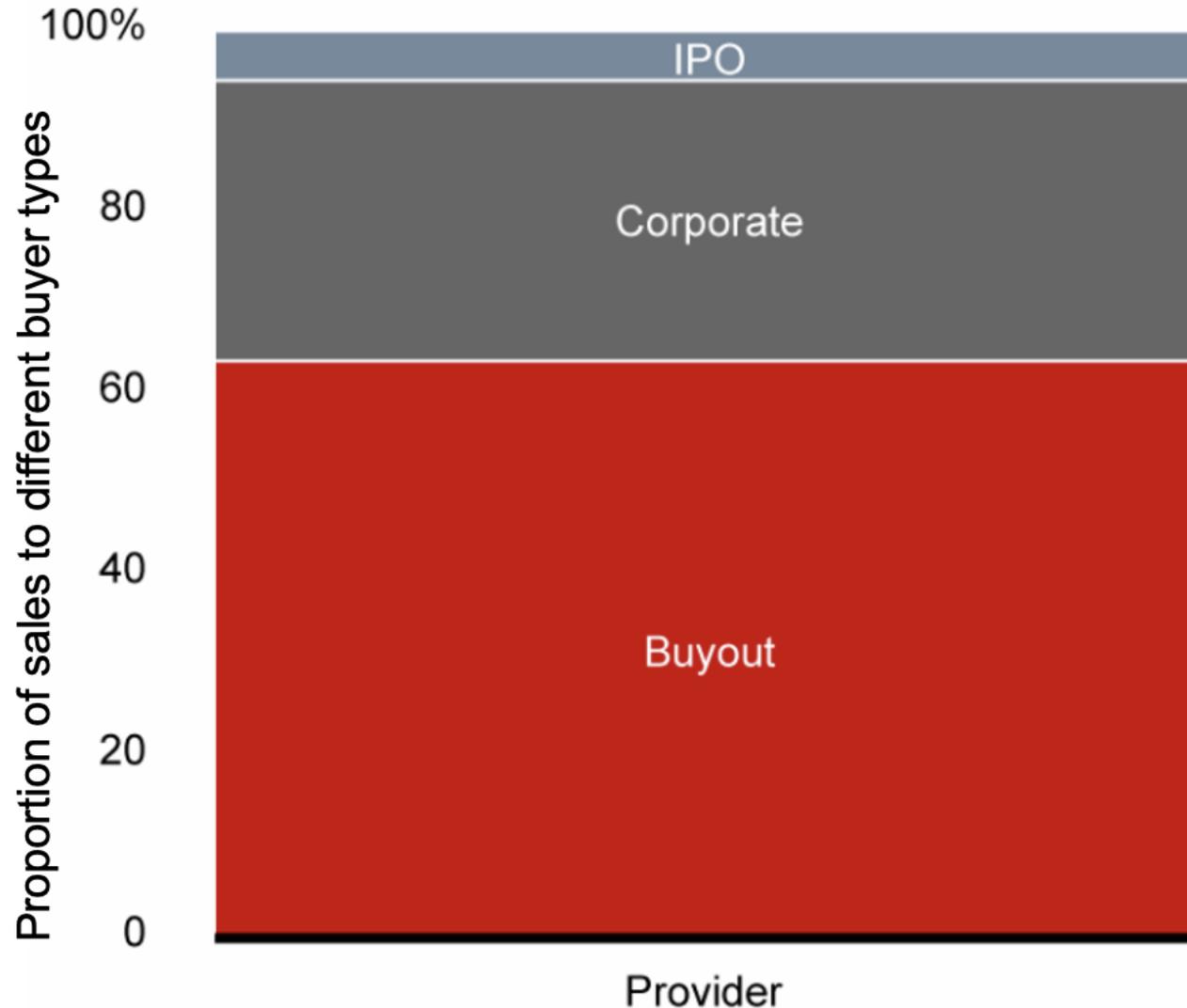


PE acquisition of nursing homes is associated with a 3% **reduction in LPN and CNA caregiving** hours and a 10% **increase in RN hours**



PE acquisition of medical practices is associated with a **yearly increase in advanced practice providers** per practice site and **higher probability of entry (15 p.p.) and exit (7 p.p.)** by physicians

“All Roads Lead to Optum”



~65% of sold to other PE firms

~20% sold to corporate entities
(e.g., Optum, CVS, Amazon)

~5-10% go public

Policy Levers

Potential harm	Policy lever
Lack of transparency on PE activity	Mandate ownership and management disclosures
Increased consolidation, anti-competitive activity	Increase antitrust scrutiny – lower the Hart-Scott-Rodino reporting threshold or enforce over cumulative transactions
Profit maximization leading to waste, fraud, or abuse	Legislate against specific market failures (e.g., surprise billing) Increase fraud and abuse enforcement (Stark law, Anti-kickback statute, False Claims Act) Reduce PE’s “carried interest” loophole
Influences on clinical autonomy	Strengthen CPOM laws

Key Takeaways

Private equity is an accelerant of broader consolidation and corporatization in the U.S. health system

While there are notable benefits of PE investment, the PE model (high returns, debt-financing, short holding periods) introduces powerful financial incentives

Empirical evidence suggests 1) increased spending and prices; 2) no clear benefits for quality (and in some cases, worse quality); 3) potential impact on clinician workforce