Stronger Together

525 NE OREGON ST.
PORTLAND, OR 97232

March 20, 2025

To: The Oregon House Committee on Commerce and Consumer Protection

Fr: Matt Swanson, SEIU Oregon State Council

Re: HB 3234

My name is Matt Swanson and I am here today on behalf of the Service Employees International Union (SEIU), which represents 85,000 members across Oregon. Our mission as a union is to achieve a higher standard of living for our members, their families, and dependents by elevating their livelihoods and striving to create a more just society.

Like many Oregonians, our members struggle to access affordable, high-quality healthcare. Because of this, we have been closely tracking the impact of profit-driven investments in the healthcare industry by private equity, investment firms, and other corporate structures. We have deep concerns about what we are seeing.

Research demonstrates that the profit-driven model inherent in private equity investment strategies can compromise patient care. A recent study published in the *Journal of the American Medical Association* cautioned that because private equity firms typically expect annual returns exceeding 20%, "these financial incentives may conflict with the need for longer-term investments in practice stability, physician recruitment, quality, and safety."[1] A meta-analysis of two decades' worth of research reinforces these concerns, finding that private equity ownership generally results in higher costs and negative impacts on patient care.[2]

Oregon has not been spared from these consequences. Take, for example, McKenzie-Willamette Medical Center (MWMC). In the 2010s, MWMC was one of the most profitable hospitals in the state. Nearly every year of that decade, MWMC saw extremely healthy, double-digit operating margins. From 2016-2018, MWMC realized the highest operating margins in the entire state—reaching 33.6% at their peak. However, by 2023, both its operating and total margins had turned negative (-1%).[3]

Our investigation into this drastic shift points squarely to a dramatic increase in corporate management fees that coincided with the year (2020) that the hospital's owner, Quorum Health, ceased being a publicly traded company, filed for bankruptcy, and became a private entity owned by Quincy Health—an organization with significant ties to private investment

[1] Zhu, Jane, Lynn Hua and Daniel Polsky. "Private Equity Acquisitions of Physician Medical Groups Across Specialties, 2013-2016." JAMA, Feb 2018.
[2] PE ownership worsens quality, raises costs, according to BMJ review | Healthcare Dive
[3] Oregon Health Authority Audited Financial Data (FR-3).

firms.[4]

The hospital's financial viability was literally drained away by a 300% increase in corporate management fees. In 2018, MWMC paid $2.3 million to its corporate parent[5]; by 2023, that number had skyrocketed to $9.2 million.[6] If not for these excessive corporate management fees, MWMC would have remained profitable.

Now, another Oregon hospital—Bay Area Hospital—is considering an affiliation with the same profit-driven entity. How will their finances and patient care be impacted? Given what we have seen at MWMC, the warning signs are clear.

Additionally, we are seeing similar concerning trends with Optum in Corvallis and Eugene. Optum, a subsidiary of UnitedHealth Group, has been acquiring medical practices and clinics in Oregon, raising concerns about the prioritization of profits over patient care. Both Optum and United Health have been plagued by lawsuits and allegations of engaging in anti-competitive behavior, denying necessary patient care, and violating labor law. For example:

- Emanate Health, a nonprofit group of hospitals and physicians in CA, filed suit against Optum late last year accusing them of trying to eliminate Emanate from the local primary care market and to monopolize the market through unlawful and anti-competitive means.
- An independent pharmacy is sued United Health's OptumRx over "allegedly strong-arming pharmacies into agreeing to 'unconscionable' performance-based fees, threatening their financial health."
- STAT ran a series of investigative articles that found United Health, "pressured its medical staff to cut off payments for seriously ill patients in lockstep with a computer algorithm's calculations, denying rehabilitation care for older and disabled Americans as profits soared."
- Employees sued UnitedHealth over allegedly violating labor laws during layoffs.

These lawsuits and allegations were all documented *before* Optum purchased the Corvallis Clinic. Oregon's lawmakers must examine the impact of these corporate takeovers on our healthcare system before more communities face diminished healthcare services.

To address these concerns, we support authorizing the Attorney General (AG) to investigate when business practices unfairly impact the delivery of healthcare to consumers. The AG must have enforcement authority through civil action to protect Oregonians from these unfair and harmful practices. We appreciate Representative Nathanson's leadership in shedding light on this issue, and we urge the legislature to take action to ensure greater transparency and accountability in profit-driven organizations' involvement in healthcare. Oregon must protect its patients, workers, and communities from financial practices that put profits before people.

Thank you for your time and consideration.

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[4] https://www.wsj.com/articles/kkr-davidson-kempner-poised-to-acquire-quorum-health-under-chapter-11-plan-11587149230

[5] McKenzie Willamette Medical Center Audited Financial Statement FY 2018

[6] McKenzie Willamette Medical Center Audited Financial Statement FY 2023