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DEATH SPIRAL: PRIVATE EQUITY OWNERSHIP OF HEALTH CARE

BACKGROUNDER

Private equity (PE) companies are investment management firms that raise money from investors to buy stakes in private companies. Once they acquire a company, their business model is to cut costs and make other changes, and then sell the company in a few years for as much profit as possible. PE is a huge industry, "worth nearly $5 trillion in the U.S."[1]

In the mid-2000s, PE firms began setting their sights on health care companies, buying physician practices, clinics, hospitals, nursing homes, hospices, and other health care facilities.[2] The consequences have been devastating. As one U.S. senator recently described it, "From facility closures to compromised care, it's now a familiar story: private equity buys out a hospital, saddles it with debt, and then reduces operating costs by cutting services and staff – all while investors pocket millions. Before the dust settles, the private equity firm sells and leaves town, leaving communities to pick up the pieces."[3]

Is PE ownership of health care growing?

Yes. In 2012, 816 physician practices were PE-owned. By 2021, that number had grown to 5,779.[4] As for hospitals,[5] nearly 460, representing 8% of all private and 22% of for-profit hospitals, were PE-owned as of February 2024.[6] While there has been clear growth, some recent bankruptcies may have put the brakes on the speed of PE health care acquisitions, at least for now.[7]

What happens to patient safety during private equity ownership?

Study after study shows that patient safety takes a devastating hit as a result of PE ownership, with steady increases in deaths and injuries. After examining PE-owned health care facilities, a 2025 joint U.S. Justice Department, Federal Trade Commission, and Department of Health and Human Services report found that these problems were due to "excessive focus on generating rapid financial returns and thus irresponsibly lowering costs by reducing quality of care."[8] Overall, physicians reported that PE-operated providers "increased patient volumes and

dangerously reduced time per patient after acquisition" while also requiring "aggressive staffing cuts," "hiring inadequately credentialed staff," and "hiring much cheaper physicians' assistants and nurse practitioners" over doctors.[9] Nursing homes also allow fewer registered nurses.[10]

As New England Medical Association President and Emergency Medicine Physician Ellana Stinson testified before Congress in 2024, "Practicing medicine in many PE led places is no longer about patient safety and quality, but about making medical decisions and judgment due to corporate decision making with profit motives at the expense of patients. Forcing staff to see patients in the waiting room in order to have it appear wait times were being reduced and improving door to doc times, calling codes for sepsis and strokes in order to find innovative ways to make profits. Increasingly daunting metrics required of physicians and other staff to meet were nearly unattainable and unsafe in many instances, but very much expected."[11]

What are some specific examples of patient harm caused by PE ownership?

Autism Care. "Recent studies of private equity acquisitions of autism care programs show significant declines in staffing and increases in the use of 'cookie cutter' care, rather than customizing care to individual patients' need."[12]

Esophagectomies. "Esophagectomy outcomes trended in the wrong direction at hospitals owned by private-equity companies, a review of more than 9,000 cases showed. Statistically significant differences existed for 30-day mortality, any complication, serious complications, and failure to rescue, all favoring non-equity hospitals."[13]

Falls. Patient falls increased by 27.3% in PE-owned hospitals.[14]

Infections. "In the three years after a private equity fund bought a hospital, adverse events including surgical infections and bed sores rose by 25 percent among Medicare patients when compared with similar hospitals that were not bought by such investors."[15] Central intravenous line infections, which should never happen, rose by 37.7%.[16] In addition, "surgical site infections doubled after acquisition (10.8 to 21.6 per 10,000 hospitalizations), whereas they dropped at non-acquired hospitals over the same span (17.5 to 12.6 per 10,000 hospitalizations). …This was 'particularly alarming because the number of surgical site infections increased even as private equity hospitals performed 8% fewer surgical procedures after acquisition.'"[17]

Nursing Homes. "Short-term mortality rose 10%, implying 20,150 lives lost due to PE ownership over [a] twelve-year sample period. This is accompanied by declines in other measures of patient well-being, such as lower mobility, while taxpayer spending per patient episode increases by 11%."[18]

What are some specific concerns expressed by emergency medicine doctors?

In 2024 letters to several PE firms, U.S. Senator Gary Peters (D-MI) noted,

> My staff have spoken with over 40 emergency medicine physicians across the country who have raised substantial concerns regarding patient safety, patient care, emergency department staffing, the corporate practice of medicine, restrictive contracting practices, physician clinical independence, unlawful retaliatory actions, improper billing, and anticompetitive practices at private equity-owned hospitals and private equity-owned contract management groups (commonly known as staffing companies). I am concerned by the risks these physicians have raised and their potential impact on patients and families….[19]

According to an American College of Emergency Physicians survey, PE-owned facilities have created "'pressure to take shortcuts [and] give inappropriate and potentially harmful care' to meet profit-driven metrics," "patients 'are treated as numbers rather than individuals,'" and "care is no longer patient-centered but 'metric-centered.'"[20]

Dr. Robert McNamara, chief medical officer of the American Academy of Emergency Medicine and a co-founder of Take Medicine Back, "a group formed to reclaim medicine from corporate interests," told one publication, "'[A]t its simplest, the private equity model is wealth extraction.' Private equity…pressure physicians to see more patients in less time, cut staff, and replace physicians with less costly non-physicians, he noted, in addition to raising costs for patients. …'Doctors swore an oath to put the patient first. Private equity doesn't do that.'"[21]

Can PE ownership harm communities?

Yes. Studies show that PE ownership can result in "underinvestment in critical hospital infrastructure" and lead to "complete hospital closures," hitting underserved and rural communities the hardest.[22] The recent bankruptcy of Steward Health Care is a good example.

Steward was formed in 2010 after PE firm Cerberus Capital Management "bought six Catholic hospitals" and converted them into a for-profit system, Steward Health Care. Steward eventually owned "more than 30 hospitals across Arizona, Arkansas, Florida, Louisiana, Massachusetts, Ohio, Pennsylvania, and Texas."[23] Even though millions were paid to investors and executives, Steward was financially unstable. Patient safety problems mounted. As one publication described it, at Steward facilities,

> Patients increasingly languished in emergency rooms; many left without receiving care; and mortality rates for common conditions climbed sharply. (Steward has argued that its death rates were better than expected, given the underlying health status of the patients it cared for.) A hospital in Florida developed a bat infestation, and another, in Texas, was cited for placing potentially suicidal patients in rooms with materials with which they could hang themselves.[24]

Incredibly, to try to get itself out of its financial hole, "Steward started selling the land on which the hospitals stood."[25] But even that was not enough. In May 2024, it filed for bankruptcy.

While most Steward hospitals found new owners, "two hospitals didn't survive: Carney Hospital, which served Boston's low-income, majority Black and Hispanic southern neighborhoods, and

Nashoba Valley Medical Center, which served 17 suburban and rural communities across central Massachusetts. Thousands of patients and hundreds of staff have been left to find health care and jobs with new providers farther away."[26]

Does PE ownership save health care costs?

No. In one study that examined changes in spending, utilization, and practice patterns following private equity acquisitions of dermatology, gastroenterology, and ophthalmology physician practices from 2016 to 2020, researchers found increases in patient volume that "may reflect overutilization of profitable services and/or unnecessary or low-value care, which could raise health care spending without commensurate patient benefits."[27] Or as another recent study put it, "[E]vidence…points to PE acquisitions inducing demand through increased patient volumes and increases in unnecessary tests and procedures."[28]

How do patients feel about PE ownership?

Apparently patients dislike their PE-owned health care experience more than they disliked the COVID pandemic. According to one study, "[D]ifference in overall measures of patient care experience between hospitals acquired by private equity and control hospitals grew each subsequent year after acquisition, a change that reached 5 percentage points by year 3. 'It's quite striking that after private equity takes over a hospital, overall patient care experience scores worsen more than they did nationally during the COVID-19 pandemic,'" said one of the researchers.[29]

Are PE firms taking away the legal rights of harmed patients?

Yes, through their use of forced arbitration clauses. Forced arbitration clauses – hidden in the fine print of contracts and written in incomprehensible legalese – prohibit harmed individuals from suing wrongdoers in court. Instead, they must resolve their disputes in a secretive, rigged, private system. The ethical problems raised by forced arbitration in health care, requiring a patient to sign away their legal rights in order to get medical help, seem glaring. In fact, in 1998, the American Arbitration Association (AAA), the American Medical Association (AMA), and the American Bar Association (ABA) issued a strong policy statement opposing forced arbitration in medical malpractice cases.[30] This was reiterated by the AAA in 2003.[31] Nonetheless, forced arbitration is starting to spread in PE-owned facilities. In fact, the possible availability of forced arbitration in malpractice cases may itself be leading to the private equity takeover of health care. As *Businessweek* reported in 2020, forced arbitration may have "helped enable a trend that has very little to do with patients' well-being: the rise of private equity in medicine."[32] Avoiding jury verdicts is part of the motivation. But also, "arbitration is almost always conducted in private, which means that big brands can avoid the negative publicity that comes with a lawsuit."[33]

NOTES

[1] Maya Brownstein, "Private equity's appetite for hospitals may put patients at risk," Harvard Chan School of Public Health, December 16, 2024, https://hsph.harvard.edu/news/private-equitys-appetite-for-hospitals-may-put-patients-at-risk
[2] Ibid.
[3] Office of U.S. Senator Chuck Grassley, "Senate Budget Committee Digs into Impact of Private Equity Ownership in America's Hospitals," December 6, 2023, https://www.grassley.senate.gov/news/news-releases/senate-budget-committee-digs-into-impact-of-private-equity-ownership-in-americas-hospitals
[4] Maya Brownstein, "Private equity's appetite for hospitals may put patients at risk," Harvard Chan School of Public Health, December 16, 2024, https://hsph.harvard.edu/news/private-equitys-appetite-for-hospitals-may-put-patients-at-risk
[5] This includes "non-specialty acute care hospitals, rehabilitation hospitals, psychiatric facilities, and long-term acute care facilities." Ibid.
[6] Ibid.
[7] "A string of private-equity investments in physician practices have soured in recent years, with portfolio companies like KKR's Envision Healthcare filing for bankruptcy and others turning to their owners for rescue capital. And the recent bankruptcies of privately owned hospital chains Steward Health Care and Prospect Medical Holdings have fueled doubts among lawmakers and regulators about the buyout industry's role in U.S. healthcare." Soma Biswas, "Private Equity's Grand Ambitions for U.S. Healthcare Hit Bumpy Stretch," *Wall Street Journal Pro Bankruptcy*, January 21, 2025, https://www.wsj.com/articles/private-equitys-grand-ambitions-for-u-s-healthcare-hit-bumpy-stretch-09c39e04
[8] U.S. Department of Health and Human Services, *HHS Consolidation in Health Care Markets RFI Response*, January 15, 2025, https://www.hhs.gov/sites/default/files/hhs-consolidation-health-care-markets-rfi-response-report.pdf
[9] Ibid.
[10] Ibid.
[11] Testimony of New England Medical Association President and Emergency Medicine Physician Ellana Stinson before U.S. Senate Health, Education, Labor, and Pensions Subcommittee, Hearing on "When Health Care Becomes Wealth Care: How Corporate Greed Puts Patient Care and Health Workers at Risk," April 3, 2024, https://www.help.senate.gov/imo/media/doc/0758d69f-e26d-35a0-da6a-de806d3f5f1c/Stinson%20Testimony.pdf
[12] Testimony of Former Centers for Medicare and Medicaid Services Administrator and Institute for Healthcare Improvement President Emeritus and Senior Fellow Donald M. Berwick before U.S. Senate Health, Education, Labor, and Pensions Subcommittee, Hearing on "When Health Care Becomes Wealth Care: How Corporate Greed Puts Patient Care and Health Workers at Risk," April 3, 2024, https://www.help.senate.gov/imo/media/doc/0758d69f-e26d-35a0-da6a-de806d3f5f1c/Berwick%20Testimony.pdf
[13] Charles Bankhead, "Worse Outcomes After Esophagectomy at Private Equity-Owned Hospitals – Structural elements of private equity ownership linked to higher mortality, complication rates," *MedPage Today*, January 2, 2025, https://www.medpagetoday.com/hematologyoncology/othercancers/113623, discussing Jonathan E. Williams et al., "Esophagectomy Trends and Postoperative Outcomes at Private Equity-Acquired Health Centers," *JAMA Surgery*, January 2, 2025, https://jamanetwork.com/journals/jamasurgery/article-abstract/2828533
[14] Testimony of Former Centers for Medicare and Medicaid Services Administrator and Institute for Healthcare Improvement President Emeritus and Senior Fellow Donald M. Berwick before U.S. Senate Health, Education, Labor, and Pensions Subcommittee, Hearing on "When Health Care Becomes Wealth Care: How Corporate Greed Puts Patient Care and Health Workers at Risk," April 3, 2024, https://www.help.senate.gov/imo/media/doc/0758d69f-e26d-35a0-da6a-de806d3f5f1c/Berwick%20Testimony.pdf
[15] Reed Abelson and Margot Sanger-Katz, "Serious Medical Errors Rose After Private Equity Firms Bought Hospitals," *New York Times*, December 26, 2023, https://www.nytimes.com/2023/12/26/upshot/hospitals-medical-errors.html, discussing Sneha Kannan, Joseph Dov Bruch, and Zirui Song, "Changes in Hospital Adverse Events and Patient Outcomes Associated With Private Equity Acquisition," *JAMA*, December 26, 2023, https://jamanetwork.com/journals/jama/article-abstract/2813379
[16] Testimony of Former Centers for Medicare and Medicaid Services Administrator and Institute for Healthcare Improvement President Emeritus and Senior Fellow Donald M. Berwick before U.S. Senate Health, Education, Labor, and Pensions Subcommittee, Hearing on "When Health Care Becomes Wealth Care: How Corporate Greed

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[17] Crystal Phend, "Hospital Complications Rise After Private Equity Buyout – Medicare data point to additional reason for concern," *MedPage Today*, December 26, 2023, https://www.medpagetoday.com/publichealthpolicy/practicemanagement/108014, discussing Sneha Kannan, Joseph Dov Bruch, and Zirui Song, "Changes in Hospital Adverse Events and Patient Outcomes Associated With Private Equity Acquisition," *JAMA*, December 26, 2023, https://jamanetwork.com/journals/jama/article-abstract/2813379
[18] Atul Gupta et al., "Does Private Equity Investment in Healthcare Benefit Patients? Evidence from Nursing Homes," NBER Working Paper 28474 (February 2021), https://www.nber.org/system/files/working_papers/w28474/w28474.pdf
[19] Letters from U.S. Senator Gary Peters (D-MI), Chairman of Homeland Security and Governmental Affairs Committee, to Apollo Global Management, US Acute Care Solutions, Lifepoint Health, Blackstone, TeamHealth, KKR & Co. Inc., and Envision Regarding Private Equity-Run Emergency Departments and Impact on Patient Care, April 1, 2024, https://www.hsgac.senate.gov/wp-content/uploads/2024.04.01-HSGAC-Chairman-Peters-Letter-to-Apollo-Lifepoint.pdf, https://www.hsgac.senate.gov/wp-content/uploads/2024.04.01-HSGAC-Chairman-Peters-Letter-to-Apollo-USACS.pdf, https://www.hsgac.senate.gov/wp-content/uploads/2024.04.01-HSGAC-Chairman-Peters-Letter-to-Blackstone-TeamHealth.pdf and https://www.hsgac.senate.gov/wp-content/uploads/2024.04.01-HSGAC-Chairman-Peters-Letter-to-KKR-Envision.pdf
[20] U.S. Department of Health and Human Services, *HHS Consolidation in Health Care Markets RFI Response*, January 15, 2025, https://www.hhs.gov/sites/default/files/hhs-consolidation-health-care-markets-rfi-response-report.pdf
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[22] U.S. Senate Budget Committee, *Profits Over Patients: The Harmful Effects of Private Equity on the U.S. Health Care System* (January 2025), https://www.budget.senate.gov/imo/media/doc/profits_over_patients_the_harmful_effects_of_private_equity_on_the_ushealthcaresystem1.pdf
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[24] Ibid.
[25] Ibid.
[26] Maya Brownstein, "Private equity's appetite for hospitals may put patients at risk," Harvard Chan School of Public Health, December 16, 2024, https://hsph.harvard.edu/news/private-equitys-appetite-for-hospitals-may-put-patients-at-risk
[27] Zirui Song et al., "Association of Private Equity Acquisition of Physician Practices With Changes in Health Care Spending and Utilization," *JAMA Health Forum*, September 2, 2022, https://jamanetwork.com/journals/jama-health-forum/fullarticle/2795946
[28] U.S. Department of Health and Human Services, *HHS Consolidation in Health Care Markets RFI Response*, January 15, 2025, https://www.hhs.gov/sites/default/files/hhs-consolidation-health-care-markets-rfi-response-report.pdf
[29] Kristina Fiore, "Patient Care Deteriorates After Private Equity Acquisition of Hospitals," *MedPage Today*, January 10, 2025, https://www.medpagetoday.com/hospitalbasedmedicine/generalhospitalpractice/113713
[30] In the 1998 report titled, *Health Care Due Process Protocol*, the organizations jointly found that any alternative dispute resolution (ADR) process, like arbitration, must abide by due process considerations and must be fundamentally fair. Specifically, they concluded that "[t]he agreement to use ADR should be knowing and voluntary. Consent to use an ADR process should not be a requirement for receiving emergency care or treatment. In disputes involving patients, binding forms of dispute resolution should be used only where the parties agree to do so after a dispute arises." Commission On Health Care Dispute Resolution, *Healthcare Due Process Protocol*, July 27, 1998, https://www.adr.org/sites/default/files/document_repository/Healthcare-Due-Process-Protocol.pdf
[31] *See* "AAA® Healthcare Policy Statement," https://www.adr.org/sites/default/files/document_repository/AAA_Healthcare_Policy_Statement.pdf (viewed January 25, 2025) ("In 2003, the American Arbitration Association® ('AAA') announced that it would not administer healthcare arbitrations between individual patients and healthcare service providers that relate to medical services, such as negligence and medical malpractice disputes, unless all parties agreed to submit the matter to arbitration *after the dispute arose* [emphasis added].")

[32] Heather Perlberg, "The Doctor Will See You Once You Sign This Binding Arbitration Agreement," *Businessweek*, December 28, 2020, https://www.bloomberg.com/news/features/2020-12-28/the-doctor-will-see-you-once-you-sign-this-binding-arbitration-agreement
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