

## Center for Advancing Health Policy through Research (CAHPR)

### Private Equity Research Highlights

#### *Research Highlights*

PE funds grow physician practices through aggressive consolidation, exiting investments by selling to other PE funds in 3 years: Over half (51.6%) of PE-acquired physician practices underwent an exit within 3 years after initial PE investment. PE funds predominantly exited investments by reselling physician practices to other PE funds. Between investment and exit, PE funds undertake a rapid pace of add-on consolidation, increasing the number of physician practices under PE ownership by 595% in 3 years.

Private equity acquisition of physician practices changes workforce composition: PE acquisitions may reduce clinician autonomy with implications for job satisfaction and retention. We found higher physician turnover at PE-acquired practices and a preference for advanced practice providers for care delivery. This work underscores the importance of monitoring the labor market implications of the growing corporatization of medicine.

Private equity acquisition of physician practices has led to higher prices: This study examined the effect of PE acquisitions on health care prices and service utilization in three specialties with the largest number of PE acquisitions between 2016-2020: dermatology, gastroenterology, and ophthalmology. We found that PE-acquired practices increase prices paid by commercial payers by 11% and chargemaster prices by 20%. Acquisitions also lead to increases in both the care intensity among established patients and the recruitment of new patients to the practice.

Private equity acquisition of retina practices increases Medicare spending: PE acquisitions of retina practices increase Medicare use of and spending on expensive injectable drugs such as anti-vascular endothelial growth factor (VEGF) agents, resulting in additional Medicare expenditure by over \$260,000 per practice in a given year.

Private equity acquisition of physician practices is concentrated in certain geographic areas: This descriptive study examined geographic variation in PE penetration of US physician practices across 6 specialties: dermatology, gastroenterology, ophthalmology, obstetrics/gynecology, orthopedics, and urology. We found PE acquisitions were concentrated in the Northeast, Texas, Florida, and Arizona. Because some PE acquisitions consolidate physician

practices into larger organizations, geographic concentration of PE penetration may be associated with reduced physician competition, which could lead to increased prices.

**Private equity firms are gnawing away at U.S. health care (OpEd):** Dr. Ashish Jha explores the explosion of private equity firms in health care. Private equity acquisitions are leading to more aggressive billing and more requirements to get tests done, ultimately driving up health costs. These acquisitions also impact patient care through staff reductions and reduced focus on patient safety, increasing the risk of patient harm. To address these issues, **a three-pronged approach** could be taken that includes more **robust antitrust rules to address market consolidation and monopolies, increased regulatory oversight over private equity acquisitions, and taking real action on patient safety.**

**Private equity acquisition of surgical centers increases charges:** Following **PE acquisition of ambulatory surgical centers (ASCs), charges increase by nearly 50 percent, and Medicare patient volume increases.** ASCs link co-ownership with physicians. Importantly, when the PE exists and sells ASC stakes to hospitals, charges increase even further, and quality deteriorates. Private equity acquisition of surgical centers increases charge.

**Largest-ever health care PE transaction of HCA followed by increases in patient volume (Working Paper):** The 2006 PE acquisition was at the time the largest in history. This research examines the impacts of PE acquisition and HCA's 2011 IPO and finds that advertising expenditures increased dramatically. Inpatient admissions from the emergency department increased, and newly admitted patients had lower severity, suggesting a potential increase in unnecessary hospitalizations.

### *Legal and Policy Strategies to Address PE.*

**The Missing Piece In Health Care Transparency: Ownership Transparency:** This *Health Affairs Forefront* article discusses the recently implemented Lower Costs, More Transparency Act, which lacks the crucial component of ownership transparency, thus limiting the understanding of corporate influences on health care costs, accessibility, and quality. We call for incorporating ownership transparency alongside price and location transparency under the Act.

**Private Equity Investment as a Divining Rod for Market Failure: Policy Responses to Harmful Physician Practice Acquisitions:** This white paper describes the trends in PE acquisition of physician practices from 2000-2020, organized by categories of specialty (hospital-based, in-office proceduralists, and primary or value-based care). The paper identifies the revenue playbook for PE to profit from investments in each of these three categories of physician specialties. Finally, the paper offers policy recommendations to address the potential harms of PE investment in physician practices. Recommendations include:

1. Close payment loopholes that raise costs for consumers and taxpayers

2. Enhance enforcement under antitrust and employment laws to address consolidation and anticompetitive contracting practices imposed on acquired physicians
3. Increase fraud and abuse enforcement to penalize physician practices engaging in questionable billing and referral strategies and enable government payers to recoup ill-gotten profits
4. Explore policies targeting private equity

**Private Equity and the Corporatization of Health Care:** This law review article argues that the influx of private equity into health care poses sufficient risks to warrant an immediate legal and policy response. The threat of PE investment is heightened because it is extremely adept at identifying and exploiting market failures and payment loopholes. The article describes several legal tools with the potential to address the threats of PE investment in health care, including antitrust oversight, fraud and abuse enforcement, ownership transparency, and regulating the terms of physician employment and the corporate practice of medicine.

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## About Us

**CAHPR** CENTER FOR ADVANCING  
HEALTH POLICY  
THROUGH RESEARCH

The Center For Advancing Health Policy through Research (CAHPR) at the Brown University School of Public Health seeks to make fundamental contributions towards understanding and developing policies that reduce costs and enhance patient well-being in the US Healthcare system. We do this through marrying detailed numbers-based policy examination with legal assessment to translate knowledge gained through research into actionable policies. Learn more about us at <https://cahpr.sph.brown.edu/>.

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