

# Private Equity and Health Care Consolidation: What Do We Know?

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# Disclosure

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We have nothing to disclose or any conflicts of interest with the presented material in this presentation

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# Agenda

- What is Private Equity (PE)?
- Motivation
- Summary of Findings
- Study Methods
- Study Results
- Policy Implications
- Conclusion

# In The News

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## ***F.T.C. Sues Anesthesia Group Backed by Private-Equity Firm***

The federal agency claims the company's practices amount to antitrust activity, a new salvo in the government's scrutiny of health care consolidation that has led to higher prices.

May 06, 2024 05:00 AM

## **States strengthen defense against private equity healthcare deals**

## **Most Physicians Down on Private Equity in Healthcare**

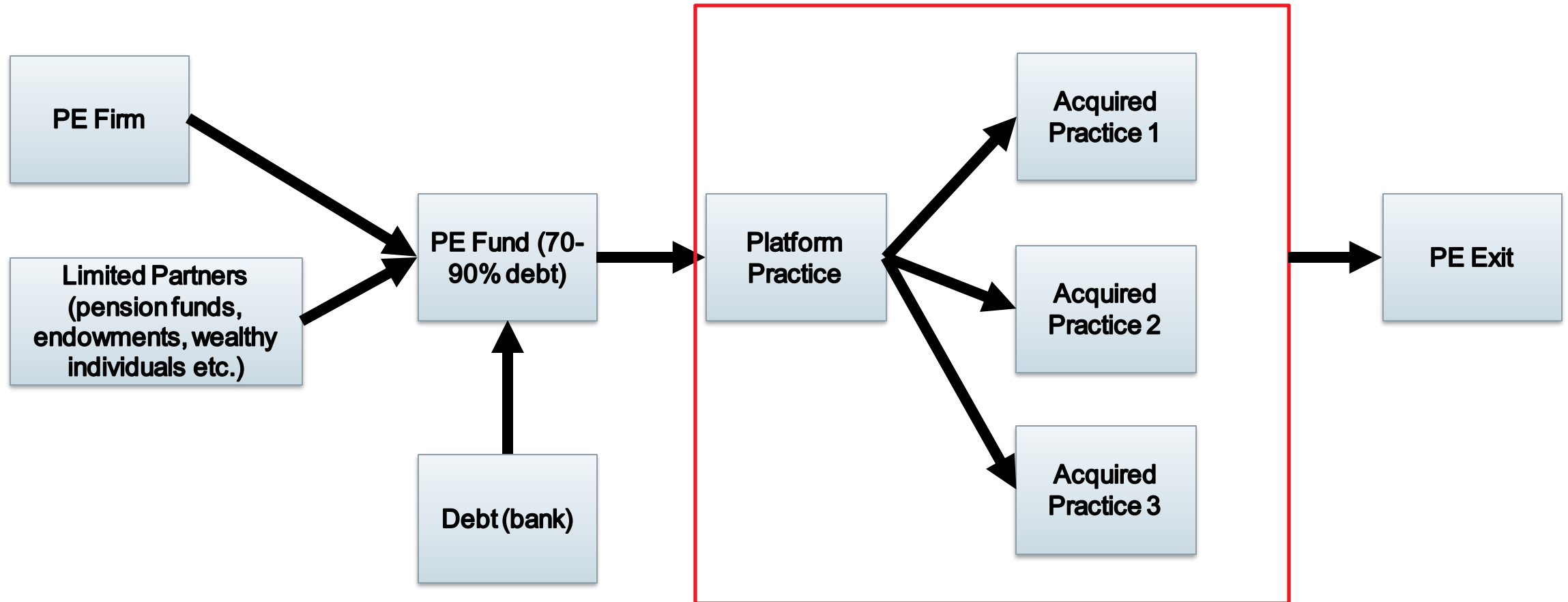
— Just over 60% of survey respondents viewed private equity involvement in healthcare negatively

## **States Aim to Combat Private-Equity Healthcare Takeovers**

More than a dozen states are pushing back against private-equity-backed consolidation of medical businesses

## **Opinion | Private equity firms are gnawing away at U.S. health care**

# What is Private Equity?



# PE vs other consolidation

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## Similarities

- Consolidation
- Practices willing to sell
- FTC Oversight
- Profit-motive

## Differences

- Debt (LBO)
- Timeline (3-7 years)
- Expected Return
- Tactics (REITs and worker mix)
- No long-term incentive

# Motivation

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- Amount of research
- Apparent inconsistent results
- Recent influx of publications
- Potential for PE impact
- Growing concern among providers, policy makers, and government

> [BMJ](#). 2023 Jul 19;382:e075244. doi: 10.1136/bmj-2023-075244.

## Evaluating trends in private equity ownership and impacts on health outcomes, costs, and quality: systematic review

[Alexander Borsa](#)<sup>1</sup>, [Geronimo Bejarano](#)<sup>2</sup>, [Moriah Ellen](#)<sup>3 4</sup>, [Joseph Dov Bruch](#)<sup>5</sup>

What is the current evidence for the trends of private equity acquisitions in health care?

What is the current evidence for the impact of private equity acquisitions on health outcomes, costs to patients or payers, costs to operators, and quality in health care?



# Findings

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## Trends

- PE ownership increased dramatically
- First nursing home then hospitals and now physician practices

## Impacts

- Health Outcomes: Uncertain/Mixed
- Costs to patients or payers: Harmful
- Costs to operators: Uncertain/Mixed
- Quality: Harmful/Mixed

# Methods

## Search Strategy

- Research librarian
- Published 2000-2023
- Embase, PubMed, Scopus, and Web of Science, preprints SSRN

## Risk of bias

- Risk Of Bias In Non-randomized Studies of Interventions (ROBINS-I) tool
- 7 domains: low, moderate, serious, or critical
- Independently then 3<sup>rd</sup> author consensus

## Eligibility/Selection

- Empirical
- Assessed 1+ of our outcomes
- Data 2000-2023
- Any study design, PE acquisition type, health care setting, or country
- Independent screening and extraction

## Results Synthesis

- Outcomes: beneficial, harmful, mixed, or neutral
- P-value, not effect magnitude
- Independently then 3<sup>rd</sup> author consensus

# Outcomes

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## Health Outcomes

- Any health or disease state
- Mortality or hospital admission

## Costs to Operators

- Direct or indirect operating costs

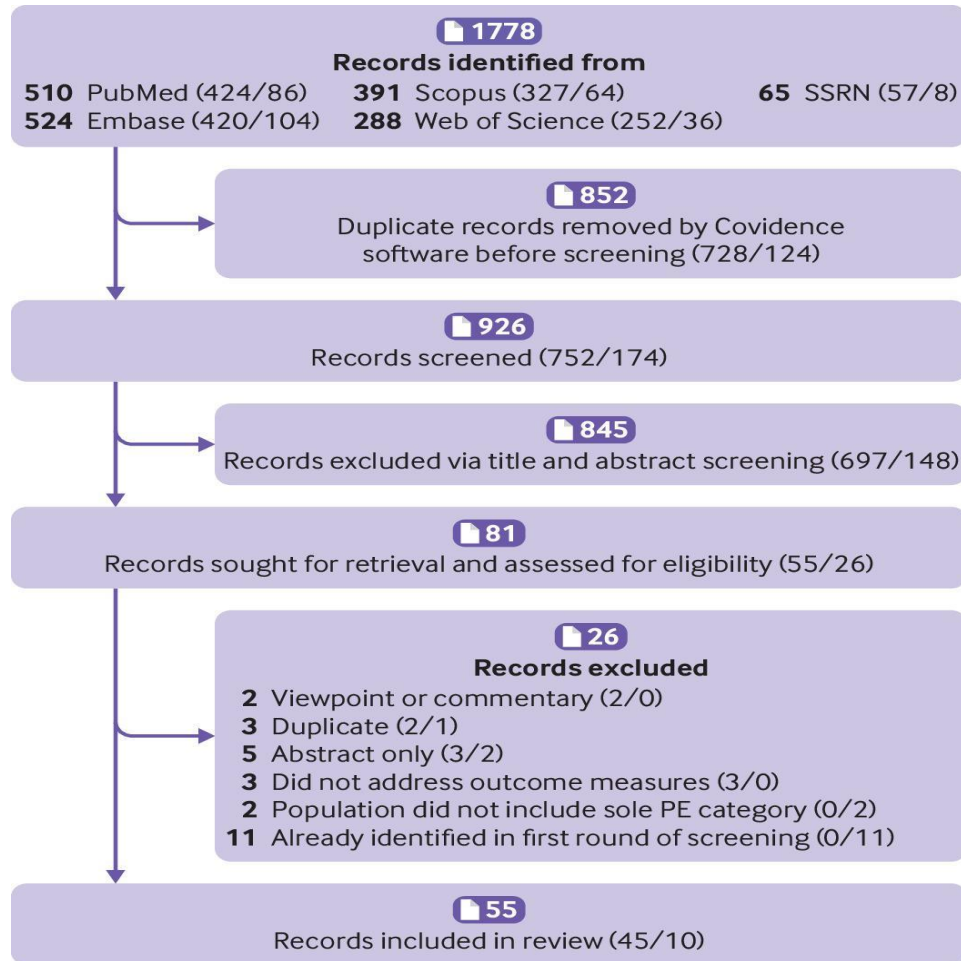
## Costs to Patients/Payers

- Amount charged, owed, or reimbursed

## Quality

- Any measure whether specific or general on care delivery
- Staffing per patient day or appointment availability

# Results: Study Characteristics



- Any outcome: 32 studies
- Trends: 38 studies
- Countries: 8 total, USA (n=47), Sweden (n=2), UK, Turkey, Netherlands, Canada, and Germany
- Settings (16 total): nursing homes, hospital, dermatology, ophthalmology, urology, gastroenterology, orthopedics, surgical centers, fertility, OBGYN, anesthesia, hospice, oral, otolaryngology, and plastics

# Results: Trends

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- Increase in yearly deal count
- Region: South and Northeast
- States: Florida and Texas
- From nursing homes to hospitals to physician practices
- Most recently slowed, potentially:
  - Covid
  - Interest rates
  - FTC scrutiny

# Results: Health Outcomes

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- 8 studies
- Risk of bias: 6 moderate and 2 serious
- Beneficial: 2 studies, in-hospital mortality and covid-19 outbreaks
- Harmful: 3 studies, covid-19 outbreaks and mortality nursing home
- Neutral: 3 studies, hospital mortality and fertility outcomes
- **Finding: Uncertain/Mixed**

# Results: Cost to Patients and Payers

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- 12 studies
- Risk of bias: 10 moderate, 1 serious, 1 critical
- Harmful: 9 studies, charges per inpatient day, ED and total charge-to-cost ratios, prices between hospital and insurer, hospital charge-to-cost ratio, quarterly costs, amounts billed in nursing home
- Neutral: 3 studies, 30-day payments
- **Finding: Harmful**

# Results: Costs to Operators

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- 5 studies
- Risk of bias: 4 moderate and 1 critical
- Beneficial: 3 studies, hospital costs
- Harmful: 2 studies, nursing homes operating costs per patient day and building lease costs
- **Finding: Uncertain/Mixed**



# Results: Quality

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- 26 studies
- Risk of bias: 14 moderate, 9 serious, and 3 critical
- Beneficial: 3 studies, MI and pneumonia quality scores, supply shortages, appointment availability
- Harmful: 12 studies, employee quality scores, staffing density, staffing education, client ratings, regulatory quality requirements, patient experience scores, clinician turnover, shorter visits
- Mixed: 9 studies, see above
- Neutral: 3 studies, patient experience
- **Finding: Harmful/Mixed**

# Policy Implications

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- Improved ownership transparency
- Increased regulatory surveillance
- Lowering deal amount threshold for FTC scrutiny (\$111.4 million)
- Senate launched inquiry into PE and health care (Whitehouse D-RI and Grassley R-IA)
- State laws for stricter M&A
  - MA: Attorney General can stop mergers
  - NY: Must notify if increasing total gross revenues by \$25 million
  - OR: Prevents leadership from being involved in clinical decisions (staffing, visit time, coding, and billing)

# Conclusions

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- PE ownership is growing
- Increased scrutiny is needed
- PE acquisitions increase costs to patients/payers without improvements in quality or health outcomes
- Need for significant role by policy
- Health care wants/needs to sell so if not PE then who?
- Larger trend in financialization beyond PE

# Thank You

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