April 1, 2024

Representative Jason Smith
Chairman
House Committee on Ways & Means
1011 Longworth House Office Building
Washington, DC 20515

Representative Richard Neal
Ranking Member
House Committee on Ways & Means
372 Cannon House Office Building
Washington, DC 20515

RE: "Access to Health Care in America: Ensuring Resilient Emergency Medical Care"

Dear Chairman Smith and Ranking Member Neal:

The Coalition for Patient-Centered Care (CPCC) appreciates the Committee holding this hearing on the important issue of ensuring access to healthcare in America, with a particular focus on access to emergency medical care. We believe that any discussion about the access to high value healthcare must include a recognition of the harmful effects of private equity firms' acquisitions of healthcare systems and physician groups.

The CPCC represents a diverse group of healthcare industry stakeholders who stand together in opposition to private equity's acquisition of independent physicians that can result in an emphasis on profits and revenue growth over patient interests.

The CPCC is comprised of over 5,000 physicians from across the country who are on the front lines of providing patient-centered care. Our membership has first-hand experience with the negative impact of these deals. Our members have observed that often after a private equity firm takes over an independent physician group, the quality of care for patients goes down, the cost of care to public and private payors goes up, and employee working conditions worsen. The bottom line is that private equity interferes with the social contract between a doctor and their patient and, consequently, with patients' access to high-quality and high-value care across medical specialties.

Impact of Private Equity Acquisitions of Independent Healthcare Providers

We believe that everyone benefits when physicians have the freedom to exercise their best judgment as to the delivery of care and can work directly with their patients to make medical decisions and deliver patient-centered care. Private equity firms do not share this ideal. They seem to be more concerned with maximizing investor profits than advocating for patients. Unfortunately, current U.S. tax law incentivizes private equity firms to acquire healthcare providers and gives them an advantage over other would-be acquisition partners by providing the firms with substantial tax breaks.

Private equity firms have been particularly active in acquiring independent physician groups, including emergency medicine. More than half of all specialists in several U.S. markets are owned by private equity firms according to a recent study by the American Antitrust Institute, the Petris Center at the University of California, Berkeley, and the Washington Center for Equitable Growth.[1] As the *New York Times* summarized, the study found that "[i]n more than a quarter of local markets — in places like Tucson, Ariz.; Columbus, Ohio; and Providence, R.I. — a single private equity firm owned more than 30 percent of practices in a given specialty in 2021."[2] The article added, "[i]n 13 percent of the markets, the firms owned groups employing more than half the local specialists."[3]

The CPCC's experience—consistent with independent research, public reports, and even a recent investigation turned enforcement action by the Federal Trade Commission (FTC)[4]—is that, after a private equity firm takes over an independent physician group, there are generally adverse effects. These effects often include decreased quality of care for patients, increased cost of care for public and private payors, and deteriorating working conditions for employees.

Regarding higher costs, there is significant evidence that private equity acquisitions of healthcare providers result in higher prices without any evidence of an increase in quality or access to care. For example, a recent study concluded that, after hospital outpatient departments and ambulatory surgery centers contracted with a physician management company (PMC), prices paid to anesthesiologists increased, and were substantially higher if the PMC received private equity investment.[5] Consistent with the study's findings, the FTC recently brought a lawsuit against private equity firm Welsh Carson, highlighting the harmful price effects of private equity

[1] Richard M. Scheffler et al., Monetizing Medicine: Private Equity and Competition in Physician Practice Markets (July 10, 2023), https://www.antitrustinstitute.org/wp-content/uploads/2023/07/AAI-UCB-EG_Private-Equity-I-Physician-Practice-Report_FINAL.pdf.

[2] Reed Abelson & Margot Sanger-Katz, *Who Employs Your Doctor? Increasingly, a Private Equity Firm.*, The New York Times (July 10, 2023), https://www.nytimes.com/2023/07/10/upshot/private-equity-doctors-offices.html?auth=login-google1tap.

[3] *Id*.

[4] Press Release, Federal Trade Commission, FTC Challenges Private Equity Firm's Scheme to Suppress Competition in Anesthesiology Practices Across Texas (Sept. 21, 2023), https://www.ftc.gov/news-events/news/press-releases/2023/09/ftc-challenges-private-equity-firms-scheme-suppress-competition-anesthesiology-practices-across.

[5] Ambar La Forgia et al., *Association of Physician Management Companies and Private Equity Investment With Commercial Health Care Prices Paid to Anesthesia Practitioners*, 182 JAMA Intern Med. 396 (2022), https://jamanetwork.com/journals/jamainternalmedicine/fullarticle/2789280.

acquisitions of independent physician groups. According to FTC Chair Lina Khan, "private equity firm Welsh Carson spearheaded a roll-up strategy and created [U.S. Anesthesia Partners (USAP)] to buy out nearly every large anesthesiology practice in Texas. . . . [T]hese tactics enabled USAP and Welsh Carson to raise prices for anesthesia services—raking in tens of millions of extra dollars for these executives at the expense of Texas patients and businesses."[6]

Impact of Private Equity on Access to Emergency Medicine

Hospitals are a critical source of emergency care for patients, so, it is no surprise that hospital closures negatively impact access to emergency medical care. A 2022 Moody's Investors Service report found that almost 90% of financially stressed healthcare companies are owned by private equity.[7] A recent article titled, *When Private Equity Comes to Town, Hospitals Can See Cutbacks, Closures*, describes some of the negative effects of private equity on hospitals as follows:

> Prospect Medical Holdings, the for-profit hospital chain that owns Crozer-Chester hospital, was majority-owned by private equity firm Leonard Green & Partners from 2010 until 2021. Under Leonard Green's ownership, Prospect loaded its hospitals with massive debt and then used the proceeds to pay shareholders more than half a billion dollars in dividends, according to an investigation by the Rhode Island attorney general's office.
>
> Leonard Green & Partners sold its controlling interest in the chain in 2021. . . . Meanwhile, Prospect's hospitals — most of them serving economically vulnerable communities such as Upland — slashed services, laid off hundreds of workers and, in some cases, closed permanently.[8]

Where private equity was once viewed as a reliable last resort for troubled hospitals, that is no longer the case. Combined with increased scrutiny on private equity tactics, ailing hospitals

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[6] Federal Trade Commission, *supra* note 4.

[7] Healthcare Stress Report, Moody's Investors Service, Healthcare – North America: Credit Stress is Rising, Setting the Stage for More Downgrades and Defaults (Dec. 12, 2022), https://www.documentcloud.org/documents/23452687-moodys-healthcare-stress-report?responsive=1&title=1.

[8] Anna Claire Vollers, *When Private Equity Comes to Town, Hospitals Can See Cutbacks, Closures*, New Jersey Monitor (Jan. 18, 2024), https://newjerseymonitor.com/2024/01/18/shell-game-when-private-equity-comes-to-town-hospitals-can-see-cutbacks-closures/.

are finding themselves left without access to buyers of last resort, which has threatened to leave low-income communities without critical care such as emergency rooms.[9]

Conclusion

This issue is particularly important and appropriate for the House Ways and Means Committee to consider, as lower quality of care and increased costs have a direct and significant negative impact on federal government spending and, in turn, all American taxpayers. In 2022, 18.7% of Americans were covered by Medicare.[10] When private equity-owned healthcare providers offer lower quality care for higher prices, this contributes to significant increases in the overall cost of care for Medicare patients, putting additional and unnecessary strain on the federal budget.

We commend the Committee for holding this important hearing and, moving forward, urge you to prioritize addressing the harmful impact that private equity has on access to care as a critical part of your work.

Sincerely,

The Coalition for Patient-Centered Care

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[9] Lauren Coleman-Lochner & Steven Church, *Private Equity is No Longer a Reliable Last Resort for Troubled Hospitals,* Bloomberg (Sept. 12, 2023), https://www.bloomberg.com/news/articles/2023-09-12/troubled-pennsylvania-hospital-reveals-failure-of-private-equity-deals?embedded-checkout=true.

[10] Preeti Vankar, *Percentage of U.S. Americans Covered By Medicare 1920-2022*, Statista (Sept. 20, 2023), https://www.statista.com/statistics/200962/percentage-of-americans-covered-by-medicare/#:~:text=Medicare%20is%20an%20important%20public%20health%20insurance%20scheme,by%20Medicare%2C%20an%20increase%20from%20the%20previous%20year.