



Coalition for Patient-Centered Care

May 24, 2024

Representative Jodey Arrington
Chairman
House Committee on the Budget
1107 Longworth House Office Building
Washington, DC 20515

Representative Brendan Boyle
Ranking Member
House Committee on the Budget
1502 Longworth House Office Building
Washington, DC 20515

RE: “Breaking Up Health Care Monopolies: Examining the Budgetary Effects of Health Care Consolidation” House Budget Committee Hearing

Dear Chairman Arrington and Ranking Member Boyle:

The Coalition for Patient-Centered Care appreciates the Committee holding this hearing on examining the effects of healthcare consolidation on the federal budget. We believe that any discussion about the effects of healthcare consolidation on government spending must consider the harmful effects of private equity firms’ acquisitions of healthcare providers. As a coalition comprised of physicians and other healthcare stakeholders, many of whom are on the front lines of providing patient care, our membership has first-hand experience of the negative impact these deals have on the public. Our membership has 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 CPCC represents a diverse group of healthcare industry stakeholders who stand together in opposition to private equity’s acquisition and influence over independent physicians that can result in an emphasis on profits and revenue growth over patient interests. Currently, our coalition represents over 13,000 physicians from all 50 states, as well as other stakeholders who share the views set forth in this statement.

Overall, our member groups face many federal and state policy issues that impact their ability to provide quality and cost-effective care to their patients. In response to this, we are committed to developing and supporting policies that serve to strengthen and defend the independent practice of medicine. In doing so, we place the highest priority on patient access, efficient treatment processes, and reduced costs.



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Impact of Private Equity Acquisitions of Independent Healthcare Providers

We believe that everyone benefits when physicians have the freedom to exercise their best judgement 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. Currently, 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

CPCC members’ experience—consistent with independent research, public reports, and even a recent investigation 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

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>.

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>.



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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 brought a lawsuit against private equity firm Welsh Carson, highlighting the harmful price effects of private equity 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

As for decreased quality and access to care, while there are many examples, the 2021 sale of an independent physician group at Dartmouth College to private equity backed One Medical, is instructive. In 2012, Dartmouth Health Connect, a primary care physicians office, was opened by the college in connection with Boston startup Iora Health. The office was originally intended to offer accessible and affordable healthcare to college students and the surrounding area. It began with two full-time physicians, a nurse, and other health professionals. After the private equity-backed takeover of the group, however, all that remains is one physician assistant with responsibility for approximately 1,300 patients.⁷ In our experience, aggressive cuts in staff-to-patient ratios result in decreased quality of and access to care for patients. Furthermore, they result in job losses and increase stress for healthcare sector workers, contributing to burnout, among other negative impacts.

This issue is particularly important and appropriate for the House Budget 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, 17.8% of Americans were covered by Medicare.⁸ 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.

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>.

⁶ Federal Trade Commission, *supra* note 4.

⁷ Douglas Farrago, *The Metamorphosis and Transformation of a DINO*, DPC News (Oct. 6, 2023), <https://dpcnews.com/uncategorized/the-metamorphosis-and-transformation-of-a-dino/>.

⁸ Preeti Vankar, *Percentage of people covered by Medicare in the United States from 1990 to 2022*, Statista (May 22, 2024), <https://www.statista.com/statistics/200962/percentage-of-americans-covered-by-medicare/#:~:text=Medicare%20is%20an%20important%20public%20health%20insurance%20scheme,by%20Medi%20care%2C%20an%20increase%20from%20the%20previous%20year>.



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Conclusion

We commend the Committee for holding this important hearing and urge you to continue to work on addressing these critical policy issues related to the cost and quality of patient care.

Sincerely,

The Coalition for Patient-Centered Care