



Coalition for Patient-Centered Care

June 25, 2024

The Honorable Richard Roth
Chair
Senate Health Committee
1021 O Street, Suite 7510
Sacramento, CA 95814

The Honorable Janet Nguyen
Vice-Chair
Senate Health Committee
1021 O Street, Suite 7130
Sacramento, CA 95814

RE: AB 3129

Chair Roth and Vice-Chair Nguyen:

The Coalition for Patient-Centered Care (CPCC) appreciates the California Senate Health Committee's introduction and interest in AB 3129. We would like to offer our strong support for this bill. We believe that any discussion about the resiliency of care must consider the harmful effects of private equity firms' acquisitions of healthcare providers.

The CPCC represent 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.

The CPCC is comprised of over 13,000 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. Overall, 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 by placing a higher priority on revenue growth than the patient's welfare.

Impact of Private Equity Acquisitions of Independent Health Care Providers

We believe that everyone benefits when physicians have control over 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 health care 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. 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, “In 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 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 health care providers result in higher prices without any evidence of an increase in quality or access to care. For an example of passing the costs onto patients, a recent study concluded that, after hospital outpatient departments and ambulatory surgery centers contracted with a physician management company (PMC), prices went up 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 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

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>.

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

We thank you for introducing and considering this legislation. We support this bill as it seeks to curtail “harmful transactions” and “practices that undermine the practice of medicine” by granting the AG approval authority over PE groups’ physician practice acquisitions and imposing substantial restrictions on their ability to control acquired practices. We firmly believe that passing this bill will empower California’s physicians to better serve their patients. We look forward to working with you to pass the bill.

Sincerely,

The Coalition for Patient-Centered Care

⁶ Federal Trade Commission, *supra* note 4.