

ANALYSIS

# Options to protect healthcare from private equity

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*Private equity funds are buying critical community healthcare facilities, usually without oversight or regulation. Those purchases often end in reduced access to care, increased debt, lower quality, and higher prices to generate profits. Connecticut needs to follow other states and protect the health of communities.*

It's estimated that private equity investment in US healthcare has grown \$750 billion from 2010 to 2020. Private equity funds are pools of privately invested money included borrowed funds. Private investors are attracted because of healthcare's high spending, fast growth, sizeable assets, and COVID disruptions.

Private equity funds focus on short term returns for investors, not the health and safety of communities. This can lead to over-borrowing against healthcare assets, incurring massive debt, and pressure to overbill and stint on necessary spending to keep healthcare safe. Studies have found private equity investment correlates with less competition, higher prices, less consumer choice, and worse health outcomes.

Because they're private, there is little regulation or public information about private equity deals. Rhode Island leads among states in taking measures to protect state residents from private equity harms. Rhode Island state law requires robust review, monitoring, and enforcement of private equity hospital conversions by the Attorney General's Office (RI AG). In 2019, Prospect Medical Holdings sought permission to take equity out of two Rhode Island hospitals they owned and leave behind \$1.3 billion in debt. Concerned about the loss of critical hospitals, the RI AG required Prospect to keep the two hospitals open for five years, providing essential services and charity care, to fund an independent monitor chosen by the RI AG, and to deposit \$80 million in an escrow account controlled by the RI AG, to cover future hospital operating and capital expenditures. If Prospect files for bankruptcy, those funds go back to the hospitals. Prospect also owns three hospitals in Connecticut.

Total PE Deals in Healthcare\* — Reported Deal Value, Estimated Deal Value, and Reported Deal Count, 2010-2020



Secure community services and assets in private equity deals	Anti-tiering, anti-steering clauses:
Require independent monitoring, maintenance of services, and escrow resources to ensure compliance in private equity deals	Health system requires insurers place all providers in the most favorable tier with the lowest patient costs, regardless of quality or total price

Connecticut should adopt laws to guard healthcare assets from private equity funds.

Sources and legislative language: [Consolidation, Private Equity, and Drug Pricing Resource List](#)