

WHN Panel Discusses Role of Private Equity in Health Care

Wisconsin Health News (WHN) hosted a virtual panel of state and national experts this week to discuss the role of private equity in health care and whether the ownership structure, including if a health care organization is for-profit or nonprofit, affects access to and the quality of health care provided in a community.

WHN Senior Editor Sean Kirkby, who moderated the panel, noted that according to the Private Equity Risk Index, private equity controls 0.3% of nursing homes and 0.8% of hospitals in Wisconsin. Information from the Wisconsin Legislative Fiscal Bureau pegs the percentage of privately owned nursing homes in Wisconsin that are for-profit at 70% and the Centers for Medicare and Medicaid Services (CMS) estimates that private equity firms own 11% of all nursing homes.

Dr. David Blumenthal, former president of the Commonwealth Fund, explained that, in his view, it is the style rather than the legal form of the investment that causes the concerns about private equity. He contrasted private equity with traditional community investments in health care. Blumenthal observed, “[Large private equity companies] have no special interest in healthcare and no commitment to health care for the long term. Their focus is on a quick return on investment.”

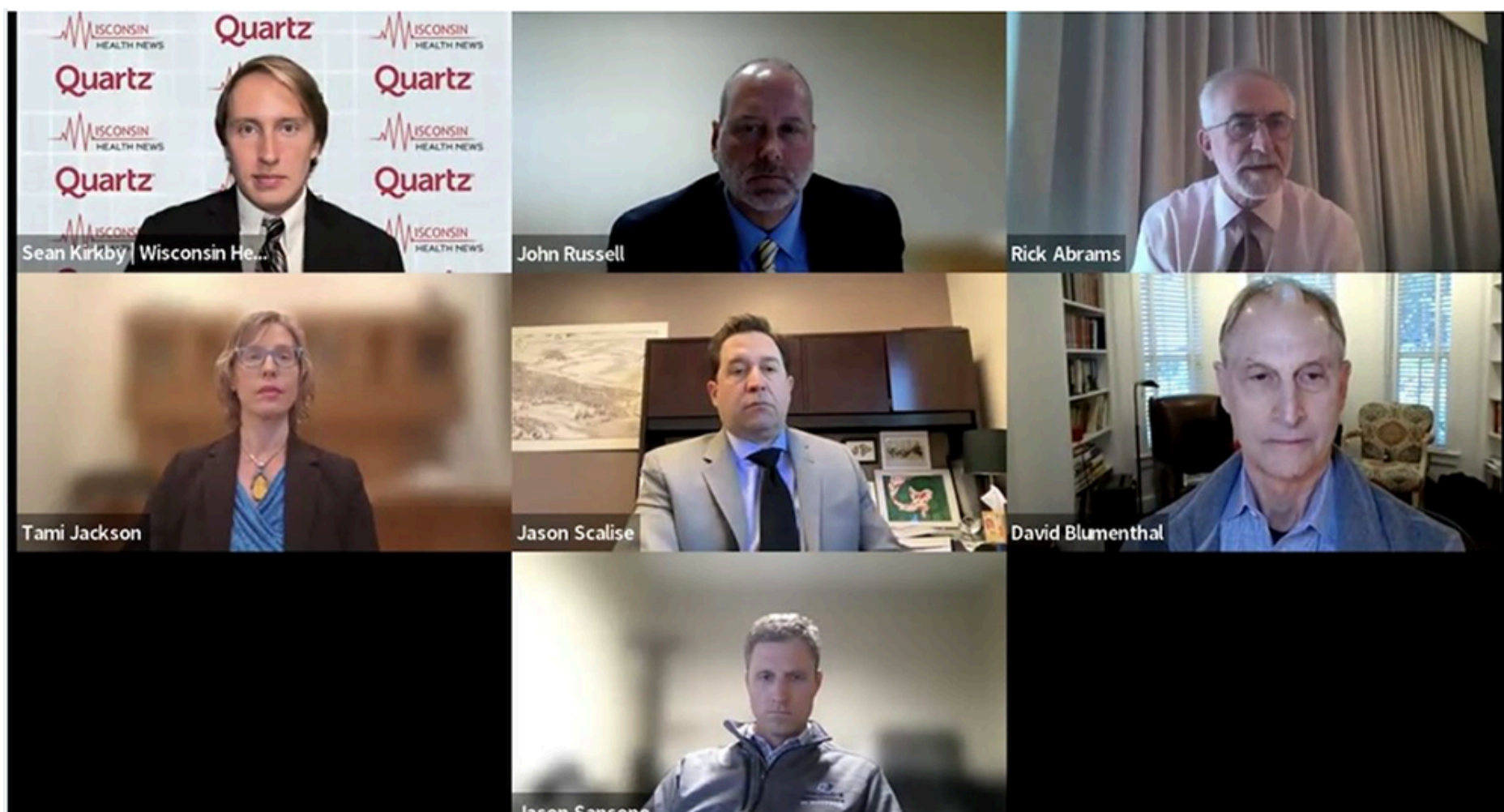
Rick Abrams, CEO, Wisconsin Health Care Association, offered a different assessment, “So long as the entity is committed to the community, is committed to providing quality, is committed to providing economies of scale and more resources to an entity that is struggling both operationally and maybe financially, then it’s a good, not a bad thing.”

Responding to comments about the role of private equity in health care, John Russell, CEO, Prairie Ridge Health, observed, “Private equity is increasing because the investors can make a significant return on their investment each year. That’s not driven by anyone on the panel, it is driven by government intervention in health care. The system sets up the cherry-picking opportunities.”

Tami Jackson, public policy analyst, Wisconsin Board for People with Developmental Disabilities, noted, “I do think what is unknown in Wisconsin and everywhere is the scope and scale of these acquisitions.” Jackson continued, “There is a growing body of research that there’s a familiar correlation between private equity acquisitions and declining quality of care. They maximize profits by cutting costs, maintaining fewer or less qualified staff, or by choosing the clients who can pay the most and need the fewest or the lowest cost services.”

Russell agreed, “The formula is pretty simple. It’s a reduction in access and it’s a reduction in cost in order to make it work. And that can and does impact quality. It can and does impact access.” Russell emphasized that safety-net providers and their communities are harmed when private equity-backed providers don’t serve certain patients.

Kirkby asked the panelists whether they expect to see further private equity investment in health care. Blumenthal predicted an increase in investment driven in part because of the reduced cost of investing. He concluded, “I don’t think private equity is the solution to our chronic health care problems because it has elements that are extractive. It takes resources out of health care and puts them in the pockets of people who are not in health care.”



Participants on the Sept. 24 WHN virtual panel

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