COALITION PRESSES ADMINISTRATION TO CRACK DOWN ON PRIVATE EQUITY'S GROWING INFLUENCE IN HEALTH CARE

A coalition of nearly 100 organizations is urging the Biden administration to step up its regulatory oversight and enforcement of private equity (PE) firms across the health care system, arguing the firms' consolidation tactics drive up prices, reduce care quality, and lead to the closure of essential but less profitable facilities.

The letter, signed by a myriad of groups like Public Citizen and the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), was sent to U.S. Assistant Attorney General Jonathan Kanter, Federal Trade Commission Chair Lina Khan, and HHS Secretary Xavier Becerra. The letter responds to a request for information (RFI) from the administration on how to address consolidation in health care.

PE investments span virtually every aspect of the health care industry, including nursing facilities, hospitals, physician practices, dentistry, and behavioral health, the letter says.

The groups argue that PE firms' focus on profit undermines the clinical relationship between health care professionals and their patients, resulting in adverse outcomes that disproportionately impact communities of color and worsen existing racial and economic disparities.

The groups highlight a few specific practices of PE firms that they find fault with, such as leveraging significant debt to finance acquisitions, selling and leasing back real estate, taking on debt to pay dividends to owners, consolidating multiple companies to increase market power, and charging high management fees that drain resources from patient care.

Private equity firms have grown from managing less than $1 trillion in assets in 2004 to over $13.1 trillion today, according to McKinsey's 2024 Global Private Markets Review. In 2021 alone, there were over 1,400 private equity deals in health care, totaling $209 billion, according to 2022 data from PitchBook Data.

To address these issues, the coalition recommends that HHS enforce new reporting requirements for PE ownership in Medicare and Medicaid providers, making this information easily accessible and searchable by the public.

They also urge CMS to align Medicare Advantage payments more closely with quality of care, reducing overpayments and ensuring that plans deliver high-quality services.

According to the groups, increased oversight is necessary to prevent improper coverage denials and ensure equitable access to care, particularly for the communities of color most affected.

The coalition calls on the FTC to investigate and regulate unfair practices by PE-owned health care entities, including sale-leaseback transactions and understaffing. They also urge the FTC to enforce rules that prevent anticompetitive practices and ensure fair competition in health care markets.

Regarding the DOJ, the groups believe it should prosecute health care fraud by PE-owned entities, focusing on False Claims Act violations and improper billing practices. Additionally, they advocate for the DOJ to cease contracting with PE-owned companies for health care services in correctional facilities due to concerns about quality and exploitation.