

PRIVATE EQUITY
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PROJECT


Private equity's risks in healthcare

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PE is invested in virtually every aspect of healthcare

- Hospitals
- Physician practice management
- Revenue cycle management
- Emergency medicine
- Dental care
- Travel nursing
- Health IT
- Behavioral health
- Physician staffing
- Substance use disorder treatment
- Disability services
- Home health and hospice
- Clinical research
- Medical equipment
- Nursing homes
- Prison healthcare
- And more...

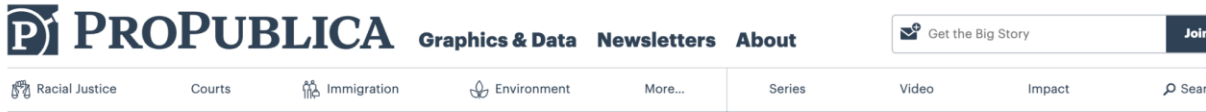
Value extraction

- A PE firm's singular focus is to double or triple its investment in 4-7 years
- High levels of debt necessitate further cost-cutting
 - Debt comes from
 - Initial leveraged buyout
 - Debt-funded expansion (platform roll-up strategy)
 - Dividend recapitalizations

Practical impacts of value extraction in healthcare

- Reduced staffing, or filling beds without adequate staffing ratios
 - Underpaying employees, resulting in high-turnover and understaffing
 - Overreliance on unlicensed staff to reduce labor costs
 - Failure to provide adequate training
 - Cutting services/programs
 - Failing to invest in maintaining facilities
 - Closures or bankruptcy
- 

Prospect Medical Holdings – Dividend Recapitalizations



Rich Investors Stripped Millions From a Hospital Chain and Want to Leave It Behind. A Tiny State Stands in Their Way.

Private equity firm Leonard Green and other investors extracted \$645 million from Prospect Medical before announcing a deal to sell it and leave it with \$1.3 billion in financial obligations. Four states approved it – but Rhode Island is holding out.

by Peter Elkind, Feb. 4, 2021, 1:22 p.

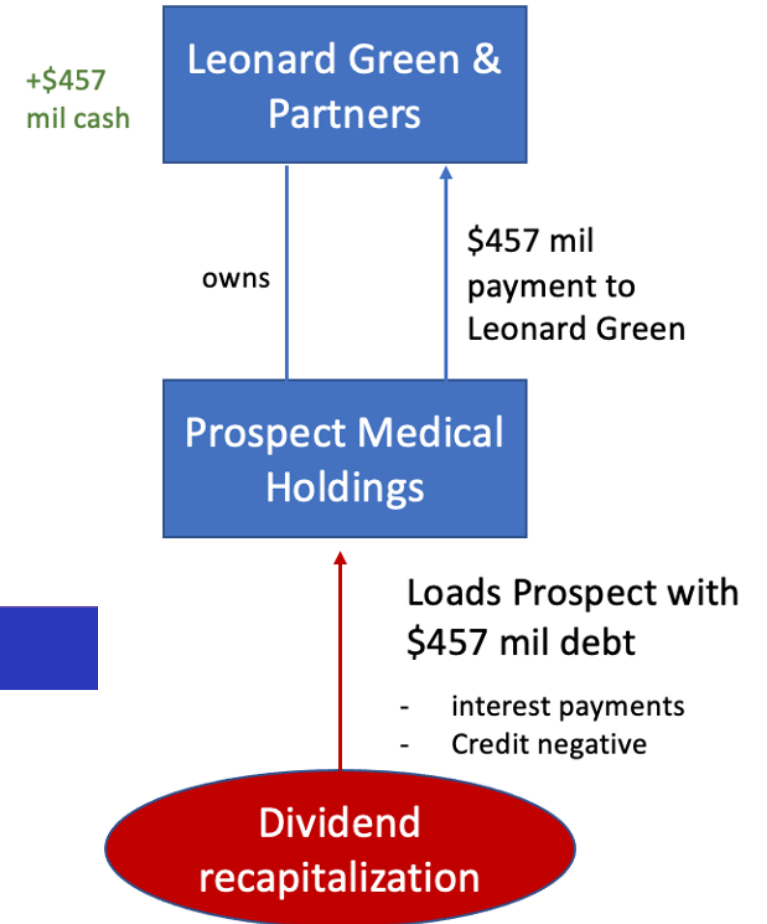


Pa. AG sues Prospect Medical Holdings for 'corporate looting'

Attorney General Michelle Henry said Crozer Health, Delaware County's four-hospital system, is suffering from the ill effects of private equity.



By Kenny Cooper · Updated Oct. 30, 2024 3:25 pm



Help at Home – Dividend Recapitalization

- Help at Home is a home health and disability services provider that is owned by Centerbridge Partners and Vistria Group
 - September 2024 - Help at Home paid its private equity owners a \$262.6 million debt-funded dividend one year after the company shuttered operations in the entire state of Alabama and laid off nearly 800 caregivers.

How PE is different from other forms of for-profit healthcare?



Lack of transparency



Use of debt



The moral hazard of limited liability

Recent bankruptcies

All PE bankruptcies

Hide fields Filter Group Sort

Company	Year-Qtr	Backing	Investors	Company Type
Vyaire Medical	2024-2Q	PE	Apax Partners	Respiratory equipment
Atlantic Neurosurgical Specialists	2024-2Q	PE	Lorient Capital	Surgery center
Consulate Health Care (LaVie Care Centers)	2024-2Q	PE	Formation Capital	Nursing homes
ProSomnus Inc.	2024-2Q	PE	Undisclosed	Medical devices
Steward Health Care	2024-2Q	PE	Cerberus Capital Management	Health System
Prime Plastic Surgery Associates	2024-1Q	PE	White Oak Global Advisors	Plastic surgery
Cano Health	2024-1Q	PE	InTandem Capital Partners	Medicare Advantage
Charter Health Holdings	2024-1Q	PE	Pharos Capital Group	Home health, hospice
Eye Care Leaders Portfolio Holdings	2024-1Q	PE	Global Growth	Eye care
Air Methods Corporation	2023-4Q	PE	American Securities	Air medical transport
Akumin Inc.	2023-4Q	PE	Stonepeak Partners	Diagnostic imaging
Biocept, Inc.	2023-4Q	PE	Ally Bridge Group	Laboratory Services
RevitaLid Pharmaceutical Corp	2023-4Q	PE	Athyrium Capital Management	Pharmaceuticals
Legacy-Xspire Holdings, LLC	2023-3Q	PE	HealthEdge Partners	Pharmaceuticals
SmileDirectClub	2023-3Q	PE	Clayton Dubilier & Rice	Dental
American Physician Partners	2023-3Q	PE	Brown Brothers Harriman Capital Partners	Staffing
Center for Autism and Related Disorders. LLC	2023-2Q	PE	Blackstone Group	Autism services
Genesis Care Pty Ltd	2023-2Q	PE	KKR	Oncology
Capcium	2023-2Q	PE	Fulcrum Capital Partners	Pharmaceuticals
Envision Healthcare Corporation	2023-2Q	PE	KKR	Staffing

Private equity's excessive use of debt and aggressive financial strategies put healthcare companies at risk, and in turn threaten the stability of critical healthcare resources across the country.

Amidst increased scrutiny and criticism, and growing evidence of PE's negative impacts in healthcare, the PE industry is downplaying the scope of its healthcare investments.

Recent misleading claims

PRIVATE EQUITY INVESTMENT IN HEALTH CARE PROVIDERS IS DECLINING.

THERE HAS NOT BEEN A SIGNIFICANT PE ACQUISITION OF A US HOSPITAL IN OVER SIX YEARS.

PE-BACKED PROVIDERS REPRESENT LESS THAN 4% OF THE US HEALTHCARE PROVIDER ECOSYSTEM BY REVENUE.

General policy recommendations

Require increased transparency and financial disclosures for PE investments in healthcare companies

Improve antitrust regulations (and enforcement)

Regulate use of debt to finance healthcare acquisitions & dividends

Require PE firms and other investors to have more liability for their healthcare investments

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