

Private Equity Policy Approaches

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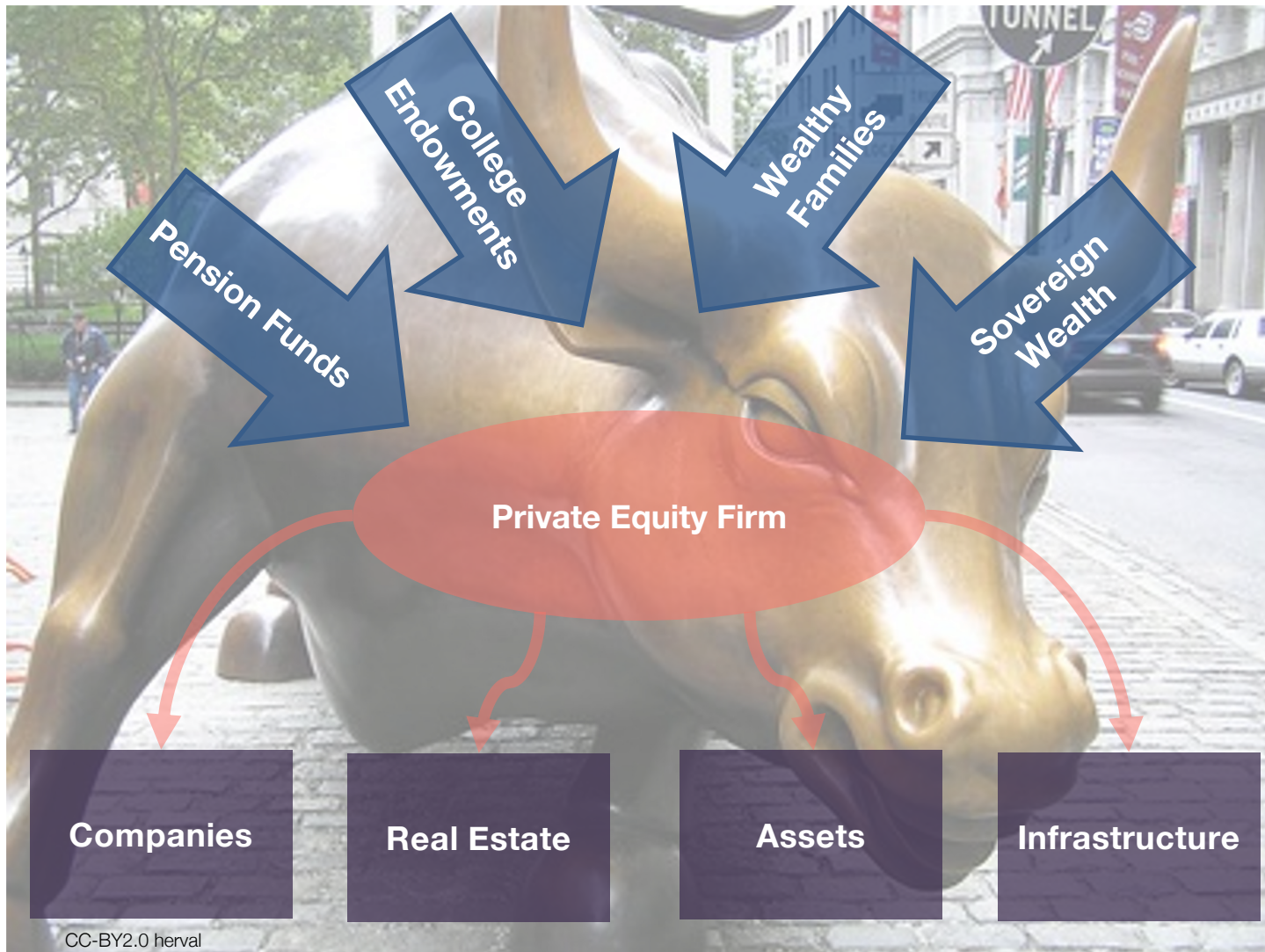
Agenda

How did we get here?

What are the changes?

What are some solutions?

Private equity firms



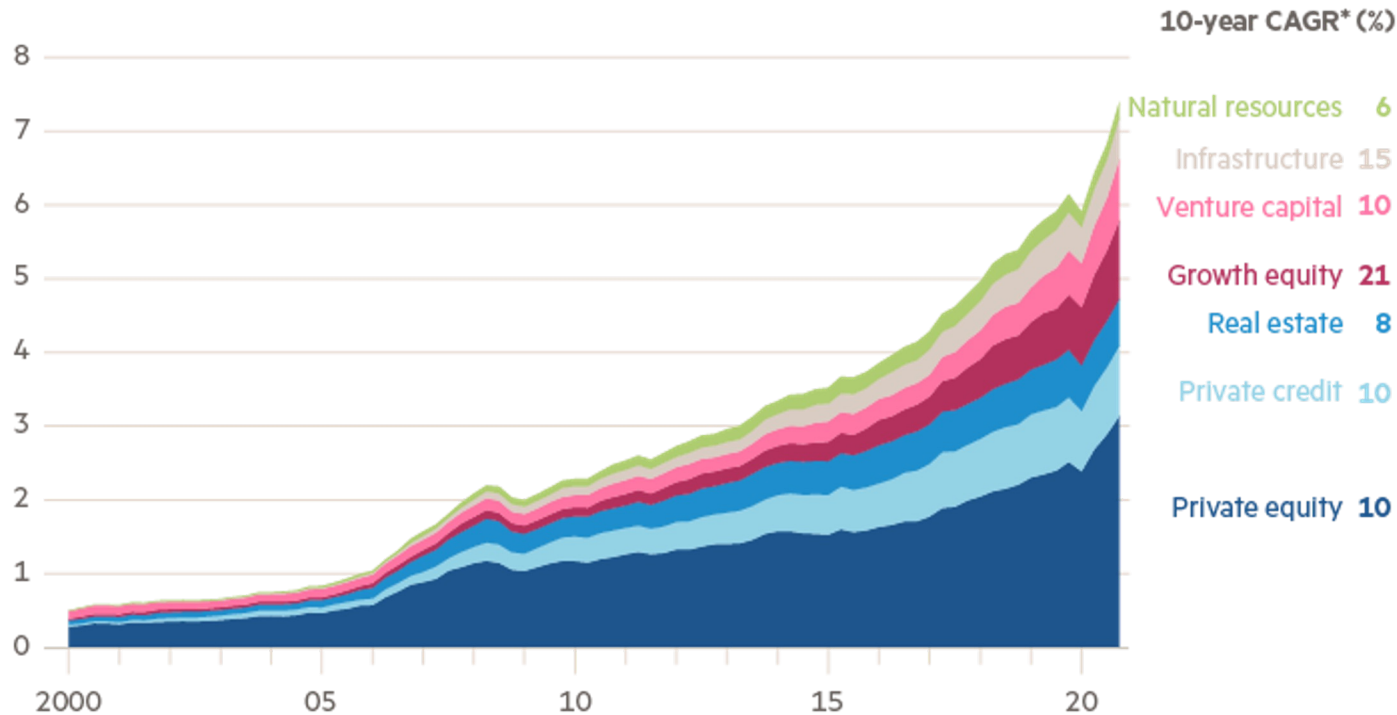
A Booming Private Market

Shifts in the financial sector

Growth of the private markets and financial systemic risk

The growing power of private capital

Assets under management (\$tn)



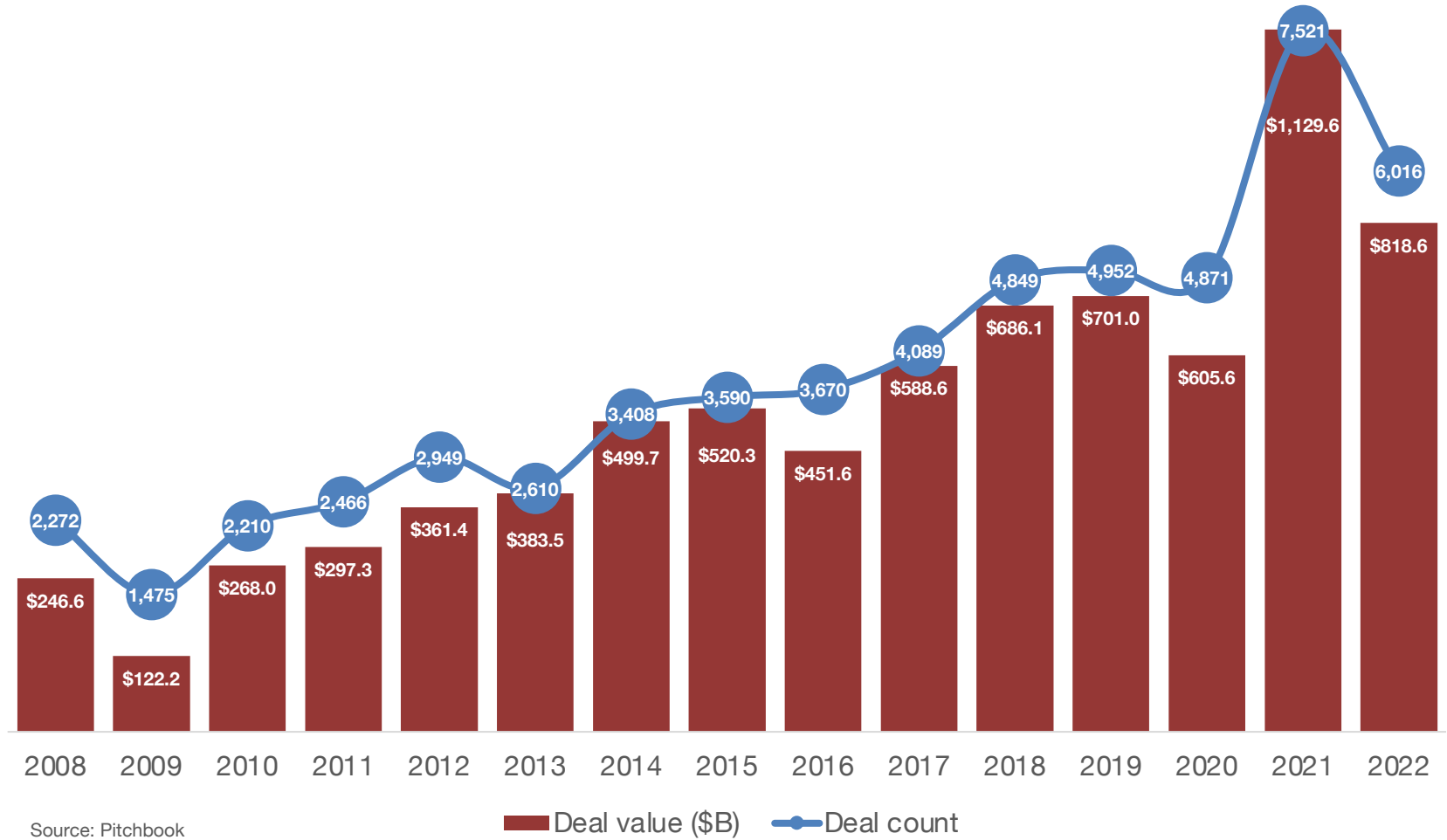
* Compound annual growth rate

Excludes secondary and fund of fund strategies

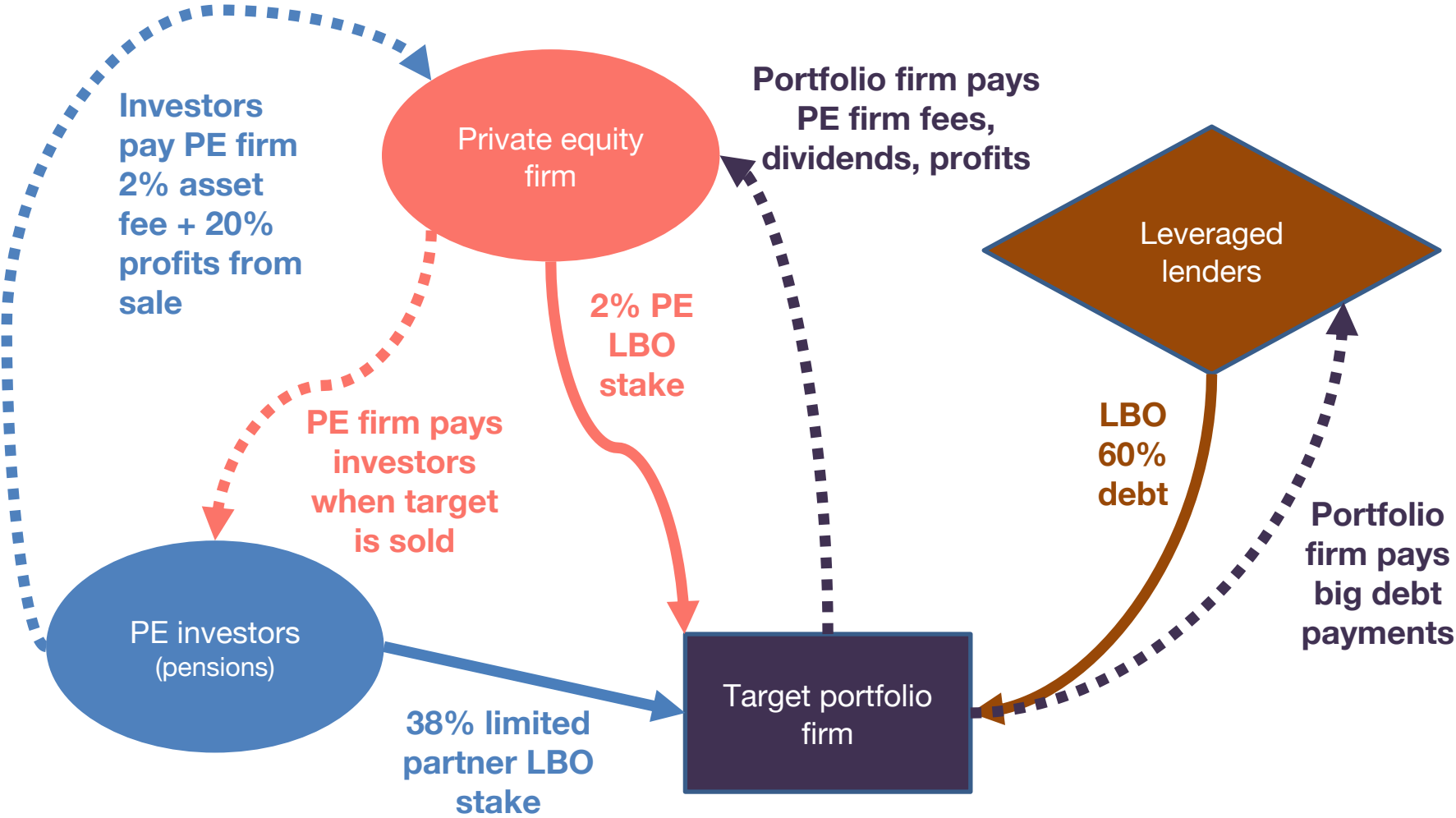
Sources: HLNE Cobalt data as of Dec 30 2020; Morgan Stanley Research

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Private Equity Takeover Deals Surge



Private Equity Leveraged Buyouts



Shifts in the financial sector

Decline of the public markets

Listed domestic companies, total - United States

World Federation of Exchanges database.

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The private equity model

Private equity extract billions in dividends

Portfolio dividend payments
(millions)

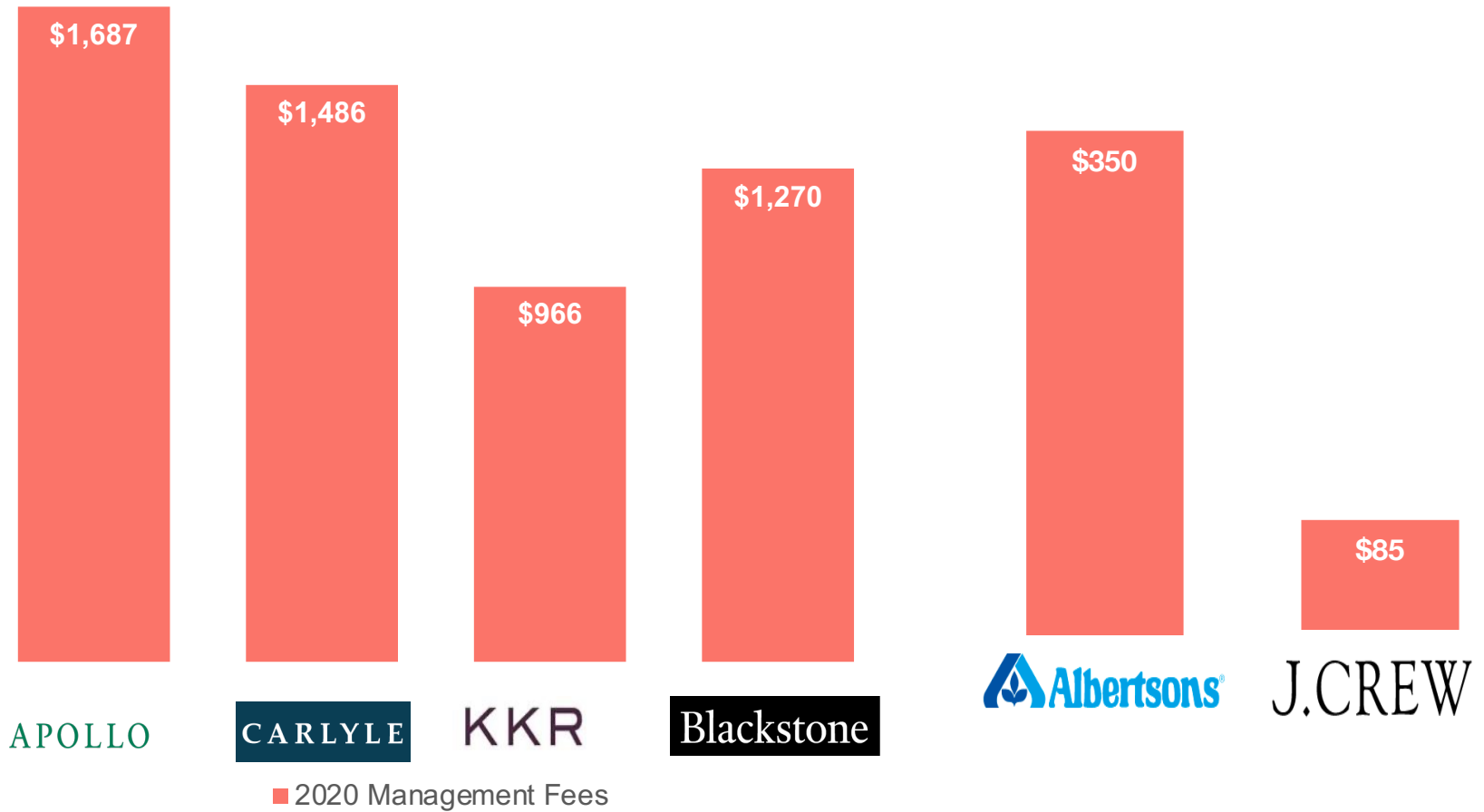


Private equity strips away real estate

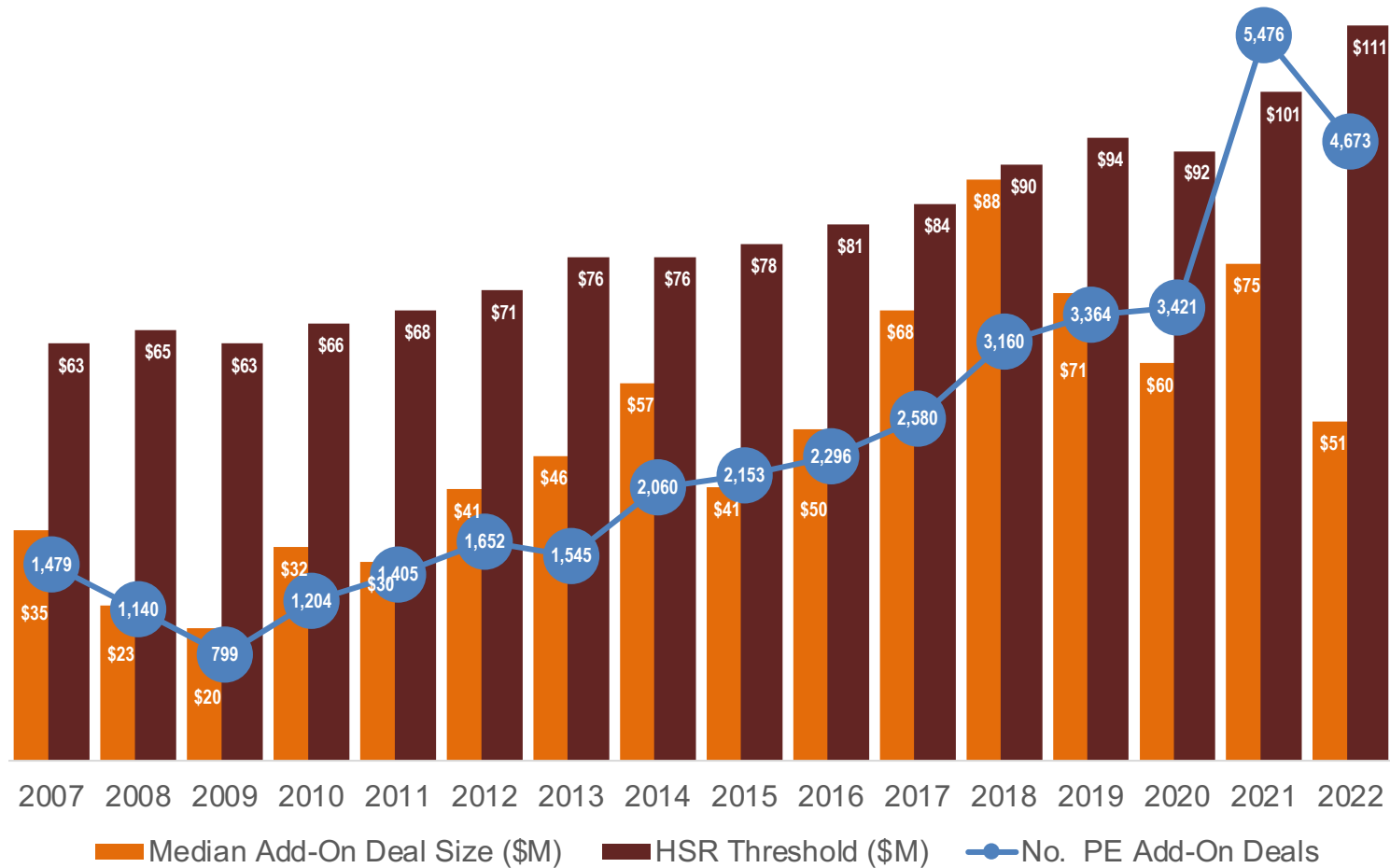


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Private equity fees



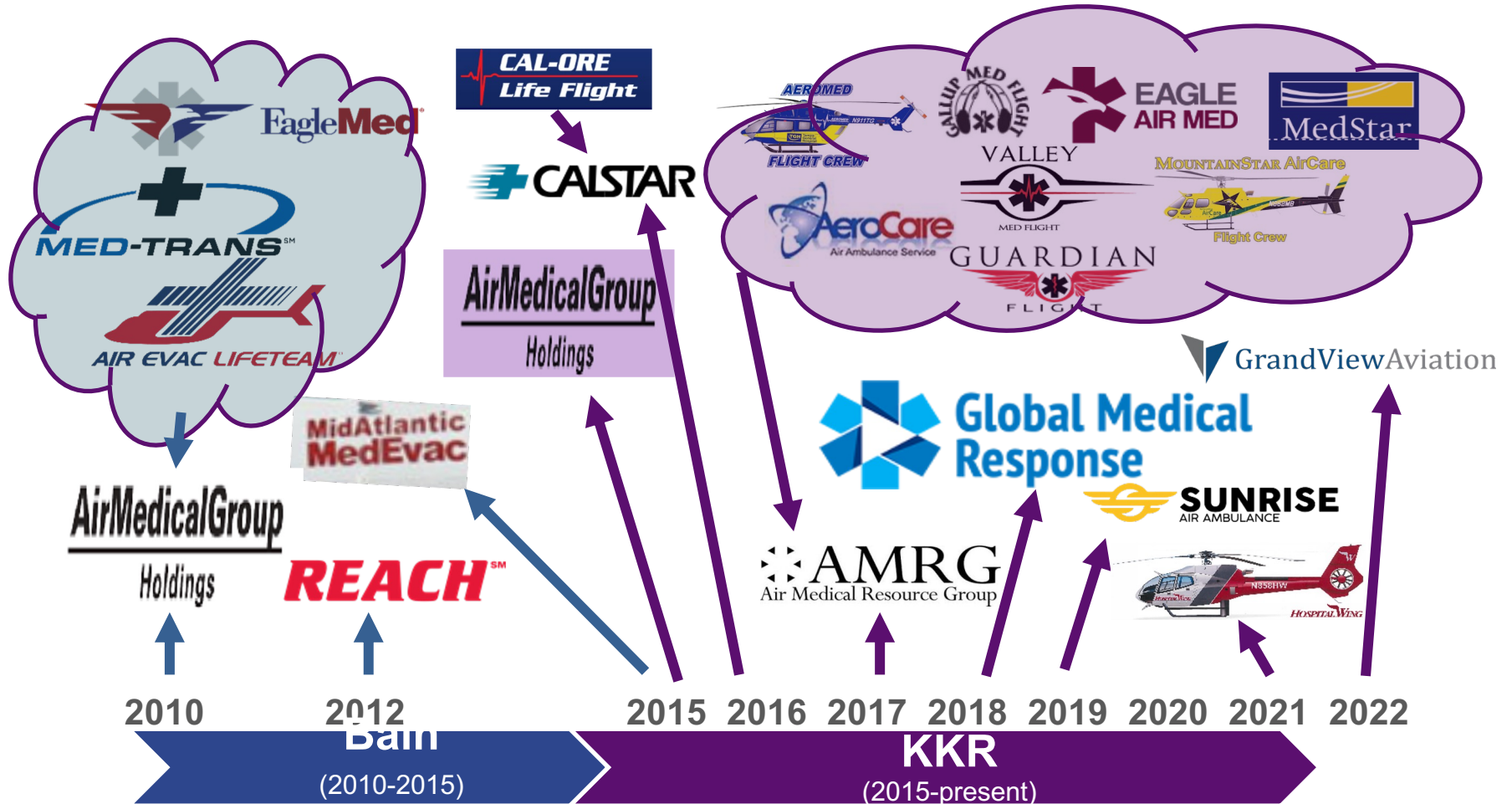
Majority of PE Add-Ons below Merger Review



Source: Pitchbook, FTC

Profit maximization: market power

Merger mania in air ambulances



Profit maximization: slashing costs

Economies of scale

Reducing specific services

Cutting labor costs – staffing and benefits

Underinvestment in facilities (e.g. hospitals in disrepair)

Nonpayment to vendors

Reducing quality of supplies or services

Private equity corporate landlord



Private equity hospital fiascos



Private equity in New Mexico: Lifepoint

New Mexico attorney general launches probe of patient care at private equity-run hospital

The investigation follows a June report by NBC News about the hospital's allegedly turning away indigent and low-income patients, including people with cancer.

"Truly shocking": New Mexico AG reacts to NBC News investigation into hospital

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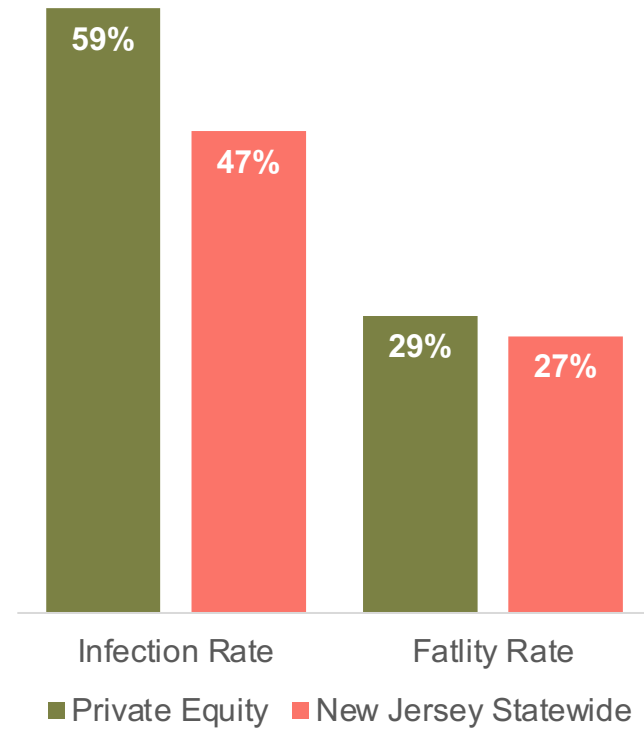


“Some private equity-backed companies that received support shed workers during the pandemic: Apollo-owned LifePoint Health received over \$1.4 billion in public support yet furloughed workers at its hospitals around the country.” - [Public Money for Private Equity](#) - Sept 2021.

Private equity nursing home quality problems



New Jersey Resident COVID
Infection and Fatality Rate



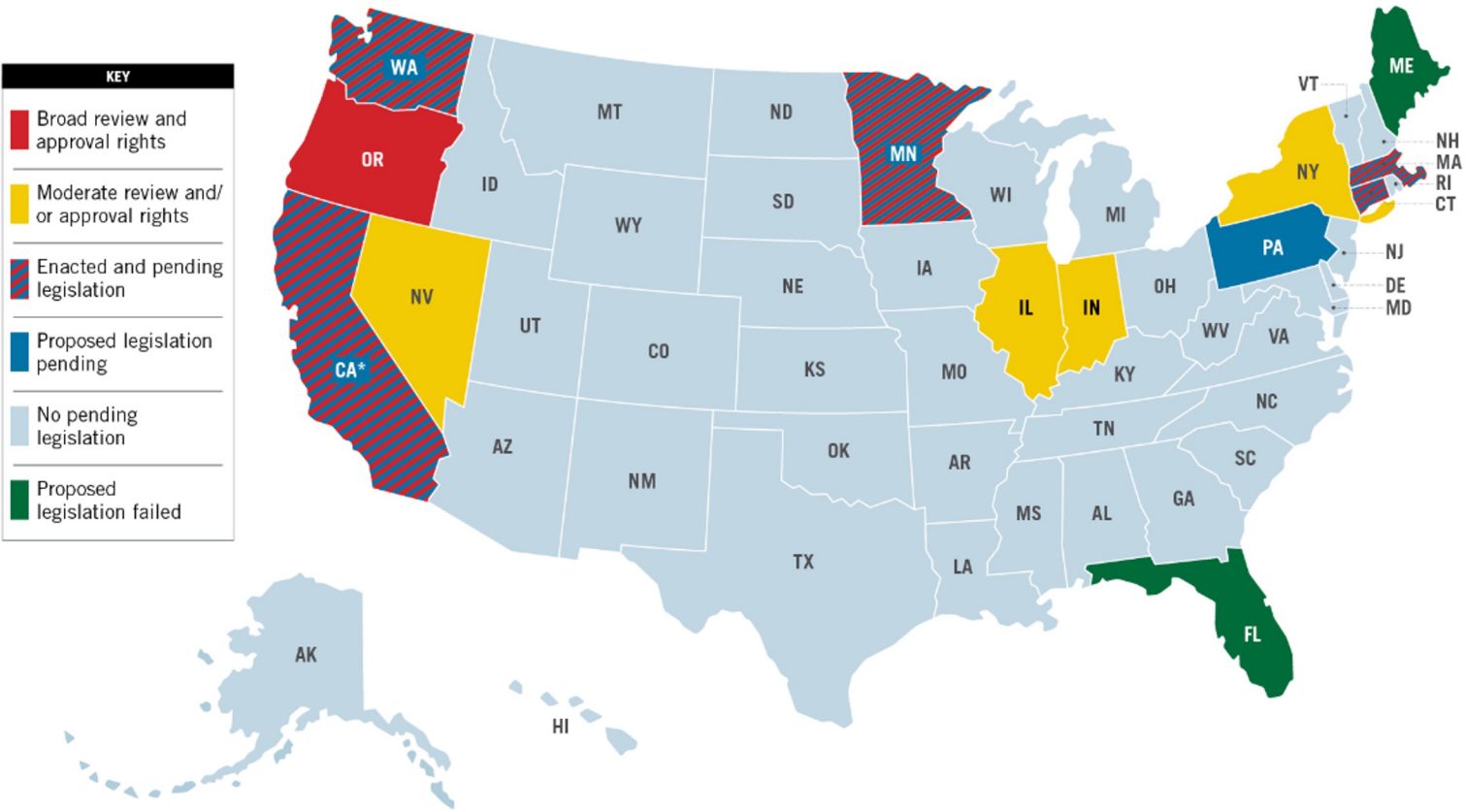
Solutions

State policies to address private equity

- Transparency and disclosure
- State pension funds: disclosures to investors
- Tax policies
- Worker protections
- Tenant protections
- Healthcare protections

Anti-trust/transaction review

Healthcare transaction laws



Source: Ropes & Gray LLP, Healthcare Transactions Laws – An Interactive Map

Public Spending

For the duration of any grant or disbursement that goes to private equity

- Require the disclosure of parents
- Prohibit the payments of dividends from new debts
- Prohibit real estate sale-leasebacks or other asset transfers without government consent
- Require the suspension of management and monitoring fees
- Require a merger moratorium to prevent public funds from funding acquisitions

thank you

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