The harms of private equity in healthcare

Madam Chair and members of the committee, thank you for the invitation.

My name is Olivia Kosloff, and I am a senior fellow at the American Economic Liberties Project. I appreciate the opportunity to explain how private equity acquisitions of healthcare assets — including hospitals and physician practices — harm patients, communities, and the stability of regional and rural healthcare infrastructure.

Private equity firms often present themselves as a solution to struggling providers to bring new investment into the system. However, private equity firms are structured to make a return on their investment as quickly as possible. The incentive is not for long-term community investment but for a quick stripping of the acquired asset to turn a profit within a few years. This often leaves practices and hospitals worse off than before, and it can leave patients with nowhere to turn.

How private equity typically operates in health care

Private equity practices are a type of financial institution premised on finding underutilized assets and quickly making a profit from them. Private equity acquisitions are typically leveraged buy-outs, or LBOs. This means that private equity purchases the asset with debt and uses the purchased entity's own assets as collateral for the debt. In other words, the purchased hospital takes on all of the risk, but with no guarantee of benefit.

Private equity funds usually seek to turn around their investment in 3-7 years — meaning a very short time horizon. This incentivizes value extraction, rather than value creation. Private equity shops are not sticking around to make long-term bets about keeping communities healthy or serving, for example, an elderly rural population. Instead, they're making money with the most extractive, quickest means possible.

Standard strategies include selling the real estate under which a practice sits — and then leasing the land back to the practice at an exorbitant rate (also known as sale-leaseback), extracting management and monitoring fees from the practice, consolidating back-office functions, cutting staffing and labor hours, raising prices, and aggressively billing patients.[1] None of these strategies are intended to make the hospital or physician practice run more smoothly or efficiently, and none of them represent investment in the future of the practice — because again,

[1] Richard M Scheffler, Laura Alexander, Brent D. Fulton, Daniel R. Arnold, and Ola A. Abdelhadi, "Monetizing Medicine: Private Equity and Competition in Physician Practice Markets," American Antitrust Institute, Petris Center, and Washington Center for Equitable Growth, July 10, 2023, https://www.antitrustinstitute.org/wp-content/uploads/2023/07/AAI-UCB-EG_Private-Equity-I-Physician-Practice-Report_FINAL.pdf.

the private equity model is explicitly premised on not being around for the future, but making as much money as possible in the short term.

After private equity has bled all profit it can from the system, it exits or sells the asset — leaving the patients, providers, and communities much worse off than before.

Private equity firms have shown particular interest in assets with defined billing practices, or which are procedure- or medication-heavy. The greatest concentration of private equity acquisitions has been among hospital-based physicians in specialties like emergency medicine, anesthesiology, and radiology; office-based specialties with a heavy procedure component like gastroenterology, dermatology, and ophthalmology; and behavioral health and opioid treatment programs.[2] The number of opioid treatment programs with private equity investment in the U.S. has jumped from less than 1% to nearly 20% from 2011 to 2022.[3] Private equity has also acquired approximately 13% of nursing homes in the U.S. as of this year, up from less than 1% in 2005.[4]

Overall investment has also skyrocketed: from 2000 to 2018, private equity investment in healthcare grew by 2000%.[5]

In my testimony, I'll focus on private equity acquisitions of hospitals, physician practices, and nursing homes, although private equity has also caused harm through acquiring emergency medical transport, emergency outpatient departments, dentistry practices, and other types of medical services.[6]

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[2] Whaley, "Addressing Healthcare Consolidation in the U.S.," https://cahpr.sph.brown.edu/sites/default/files/documents/CAHPR_Health%20Care%20Consolidation_Policy%20Brief.pdf

[3] Yashaswini Singh, Jonathan Cantor, Christopher M. Whaley, Bryant Shuey, Rebecca Bilden, and J. Travis Donahoe, "Private Equity Acquiring Large Shares of the Opioid Treatment Market Without Changing Market-Level Methadone Supply," Health Affairs, vol. 44, no. 9, September 2025.

[4] Michael Fenne, Eileen O'Grady, and Mary Bugbee, "Private Equity is Continuing to Acquire – and Bankrupt – Nursing Homes," Private Equity Stakeholder Project, April 2025, https://pestakeholder.org/wp-content/uploads/2025/04/PESP_Report_NursingHomes_April2025.pdf; Atul Gupta, Sabrina T. Howell, Constantine Yannelis, and Abhinav Gupta, "Owner Incentives and Performance in Healthcare: Private Equity Investment in Nursing Homes," NBER Working Paper 28474, February 2021, DOI: 10.3386/w28474.

[5] Christopher Whaley, Yashaswini Singh, Erin C. Fuse Brown, Megha Reddy, Jared Perkins, and Hayden Rooke-Ley, "Addressing Healthcare Consolidation in the U.S.," Brown University, https://cahpr.sph.brown.edu/sites/default/files/documents/CAHPR_Health%20Care%20Consolidation_Policy%20Brief.pdf

[6] Olivia Webb, "Private Equity Chases Ambulances," The American Prospect, October 3, 2019, https://prospect.org/health/private-equity-chases-ambulances-emergency-medical-transport/; Olivia Webb, "The Emergency Room Hustle," December 23, 2019, https://prospect.org/health/the-emergency-room-hustle/; Olivia Anderson, "Private equity affiliation among dentists increases," ADA News, August 6, 2024, https://adanews.ada.org/ada-news/2024/august/private-equity-affiliation-among-dentists-increases/.

Evidence of harms

There are four areas where strong evidence of harm has emerged: patient safety and quality, increased costs, loss of access especially in rural areas, and workforce disruptions.

First, patient safety and quality of care.

A major talking point by those in favor of private equity acquisitions of hospitals is that it can rescue struggling assets and maintain patient access to care. But a growing body of evidence shows that the care provided by private equity-owned hospitals is inferior to that provided by other hospitals. A study published in the Journal of the American Medical Association in 2023 found that Medicare beneficiaries admitted to private-equity owned hospitals experienced a 25% increase in hospital-acquired conditions compared to those treated at control hospitals, including a 27% increase in falls and a 37% increase in certain infections.[7]

Private equity seems to particularly affect emergency or high-intensity care. One study, published in Health Affairs in 2025, found that private equity acquisition was associated with a 2.7% increase in postoperative mortality, particularly with emergent surgeries.[8] Another study found that Medicare beneficiaries in a private equity-owned emergency department saw an additional 7 deaths per 10,000 visits after the acquisition, and more frequent transfers to other hospitals from private equity-owned emergency departments and intensive care units.[9]

Patients have also reported worse quality and staff responsiveness at private equity-owned hospitals.[10] In private equity-owned nursing homes, patients experienced higher mortality, higher costs, and more emergency department visits compared to patients in other for-profit homes.[11]

Second, staffing cuts.

The harms I previously described affect patients. But these specific harms are closely linked with a common private equity tactic — decreasing staffing, which affects providers as well.

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[7] Sneha Kannan, Joseph Dov Bruch, and Zirui Song, "Changes in Hospital Adverse Events and Patient Outcomes Associated with Private Equity Acquisition," Journal of the American Medical Association, December 26, 2023, doi:10.1001/jama.2023.23147.

[8] Adrian Diaz, Mitchell Mead, Stefanie Rohde, Nicholas Kunnath, Justin B. Dimick, and Andrew M. Ibrahim, "Hospitals Acquired by Private Equity Firms: Increased Postoperative Mortality for Common Inpatient Surgeries," Health Affairs, May 2025, doi: 10.1377/hlthaff.2024.01102.

[9] Sneha Kannan, Joseph Dov Bruch, Jose R. Zubizarreta, Jennifer Stevens, and Zirui Song, "Hospital Staffing and Patient Outcomes After Private Equity Acquisition," Annals of Internal Medicine, September 23, 2025, doi: 10.7326/ANNALS-24-03471.

[10] Anjali Bhatla, Victoria L. Bartlett, Michael Liu, ZhaoNian Zheng, and Rishi K. Wadhera, "Changes in Patient Care Experience After Private Equity Acquisition of US Hospitals, Journal of the American Medicial Association, January 9, 2025, doi: 10.1001/jama.2024.23450.

[11] Robert Tyler Braun, Hye-Joung Jung, Lawrence P. Casalino, Zachary Myslinski, Mark Aaron Unruh, "Association of Private Equity Investment in US Nursing Homes with the Quality and Cost of Care for Long-Stay Residents, JAMA Health Forum, November 19, 2021, doi: 10.1001/jamahealthforum.2021.3817.

Proponents of private equity acquisition will often refer to cutting out the bloat from systems and streamlining efficiencies. In the best case scenario, that represents lost jobs. In the worst case scenario, that represents fewer care professionals to manage patients, watch for infections, and relieve the burnout experienced by too many healthcare providers. A 2024 survey of doctors by the Physicians Foundation found that over two-thirds of respondents said consolidation was impacting patient access in a negative way, and only 14% of physicians said that private equity is good for the future of healthcare. Half of physicians reported that a merger or acquisition reduced their job satisfaction, and only 14% reported that it improved their job satisfaction.[12]

Staffing cuts are particularly prevalent in nursing home acquisitions, where it is easier for private equity owners to trim staffing levels without much oversight. Recent studies have shown that private equity ownership of nursing homes leads to a lower-risk patient population — with increased mortality. This is linked to declines in nurse staffing and lower compliance with care standards.[13] Research by the U.S. Department of Health and Human Services found that private equity investment led to a 12% relative decline in registered nurse hours per resident day, compared to other for-profit nursing homes.[14]

A study in the Annals of Internal Medicine published this year found that private equity hospitals reduced emergency department salaries by more than 18% after acquisition and reduced hospital-wide average pay for full-time employees by nearly 12%.[15]

For physicians, private equity acquisition leads to more churn in acquired practices and greater replacement of physicians with advanced practice professionals, who are often less expensive to hire.[16]

Furthermore, this churn continues even after private equity acquires and then sells the practice. Although the private equity acquirer may embed incentives for physicians to stay for the duration of the acquisition period, these incentives often disappear once the acquirer sells the practice again. One recent study found that physicians employed in a practice that was acquired by private equity were more than 16% less likely to continue to work at that practice two years after acquisition.[17] The authors of the study suggest that it may be because many of the firms sold by

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[12] "2024 Survey of America's Current and Future Physicians," The Physicians Foundation, July 2024, http://physiciansfoundation.org/wp-content/uploads/2024-Survey-of-Americas-Current-and-Future-Physicians.pdf.
[13] Gupta, Howell, Yannelis, and Gupta, "Owner Incentives and Performance in Healthcare: Private Equity Investment in Nursing Homes," NBER Working Paper 28474, February 2021.
[14] Fenne, O'Grady, and Bugbee, "Private Equity is Continuing to Acquire – and Bankrupt – Nursing Homes," Private Equity Stakeholder Project, April 2025.
[15] Kannan, Bruch, Zubizarreta, Stevens, and Song, "Hospital Staffing and Patient Outcomes After Private Equity Acquisition, Annals of Internal Medicine, September 23, 2025.
[16] Joseph Dov Bruch, Canyon Foot, Yashaswini Singh, Zirui Song, Daniel Polsky, and Jane M. Zhu, "Workforce Composition in Private Equity-Acquired Versus Non-Private Equity-Acquired Phsyician Practices," Health Affairs, vol. 42, no. 1, January 2023, doi: 10.1377/hlthaff.2022.00308.
[17] Victoria Berquist, Lev Klarnet, and Leemore Dafny, "Sale of Private Equity-Owned Physician Practices and Physician Turnover," JAMA Health Forum, February 14, 2025, doi:10.1001/jamahealthforum.2024.5376.

private equity were sold to other private equity investors: "Practices sold by PE tend to have fewer assets and more liabilities, reducing potential investment in practice-related activities and heightening the risk of subsequent instability (e.g., bankruptcy)...Physicians may want to consider these possibilities before involving PE in their practice."

In other words, a private equity acquisition has long-term implications for the stability of the physician workforce in a particular community, even years after the ownership change.

Third, increased costs.

Perhaps the cut in care quality and physician and workforce wellbeing would be justifiable if private equity actually lowered costs in the system. However, private equity-driven consolidation has been shown to raise costs. Consolidated hospitals charge insurers more, driving up costs across an entire area, even among independent hospitals.[18] Costs also go up at private equity-owned physician practices, with one study showing a rise of 4-16% in dermatology, gastroenterology, and oncology practices, with even greater cost increases when the private equity firm controls a significant share of the local market.[19] Private equity-owned practices also tend to prescribe more expensive drugs, increasing cost to Medicare.[20]

Fourth, access, closures, and community impact.

Hospitals are regionally interconnected infrastructure. When a private equity-owned system accumulates heavy debt, it can be vulnerable to insolvency or forced asset sales that disrupt continuity of care. Private equity ownership strips health systems of their cash on hand (one study found that nursing homes' cash on hand declines by an average of 38% after an acquisition) and of their capital assets (a 2024 study found that two years after acquisition, 61% of the private equity-owned hospitals in the study had reduced capital assets compared to 15.5% of control hospitals).[21] Because of the sale-leaseback model, nursing home lease payments go up by an average of 75% post-buyout.[22]

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[18] Whaley, Singh, Brown, Reddy, Perkins, and Rooke-Ley, "Addressing Healthcare Consolidation in the U.S.," Brown University.

[19] Scheffler, Alexander, Fulton, Arnold, and Abdelhadi, "Monetizing Medicine: Private Equity and Competition in Physician Practice Markets," American Antitrust Institute, Petris Center, and Washington Center for Equitable Growth.

[20] Yashaswini Singh, Christopher M. Aderman, Zirui Song, Daniel Polsky, and Jane M. Zhu, "Increases in Medicare Spending and Use after Private Equity Acquisition of Retina Practices," Opthalmology, February 2024, vol. 131, no. 2: 150-158, doi: 10.1016/j.ophtha.2023.07.031.

[21] Gupta, Howell, Yannelis, and Gupta, "Owner Incentives and Performance in Healthcare: Private Equity Investment in Nursing Homes, NBER Working Paper 28474.; Elizabeth Schrier, Hope E. M. Schwartz, David U. Himmelstein, Adam Gaffney, Danny McCormick, Samuel L. Dickman, and Steffie Woolhandler, "Hospital Assets Before and After Private Equity Acquisition," Journal of the American Medical Association, July 30, 2024, doi:10.1001/jama.2024.13555.

[22] Gupta, Howell, Yannelis, and Gupta, "Owner Incentives and Performance in Healthcare: Private Equity Investment in Nursing Homes, NBER Working Paper 28474.

Rural communities are often overrepresented among those served by private equity-owned hospitals, with nearly 30% of private equity-owned hospitals serving rural areas.[23] These transactions can result in service reductions, layoffs, or hospital closures, which directly increase travel times and can reduce access to emergency and specialty care.

Private equity-backed companies have been involved in 7 of the 8 largest bankruptcies in healthcare. Private equity is also behind 21% of all bankruptcies in healthcare in 2024.[24]

Prevalence in New Mexico

These factors are heightened in New Mexico. According to the Private Equity Stakeholder Project, New Mexico has the highest share of hospitals and nursing homes owned by private equity of any state in the U.S. — more than 36% of New Mexican hospitals and more than 35% of nursing homes.[25] Many of these are psychiatric and behavioral health facilities in Albuquerque.

A report released by the Democrats on the Joint Economic Committee in 2024, led by then-Chairman Senator Martin Heinrich from New Mexico, found that New Mexico was the state "most threatened" by private equity, an analysis supported by the Private Equity Stakeholder Project's risk assessment, which ranked New Mexico at a 100/100 risk level.[26]

One example is Memorial Medical Center in Las Cruces. This is a 199 bed hospital that is managed by Lifepoint Health, which was acquired by private equity firm Apollo Global Management in 2018.[27] Through its ownership of Lifepoint and health system chain called Scion Health, Apollo owns approximately 220 hospitals across 36 states, including Memorial, Los Alamos Medical Center, and Kindred Hospital Albuquerque.[28] The Senate Budget Committee

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[23] Private Equity Hospital Tracker, Private Equity Stakeholder Project, April 2025, accessed October 2, 2025, https://pestakeholder.org/private-equity-hospital-tracker/.
[24] Private Equity Bankruptcy Tracker, Private Equity Stakeholder Project, February 12, 2025, accessed October 3, 2025, https://pestakeholder.org/reports/private-equity-bankruptcy-tracker/.
[25] Private Equity Hospital Tracker, Private Equity Stakeholder Project, April 2025, accessed October 2, 2025, https://pestakeholder.org/private-equity-hospital-tracker/.; "Predatory Private Equity Practices Threaten Americans' Health and the Economy," The Joint Economic Committee Democrats, July 23, 2024, https://www.jec.senate.gov/public/index.cfm/democrats/issue-briefs/?id=3C7EF121-C1F3-470C-8044-CFD317B782C7.
[26] "Predatory Private Equity Practices Threaten Americans' Health and the Economy," The Joint Economic Committee Democrats, July 23, 2024.; Private Equity Risk Index, Private Equity Stakeholder Project, accessed October 3, 2025, https://privateequityrisk.org/state/new-mexico/.
[27] "Report: Company that manages Memorial Medical Center sold for $5.6 billion," Las Cruces Sun-News, July 24, 2018, https://www.lcsun-news.com/story/news/local/2018/07/24/report-company-manages-memorial-medical-center-sold-5-6-b/829572002/.
[28] "Apollo's Stranglehold on Hospitals Harms Patients and Healthcare Workers," Private Equity Stakeholder Project, January 2024, https://pestakeholder.org/wp-content/uploads/2024/01/PESP__Report_Apollo_Lifepoint_2024.pdf.; Private Equity Hospital Tracker, Private Equity Stakeholder Project, April 2025, accessed October 4, 2025.

released a bipartisan report earlier this year, finding mismanagement of Apollo-owned hospitals, even as Apollo has "profited immensely from its ownership of the portfolio of hospitals."[29]

Locals have also raised concerns about Memorial Medical Center. Peter Goodman, a lawyer and newspaper contributor, has written in the Las Cruces Sun-News about anecdotally reported overuse of cardiac procedures and a disproportionate share of children admitted to the pediatric intensive care unit.[30] Executive Director and founder of Las Cruces-based CARE, a cancer patient advocacy nonprofit Yolanda Diaz has flagged that cancer patients at Memorial Medical Center have been denied care due to funding issues or a lack of insurance. Her work, in addition to an NBC News report in June 2024 highlighting 13 patients who were turned away for care or who were forced to pay upfront, led State Attorney General Raúl Torres to launch an investigation.[31] Shortly after the investigation began, CEO John Harris stepped down, announcing his retirement.[32]

Several other investigations have been reported into Memorial Medical Center, including by the city of Las Cruces.[33] According to the NBC News investigation into the hospital, Memorial charged 6.7x its cost for care in 2021, even higher than the average among for-profit hospitals across the U.S. Costs per Medicare beneficiary at Memorial are almost 20% higher than the state average, but Memorial only receives two out of five stars in the Centers for Medicare and Medicaid Services ranking.[34]

Until 2024, as members of the committee well know, New Mexico did not have an oversight process for healthcare transactions. In 2024, the legislature enacted SB 15, which temporarily

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[29] "Profits Over Patients: The Harmful Effects of Private Equity on the U.S. Health Care System," Senate Budget Committee Bipartisan Staff Report, January 2025, https://www.grassley.senate.gov/imo/media/doc/profits_over_patients_budget_staff_report.pdf.

[30] Peter Goodman, "Questions and investigations at Memorial Medical Center," Las Cruces Sun-News, August 26, 2024, https://www.lcsun-news.com/story/opinion/2024/08/26/questions-and-investigations-at-memorial-medical-center/74952607007/.

[31] Ariana Parra, "Las Cruces woman spearheads fight against alleged healthcare injustice at MMC," KFOX14, August 9, 2024, https://kfoxtv.com/news/local/las-cruces-woman-spearheads-fight-against-healthcare-injustice-at-mmc-memorial-medical-center-new-mexico-nm-hospital-cancer-aid-education-resource-insurance-dona-ana-county.; Gretchen Morgenson, "Cancer patients say this hospital turned them away," NBC News, June 5, 2024, https://www.nbcnews.com/health/cancer/cancer-patients-say-new-mexico-hospital-turned-them-away-rcna147184.; "New Mexico Attorney General Raúl Torres Launches Investigation into Memorial Medical Center for Alleged Denial of Essential Medical Care," New Mexico Department of Justice, July 16, 2024, https://nmdoj.gov/press-release/new-mexico-attorney-general-raul-torrez-launches-investigation-into-memorial-medical-center-for-alleged-denial-of-essential-medical-care/.

[32] Algernon D'Ammassa, "John Harris out as Memorial Medical's CEO," Las Cruces Bulletin, August 8, 2024, https://www.lascrucesbulletin.com/stories/john-harris-out-as-memorial-medicals-ceo,88984.

[33] Peter Goodman, "Questions and investigations at Memorial Medical Center," Las Cruces Sun-News, August 26, 2024; "City of Las Cruces sends Memorial Medical Center Notice of Breach," City of Las Cruces, August 30, 2024, https://lascruces.gov/city-of-las-cruces-sends-memorial-medical-center-notice-of-breach/.

[34] Gretchen Morgenson, "Cancer patients say this hospital turned them away," NBC News, June 5, 2024.

authorized the Office of Superintendent of Insurance and New Mexico's Health Care Authority to review and approve or deny mergers and acquisitions involving hospitals.

Following listening sessions and additional legislative work, Senator Katy Duhigg, Representative Reena Szczepanski, and Representative Christine Chandler sponsored HB 586, which made the state's oversight authority permanent, expanded oversight to acquisitions of healthcare practices by an insurer, and increased transparency.

Recommendations

New Mexico's current oversight process is a key initial step in protecting New Mexican patients, providers, and hospitals.

However, further steps are needed to protect New Mexicans from the harms associated with private equity. While HB 586 allows oversight authority, it does not prevent acquisitions by private equity owners. New Mexico also does not have a law on the books banning the corporate practice of medicine — or the ability for corporations or organizations run by non-physicians to manage practices — unlike many other states.

Oregon recently passed a corporate practice of medicine (CPOM) law, SB 951, that prevents management services organizations (MSOs), which are a typical vehicle for private equity ownership, from exercising operational control over professional clinical organizations (PCs), or owning or controlling a PC with which the MSO has a contract. This is one option to expand on HB 586.

Other, more incremental measures could include expanding New Mexico's oversight process to physician practices, nursing homes, and other frequent private equity acquisition targets like dentistry practices.

State-based site-neutral payment policies — or paying independent physicians and hospital systems the same Medicaid rate — would even the playing field for independent physicians and reduce the incentive to consolidate, making it easier for independent physicians to practice the way they want to. It would also ensure that rural providers could receive the same payments as consolidated hospitals, helping keep a lifeline to rural care open.

Banning non-competes in New Mexico are another option. While New Mexico holds that non-competes affecting healthcare professionals are generally unenforceable, banning non-competes across the state, for both low- and high-wage workers, can foster economic dynamism and growth.[35]

[35] "The Effects of Noncompete Agreement Reforms on Business Formation: A Comparison of Hawaii and Oregon," Economic Innovation Group, March 29, 2023, https://eig.org/noncompetes-research-note/.

Finally, under current New Mexico law, the Health Care Authority and the Office of the Superintendent of Insurance have oversight ability and the ability to add conditions to the approval of a transaction. These conditions should be carefully tailored to the individual transaction and could include: requirements for investment in the hospital infrastructure; time requirements to ensure the purchaser remains invested in the hospital for years; limits on sale-leaseback transactions to prevent loading the acquired hospital with debt; limits on dividend recapitalizations, cash payouts, and arbitrary management fees; ongoing staffing requirements to prevent the loss of jobs by people in the community of the acquired hospital; and requirements for ongoing patient care provision, to prevent another Memorial Medical Center situation.

In summary, private equity ownership introduces an incentive model that is in direct contradiction to healthcare goals of increased quality and access with reduced costs, but there is an opportunity to save New Mexican hospitals, providers, and patients by using the legislative power available to preserve this essential resource of healthcare. Thank you so much for your time, and I'm happy to answer any questions.