Public Health Committee Hearing
Connecticut HB 6873: An Act Strengthening the Review of Healthcare Entity Transactions
March 3, 2025

Testimony for the Record

Americans for Financial Reform Education Fund (AFREF) appreciates the opportunity to provide written testimony on the role of private equity in the health care sector and the appropriate approaches to curb its monopolistic and predatory practices in the sector. Private equity investments in healthcare facilities and networks lower quality and accessible care. Private equity firms have siphoned money from healthcare facilities, reduced the quality of care, lowered staffing levels as well as worker wages and benefits, and worsened health outcomes for patients.

AFREF is a nonpartisan and nonprofit coalition of more than 200 civil rights, consumer, labor, business, investor, faith-based, and civic and community groups advocating for policies that shape a financial sector that serves workers, communities and the real economy, and provides a foundation for advancing economic and racial justice, including addressing the negative impacts of private equity investments in healthcare. AFREF has published research reports and white papers on the negative impact of private equity on the delivery of healthcare and has worked with stakeholders across the country to develop policy solutions to address the harms to patients, workers, and communities from private equity healthcare investments.

The private equity industry is an increasingly powerful yet unregulated part of the U.S. economy. The private equity and private funds industry grew 13 fold from $1 trillion in assets under management in 2004 to $13.1 trillion by June 2023.[1] Today, private equity-owned companies control the livelihoods of almost 12 million workers.[2] Connecticut House Bill 6873 creates greater oversight of healthcare transactions and establishes necessary guardrails to govern private equity healthcare transactions in the state.

Private equity firms have aggressively acquired health care entities because of the sector's reliable revenue streams that are insulated from economic downturns. The fragmentation of the U.S. healthcare system attracts private equity investors as does opaque payment systems where the price of services and cost of care are disconnected. This coupled with growing demand for care creates ample opportunity for investment and profiteering.[3]

[1] McKinsey & Company. "A routinely exceptional year: McKinsey Global Private Markets Review." February 2017;McKinsey & Company. "Global Private Markets Report 2025: Private equity emerging from the fog." February 13, 2025
[2] Private Equity Stakeholder Project. "Labor and Jobs."
[3] Robert Seifert. Americans for Financial Reform Education Fund. "Doctored by Wall Street: Private Equity Bodes Ill for Healthcare." June 2023 at 2.

Private equity has been a major force in the healthcare industry for over a decade,[4] but the pace of takeovers is accelerating.[5] Private equity firms spent more than $1 trillion between 2013 and 2023 buying up healthcare companies.[6] Private equity firms now own health care companies from birth (fertility clinics) to death (hospice care) and everything in between. Private equity firms own hospitals, ambulances, surgery centers, physician practices, dialysis, cancer care, nursing homes, autism treatment, drug and alcohol rehabilitation, home healthcare firms, fertility clinics and more.[7] Abundant evidence shows that health care consolidation causes prices to rise, putting pressure on patients and insurers.[8] Higher prices can hinder access to care for patients of limited means, and increase their levels of medical debt.[9] This can be especially damaging in rural areas, where hospital roll-ups have been common and there are often no alternative providers.[10]

Private equity takeovers include both the acquisitions of large healthcare providers, like a chain of hospitals or nursing homes, or the sequential purchase of smaller entities that amass a large health care chain through a roll-up or add-on strategy. These roll-ups can quietly build monopolistic market power when each transaction is too small to warrant regulatory scrutiny, when the transactions are in adjacent or complementary markets that confer competitive advantages, or when the purchases spread geographic market power by sequentially buying targets in nearby localities. Roll-ups allow private equity firms to aggregate many smaller businesses (like ambulance companies, medical practice groups, like dermatologists or dental offices) into larger firms that can negotiate for higher prices, charge consumers excessive fees by staying out-of-network (a surprise billing strategy), offer ancillary services that are uncovered by insurance coverage to drive up revenues, and cut workers' wages and benefits.[11] The Federal Trade Commission successfully sued the private equity-owned U.S. Anesthesia Partners for violating antitrust law by buying up all of the anesthesia practices in Texas to eliminate competition and raise prices.[12]

The private equity industry uses financial engineering and severe cost cutting to extract value from target firms that compromises the quality of care, undermines access to care, and harms health care workers. These strategies include debt-fueled takeovers known as leveraged buyouts, the extraction of fees and dividends, stripping out assets like real estate and forcing healthcare firms to pay rent on

[4] Robbins, Catherine J., Todd Rudsenske, and James S. Vaughan. "Private equity investment in health care services." *Health Affairs*. Vol. 28, No. 5. September/October 2008 at 1391.
[5] PwC Health Research Institute. "Top Health Industry Issues of 2019: The New Health Economy Comes of Age." 2019 at 29.
[6] David Blumenthal. "Private Equity's Role in Health Care." Commonwealth Fund. November 17, 2023.
[7] Bain & Company. "Global Healthcare Private Equity and Corporate M&A Report 2019." 2019 at 17, 29, and 30; Whoriskey, Peter and Dan Keating. "Overdoses, bedsores, broken bones: What happened when a private equity firm sought to care for society's most vulnerable." *Washington Post*. November 25, 2018; Whalen, Jeanne and Laura Cooper. "Private-Equity pours cash into opioid treatment sector." *Wall Street Journal*. September 2, 2017; Liss, Samantha. "Private equity sees ripe opportunity in health care this year." *HealthcareDive*. March 25, 2019; Objective Capital Partners. "M&A in fertility outpatient care remains strong." *Healthcare Insights*. June 11, 2019; RegionalCare Hospital Partners. [Press release]. "RegionalCare Hospital Partners to be acquired by funds affiliated with Apollo Global Management." November 12, 2015; BainCapital. [Press release]. "U.S. Renal Care to be acquired by investor group." February 13, 2019.
[8] Karyn Schwarz et al. KFF "What We Know About Provider Consolidation." September 2, 2020.
[9] Americans for Financial Reform Education Fund. Comment letter on Merger Guidelines 2023 of U.S. Department of Justice and the Federal Trade Commission. September 18, 2023.
[10] Appelbaum, Eileen and Rosemary Batt. Center for Economic and Policy Research. "Private Equity Buyouts in Healthcare: Who Wins, Who Loses?" Working Paper No. 118. March 15, 2020.
[11] American Medical Association (AMA). Proceedings of the AMA 2019 Annual Meeting. 2019 at 446; Americans for Financial Reform Education Fund. Comment letter on Merger Guidelines 2023 of U.S. Department of Justice and the Federal Trade Commission. September 18, 2023.
[12] U.S. Federal Trade Commission. [Press release]. "FTC Secures Settlement with Private Equity Firm in Antitrust Roll-Up Scheme Case." January 17, 2025.

facilities they had previously owned, and cutting expenditures on care and staff. These strategies are extremely profitable for the private equity firms but come at the expense of patients.

Private equity leveraged buyouts impose debt loads that undermine hospital quality

Private equity takeovers have been fueled by leveraged-buyouts,[13] often with substantial debt loads that can leave healthcare companies with little financial wherewithal to provide quality care for patients. These private equity takeovers are funded by debt that is loaded onto the target companies to pay for their own acquisition, imperiling the financial viability of the healthcare entity. The high debt loads are exacerbated by private equity firms siphoning value from the healthcare companies by charging the target firms high fees and extracting dividend payments. The practice of charging fees can keep these facilities, practice groups, and networks in debt. Private equity firms often require healthcare portfolio companies to take on new debt and use the proceeds to pay the firm a cash dividend payout. The debt burden from these takeovers can drive the acquired health care firms into bankruptcy that can abruptly shutter facilities, which harms patients, healthcare workers, and communities.

These debt loads and cost-cutting have been especially damaging to hospitals. Private equity-owned hospital chains under-resource facilities, cut staff, and even withhold payments to suppliers of critical medical equipment. The result has been lower quality of care for patients. A 2023 study in the *Journal of American Medical Association* found that patients at private equity-owned hospitals had more hospital-acquired adverse events, especially falls and bloodstream infections.[14] A 2025 survey of hospital patients found that medical staff were less responsive at private equity owned facilities and that fewer people would highly rate or recommend private equity-owned hospitals.[15]

The recent high-profile bankruptcy of Steward Health Care illustrates the private equity business model in action. Steward was created by private equity firm Cerberus Capital Management in 2010 after it gained control of several Massachusetts safety net hospitals through a leveraged buyout. Cerberus quickly pursued various strategies that drained cash from the company, resulting in significant cuts to patient care, elevated prices, and facility closures that left many communities without access to a functional medical facility. In January 2021, Steward paid a $111 million dividend to its equity holders.[16] That same year, Steward reported losses of $364.7 million.[17]

Steward's losses, driven by payouts to its investors, continued the cycle of indebted hospital facilities. The private equity owner dumped Steward after the firm had extracted $800 million but left the hospital chain in perilous financial condition.[18] In January 2024, a patient at St. Elizabeth's Hospital in Massachusetts died giving birth because Steward was unable to pay for routine medical equipment

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[13] Meindl, John and Winston Smart. VMG Health. "Healthcare M&A Report." 2019 at 25.
[14] Kannan, Sneha, Joseph Dov Bruch, and Zirui Song. "Changes in Hospital Adverse Events and Patient Outcomes Associated With Private Equity Acquisition." *Journal of American Medical Association*. Vol. 330, No. 24. December 26, 2023.
[15] Bhatia, Anjali et al. "Changes in Patient Care Experience After Private Equity Acquisition of US Hospitals." *Journal of American Medical Association*. Vol. 333, No. 6. 2025.
[16] Mark Arsenault, Liz Kowalczyk, Robert Weisman and Adam Piore, "Inside the rise and fall of Steward Health Care's Ralph de la Torre." Boston Globe. March 29, 2024.
[17] Hanna Krueger, Jessica Bartlett and Brendan McCarthy, "Inside the secret financial dealings of Steward CEO Ralph de la Torre." Boston Globe. September 3, 2024.
[18] McLean, Bethany. "Senate report: How private equity 'gutted' dozens of U.S. hospitals." *Washington Post*. October 17, 2024.

for the facility.[19] In mid 2024, Steward declared bankruptcy that led to the closure of several community hospitals that left some areas without access to critical and emergency care services.[20]

In 2024, Connecticut authorities filed tax liens against California-based Prospect Medical Holdings, owned by private equity firm Leonard Green for nonpayment of $67 millions in taxes.[21] Leonard Green's 2010 leveraged buyout of Prospect Medical for $363 million[22] set off a debt cycle with the firm continuously refinancing debt while making payouts of hundreds of millions to investors while conditions in their hospital facilities deteriorated and the hospital system became further encumbered in debt. This year, Prospect Medical filed for Chapter 11 bankruptcy.[23]

Private equity takeovers substantially reduce quality of care at nursing homes

Private equity's aim to rapidly increase profitability through cost cutting and debt financing as well as extracting revenues to the private equity firm can conflict with delivering quality health care. A *Journal of the American Medical Association* editorial observed that the private equity industry's drive for "high returns on investment on a fast time horizon may conflict with the need for investments in quality and safety."[24] Private equity firms typically increase revenues by cutting staff and reducing expenditures on the delivery of care that can harm patients, especially those that are sicker, older, lower-income, or desperate. One PE healthcare specialist admitted the industry's involvement in health care had "a reputation of acquiring to basically strip down and over-leverage and cash out, and everyone else left in its wake be damned."[25]

Private equity's investment in nursing homes exemplifies the substantial decline in the quality of care for the most vulnerable patients. A considerable body of academic studies, government reports, and media investigations have found that private equity owned nursing homes have lower quality, lower staffing levels, poorer health outcomes, and higher deficiencies than other facilities. The private equity ownership of two major nursing homes ended in financial disaster that also threatened the safety of their residents: ManorCare went into bankruptcy and the operating business of Beverly (renamed Golden Living) was sold off to several companies that subsequently went out of business.[26]

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[19] Priyanka Dayal McCluskey. "Mass. alleges Steward jeopardized patient safety while paying off investors." WBUR. May 10, 2024.
[20] Alltucker, Ken. "CEO got big bucks as his hospital chain imploded. Here's who suffered." *USA Today*. August 29, 2024.
[21] Dave Altimari, Jenna Carlesso and Keith M. Phaneuf. "Prospect Medical chain owes CT $67 million, tax liens show." The Connecticut Mirror. January 9, 2024.
[22] Batt, Rosemary, Eileen Appelbaum, and Tamar Katz. "The Role of Public REITs in Financialization and Industry Restructuring." Institute for New Economic Thinking. June 9, 2022.
[23] Ma, Dorothy. "Private Hospital Owner Prospect Medical Files for Bankruptcy." Bloomberg. January 12, 2025.
[24] Gondi, Suhas and Zirui Song. "Potential implications of private equity investments in health care delivery." *Journal of the American Medical Association*. February 28, 2019 at E1; Flynn, Maggie. "New private equity firm eyes 'good buying opportunity' as skilled nursing prices cool." *Skilled Nursing News*. June 26, 2019.
[25] Flynn, Maggie. "New private equity firm eyes 'good buying opportunity' as skilled nursing prices cool." *Skilled Nursing News*. June 26, 2019.
[26] Rucinski, Tracy. "HCR ManorCare files for bankruptcy with $7.1 billion in debt." *Reuters*. March 5, 2018; Brambila, Nicole C. "Failing Care: 'Bad actor' ran operations at nursing homes in Pa. for 14 months before being ousted." *Reading (PA) Eagle*. February 10, 2019; Stoddard, Martha. "Chain of 21 Nebraska nursing homes placed in receivership after missing payroll." *Omaha World-Herald*. March 26, 2018; Pfankuch, Bart. "Wave of nursing home closures hitting small communities." *Mitchell (SD) Daily Republic*. December 14, 2018; Flynn, Maggie. "New investigation puts skyline Healthcare back in the spotlight." *Sklilled Nursing News*. July 19, 2019; Strickler, Laura, Stephanie Gosk, and Shelby Hanssen. "A nursing home chain grows too fast and collapses, and elderly and disabled residents pay the price." *NBC News*. July 19, 2019.

Private equity firms often sell off the real estate to partnerships that own the facilities and rent them to the nursing home operations, a profitable tactic for the private equity firm but dangerous for the nursing homes. These sale-leasebacks strip assets out of the nursing home and undermine the finances of nursing homes by adding additional business costs like rent and reducing their assets that could be used to secure operating credit or other financing. A 2015 study by Harvard and Vanderbilt researchers found that private equity likely targeted nursing home chains to profit from their real estate and that these takeovers led to "significantly decreasing liquidity" and increasing debt loads.[27]

The quality of care is lower at private equity-owned nursing homes. The Government Accountability Office found that private equity-owned facilities had higher rates of care deficiencies than non-profit facilities and lower overall staffing levels than other for-profit and non-profit nursing homes.[28] A 2014 study found that private equity delivered lower quality than other for-profits, which deliver poorer care than non-profit nursing homes.[29] A 2020 study by researchers from the University of Pennsylvania, New York University, and the University of Chicago found "robust evidence of declines in patient health and compliance with care standards."[30] The study found that buyouts led to declines in quality ratings by federal authorities, reduced per patient per day staffing ratios driven by "cuts to 'front line' caregivers," and higher hospital readmission rates.

A 2007 *New York Times* analysis found that private equity-owned nursing homes had worse performance for 12 of 14 quality of care indicators like bedsores than the national average and that "serious quality-of-care deficiencies—such as moldy food and the restraining of residents for long periods or the administration of the wrong medications—rose at every large nursing home chain after it was acquired by a private investment group."[31] A *Washington Post* examination of the private equity-driven ManorCare nursing home chain bankruptcy found that violations rose 26 percent annually in the four years before its collapse, likely related to chronic short-staffing that left patients vulnerable to the documented bedsores, infections, falls, and the failure to assist patients with eating or cleaning.[32]

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Private equity firms are not health care experts. They are not motivated to provide quality care, ensure equitable access to care, or increase the supply of care providers in under-served areas. The private equity profit-first business model is extractive by nature, and is driven by securing outsize financial returns through debt-driven acquisitions that consolidate market power. When applied to health care, this model puts profits above patients and the health care professionals serving them.

The financialization of healthcare worsens access to care, raises prices for treatment and care for patients, worsens the rights of medical professionals and other workers in private equity-owned healthcare facilities, and due to their asset-stripping practices, can reduce the access to care when

[27] Cadigan, Rebecca Orfaly et al. "Private investment purchase and nursing home financial health." *Health Services Research*. Vol. 50, No. 1. February 2015 at 191 to 192.
[28] Government Accountability Office (GAO). "Private Investment Homes Sometimes Differed from Others in Deficiencies, Staffing and Financial Performance." GAO-11-571. July 2011 at 16 and 20.
[29] Pradhan, Rohit et al. "Private equity ownership of nursing homes: Implications for quality." *Journal of Health Care Finance*. June/July 2014.
[30] Gupta, Atul et al. "Does Private Equity Investment in Healthcare Benefit Patients? Evidence from Nursing Homes." February 2020.
[31] Duhigg, Charles. "At many homes, more profit and less nursing." *New York Times*. September 23, 2007.
[32] Whoriskey, Peter and Dan Keating. "Overdoses, bedsores, broken bones: What happened when a private equity firm sought to care for society's most vulnerable." *Washington Post*. November 25, 2018.

private equity-owned facilities are led into bankruptcy. It is crucial for Connecticut state regulators, including the Attorney General's Office and the Office of Health Strategy, to closely scrutinize the healthcare market in Connecticut and strengthen their pre-merger review and approval process of a broader set of healthcare transactions.