1: Executive Summary

The care economy is at a critical turning point.

Home and community based services (HCBS) have steadily become a viable choice for aging and disability care after decades of campaigning to make care available in responsive environments that are grounded in peoples' support systems. At the same time, the private equity industry, which has left a wake of destabilization in facility based healthcare like nursing homes and hospitals, has been turning its attention to additional sectors across the care economy including HCBS. If left unchecked, private equity's extractive business model may damage HCBS infrastructure at a moment when its stability and expansion are of the utmost importance. To make HCBS a social good that provides sustainable livelihoods and is accessible, affordable, and responsive to client and family needs, advocates and policymakers need to design programs that aim to keep care investments focused on serving community needs, not lining Wall Street executives' pockets. This paper investigates private equity's presence in the HCBS sector and identifies the key players and their financial strategies. The goal is to spur more detailed conversation about what actions can be taken to curb the negative outcomes associated with private equity ownership with client advocates, community-based providers, and policy makers who are setting care policy.

1.1: Key Findings

Private equity's major imprint on HCBS

- Private equity firms have taken over hundreds of small home health and home care chains and consolidated them into three dozen flagship brands
- Of these, five large brands are among the largest chains in the country: Help at Home, Accentcare, Aveanna Healthcare, Interim Healthcare, and Elara Caring
- Private equity has also helped insurance companies, like UnitedHealthcare and Humana, assemble the two biggest chains through repeat purchases and resales
- Private equity-owned chains have different levels of dominance in different subparts of the industry. For example, they are the largest national providers of specialized disability and pediatric care in home and community settings

A threat to clients, families, workers, and other care providers

- Private equity firms are taking millions of dollars out of the HCBS system through financial engineering tactics and excessive cost cutting, leaving less money for those who need care and the workers who provide it
- Private equity-owned chains have a record of particularly egregious client neglect in pediatric and disability care, where they also are particularly dominant
- Private equity firms are eroding family and client self-determination by taking over family caregiving, self-directed programs, and needs assessment
- Private equity-owned chains degrade job standards: they continue to pay direct care workers poverty wages, fail to prioritize worker safety, and have lobbied hard against government rules that require 80 percent of government spending goes to workers

Federal and state policy tools can create community based solutions

- Health planning, procurement, and anti-monopoly policies can check private equity's takeover
- Wage floors, collective bargaining rights, and pass-through requirements, which specify how much money goes to workers, coupled with increased Medicaid funding, can raise standards for workers and make HCBS less attractive to predatory financial actors
- Quality controls and co-governance models bringing together clients, workers, and health administrators that can improve client care and direct money where it is needed
- Anti-looting rules that curtail practices like dividend recapitalizations, excessive fees, and asset-stripping that threaten the stability of the HCBS system
- Financial regulation that levels the playing field between private equity and other types of ownership models will reduce the likelihood that providers will be taken over by the industry
- Tax policies like closing the carried interest loophole and eliminating the tax preference for debt would also help protect the HCBS sector