



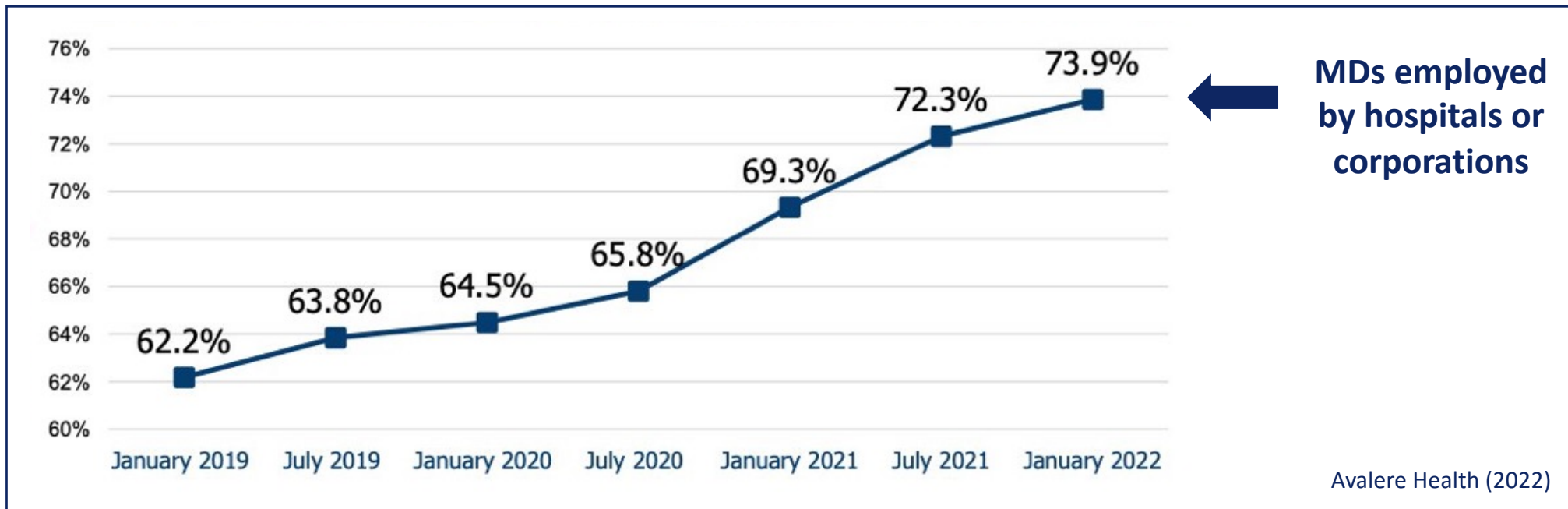
Privatization in Health Care: Pace, Promise, & Pitfalls

National Academy for State Health Policy
36th Annual Conference

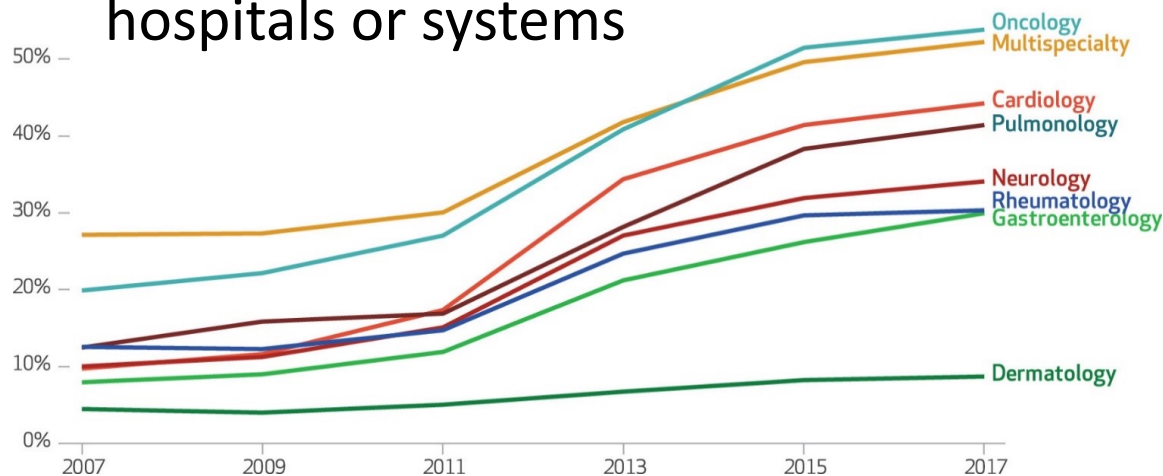


Zirui Song, MD, PhD
Harvard Medical School
Massachusetts General Hospital

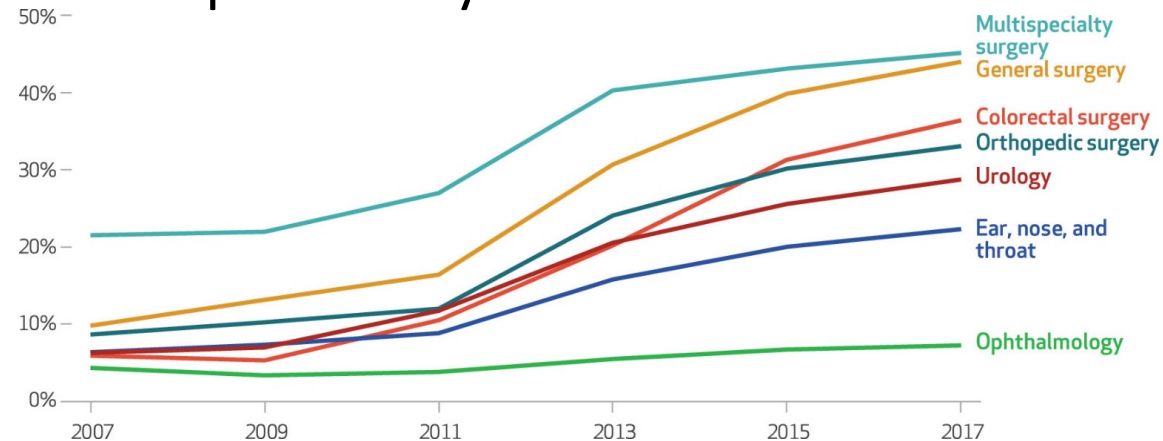


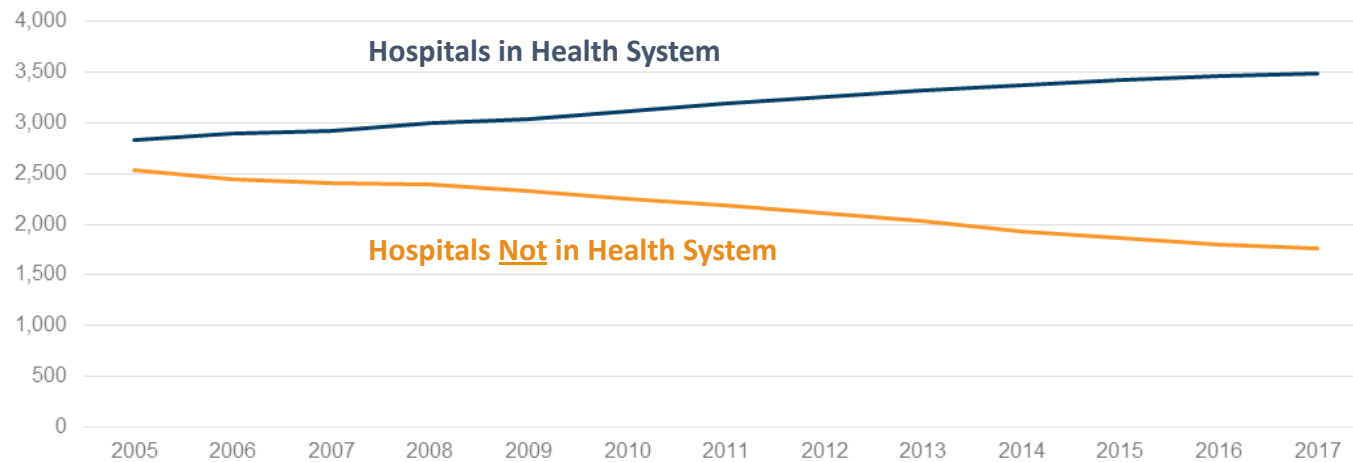
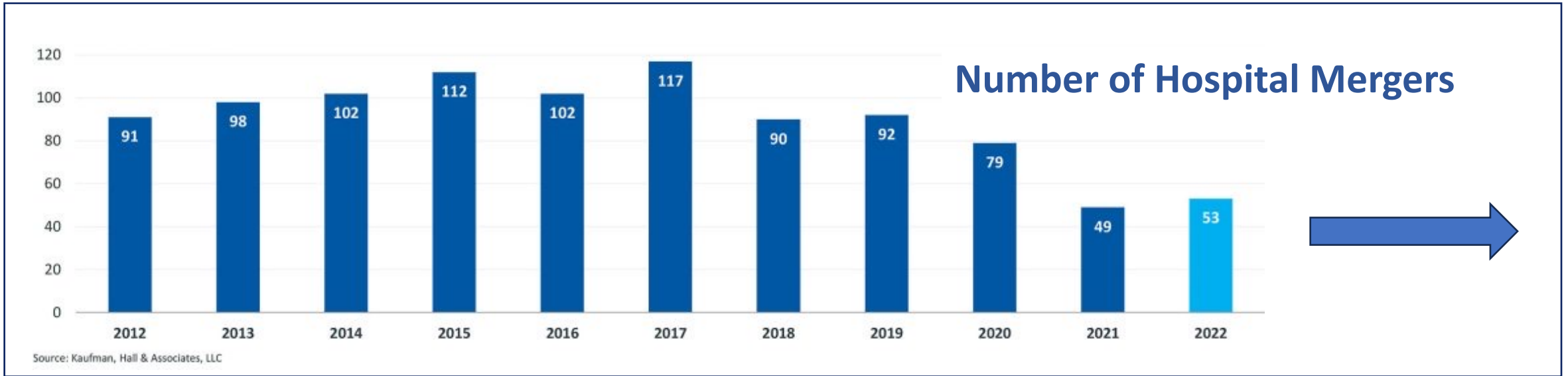


Medical practices owned by hospitals or systems

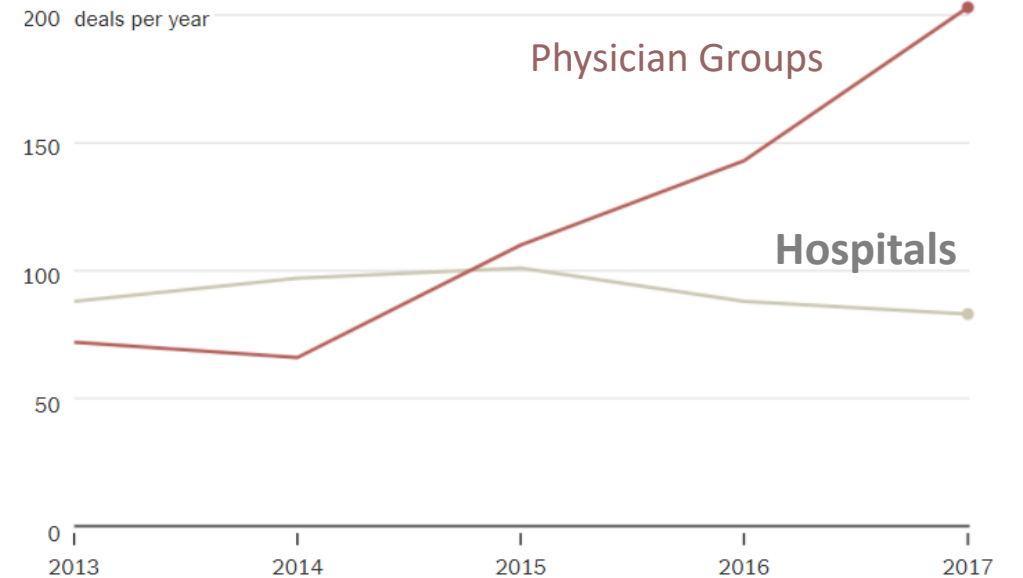


Surgical practices owned by hospitals or systems



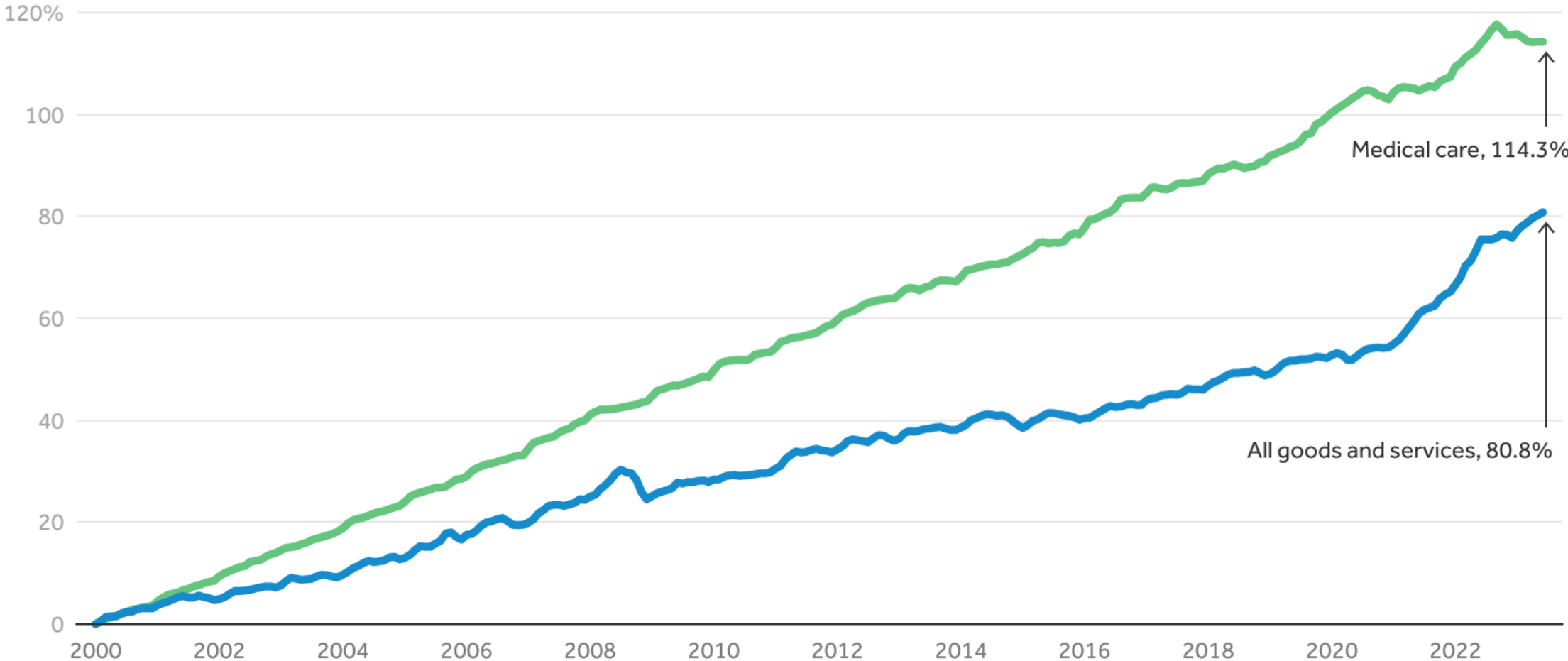


Kaiser Family Foundation



New York Times

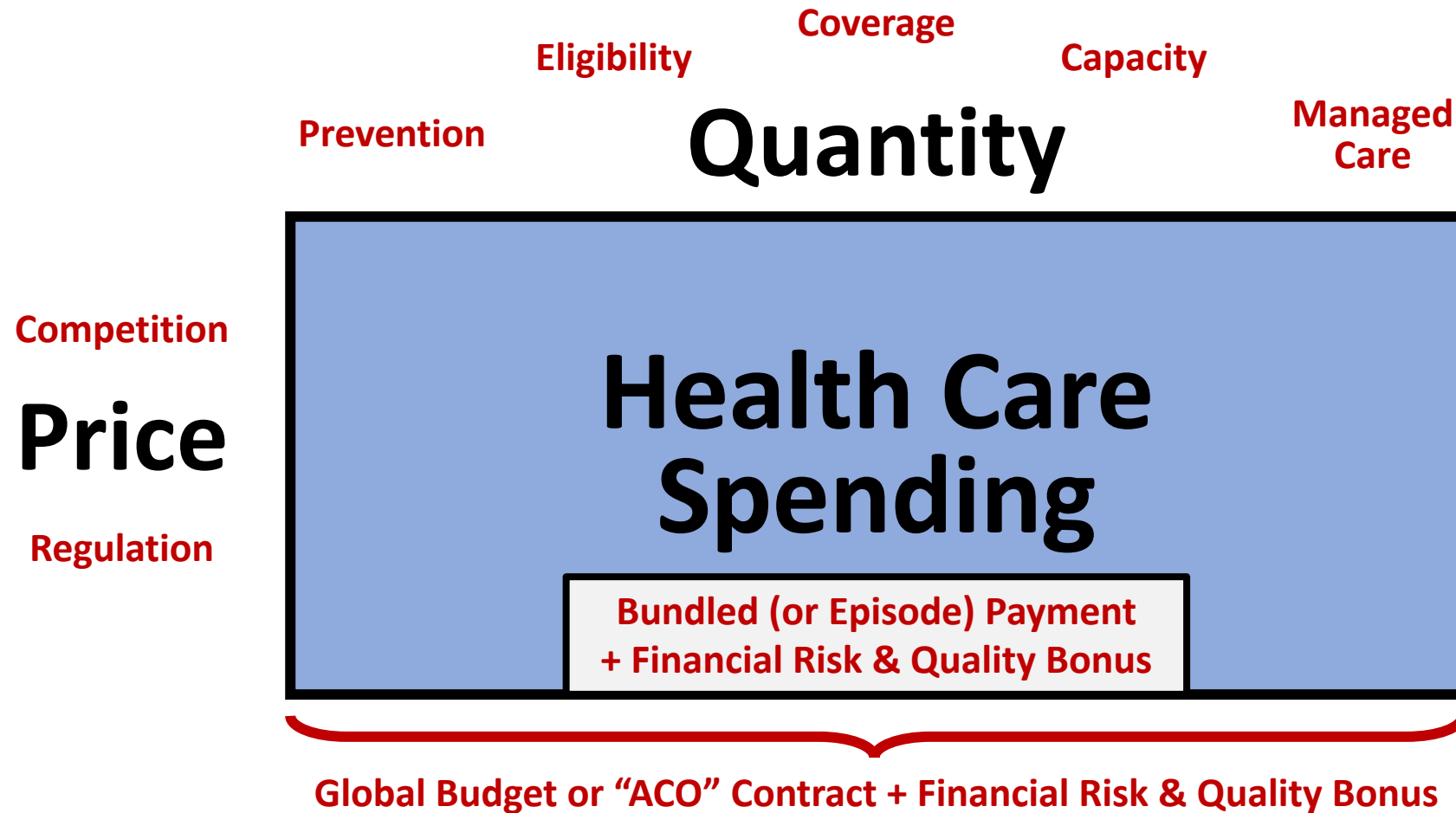
Price of Medical Care vs. All Else – Last 23 Years



Note: Medical care includes medical services as well as commodities such as equipment and drugs.

Source: KFF analysis of Bureau of Labor Statistics (BLS) Consumer Price Index (CPI) data

Framework for Health Care Spending





\$3.9 Billion
→



\$10.6 Billion
→

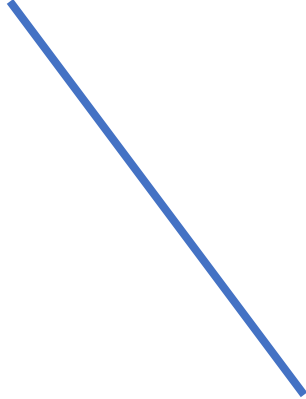


10-year deal
↔



 **PillPack**
by  pharmacy

\$1 Billion
(2018)



\$3.9 Billion
(2022)



 **one medical**

800,000 patients
188 clinics

\$2.1 Billion
(2021)

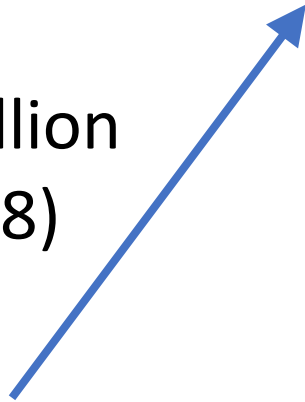


iorahealth





\$69 Billion
(2018)



Medicare
Advantage



10,000 pharmacies

\$10.6 Billion
(2023)



\$8 Billion
(2022)



Oak St.
Health

600 PCPs
169 clinics



signifyhealth®

10,000 clinicians in
home health; supports
24 of top 50 MA plans



UnitedHealth Group[®]

10-year deal
(2022)

Many physician
acquisitions

Optum

70,000 Physicians & 2,200 clinics

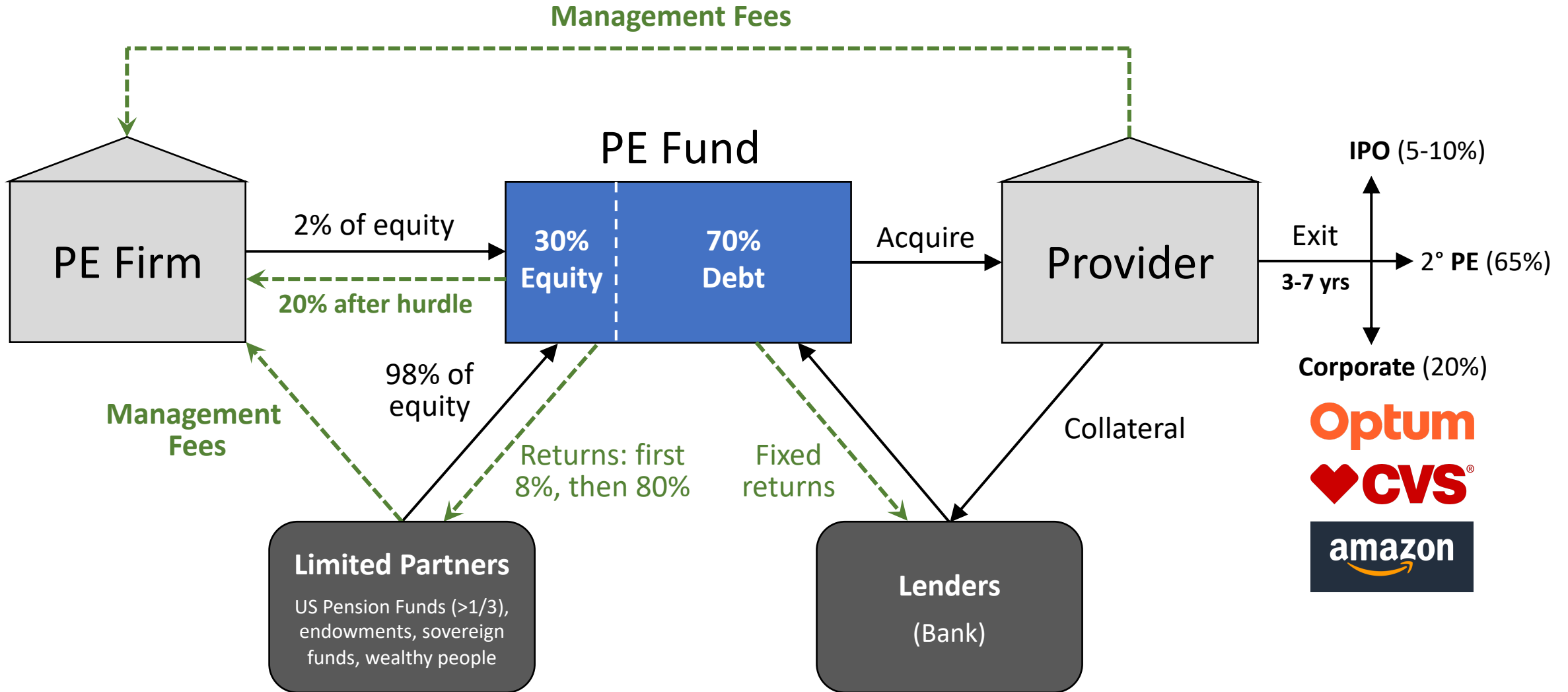
Example:

Walmart 

5,000 pharmacies

 Atrius Health

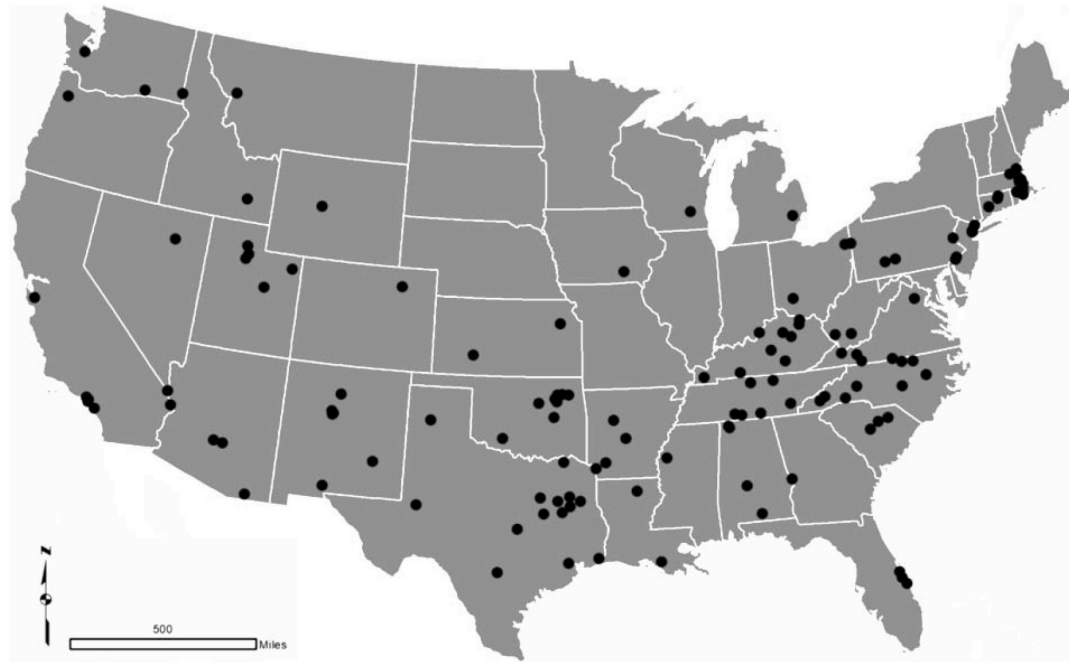
Classic Model of a Private Equity (PE) Acquisition



Geographic Distribution and Penetration

Hospital Acquisitions

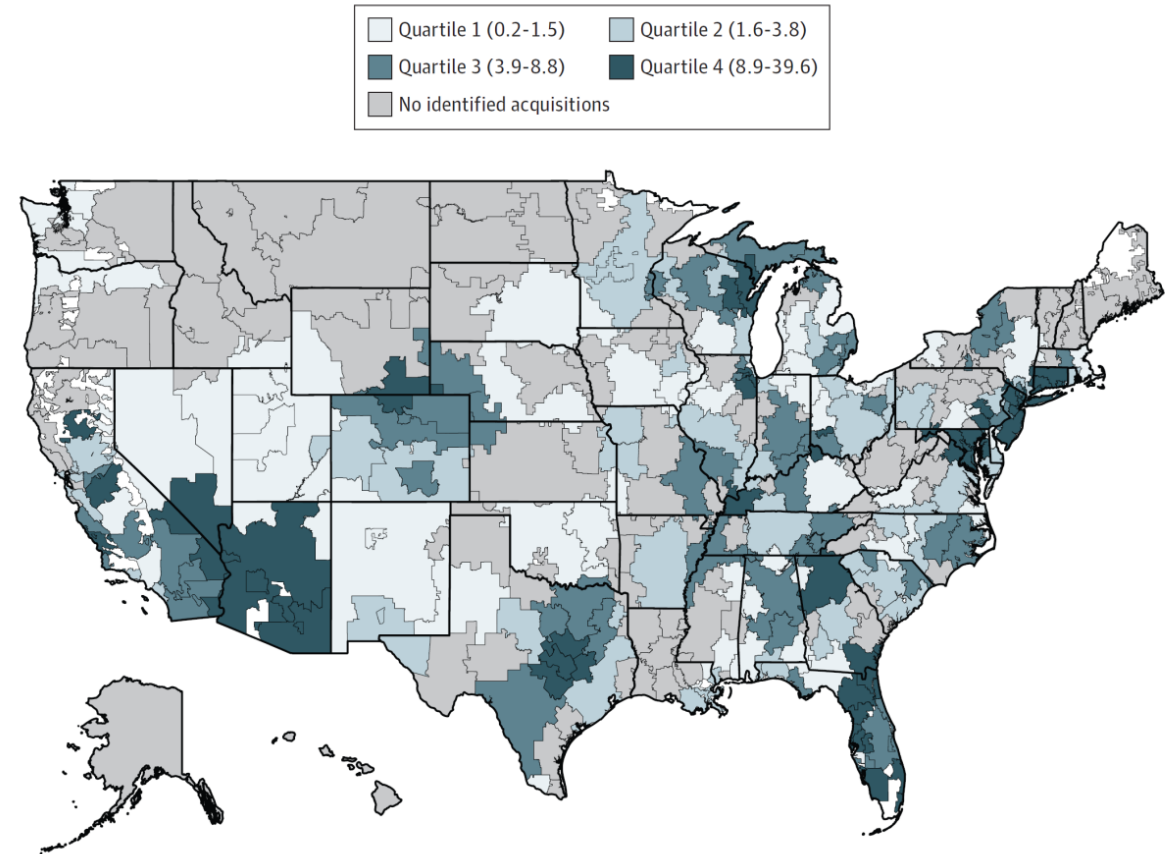
Figure. Locations of private equity-owned hospitals in 2018.



Using Medicare cost reports, the addresses for the 130 private equity-owned hospitals in 2018 were identified. There were no such hospitals located in Hawaii or Alaska.

Physician Practice Acquisitions

Figure 1. Private Equity (PE) Penetration Across 6 Office-Based Specialties by Hospital Referral Region (HRR)



Acquisitions of Hospitals → ↑ Income, Charges, Case Mix, Commercial %

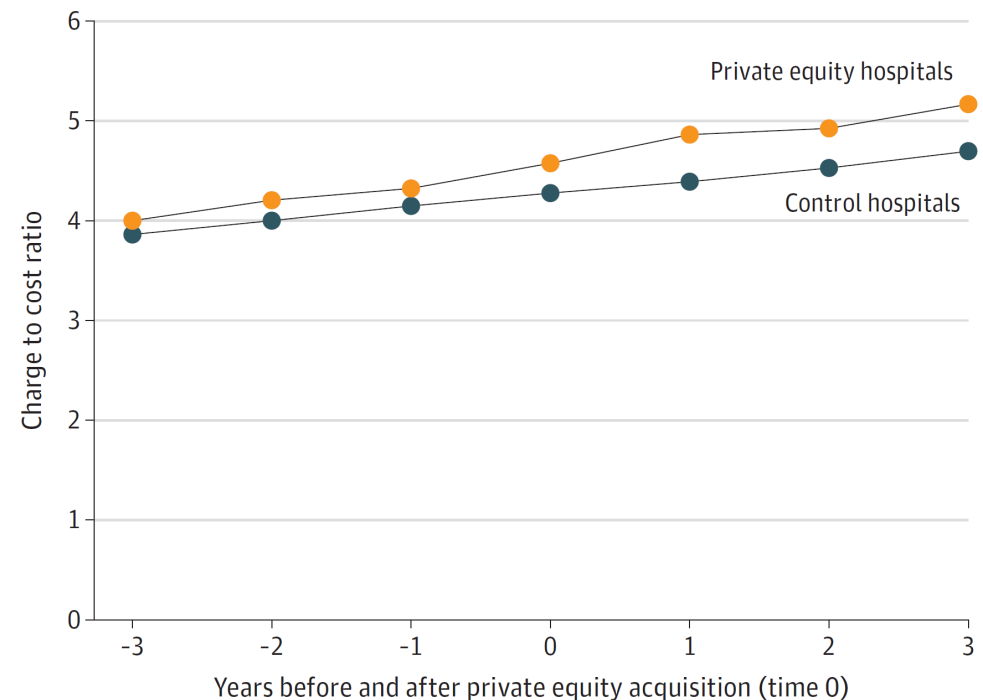
JAMA Internal Medicine | [Original Investigation](#)

Changes in Hospital Income, Use, and Quality Associated With Private Equity Acquisition

Relative to control, PE acquisitions increased:

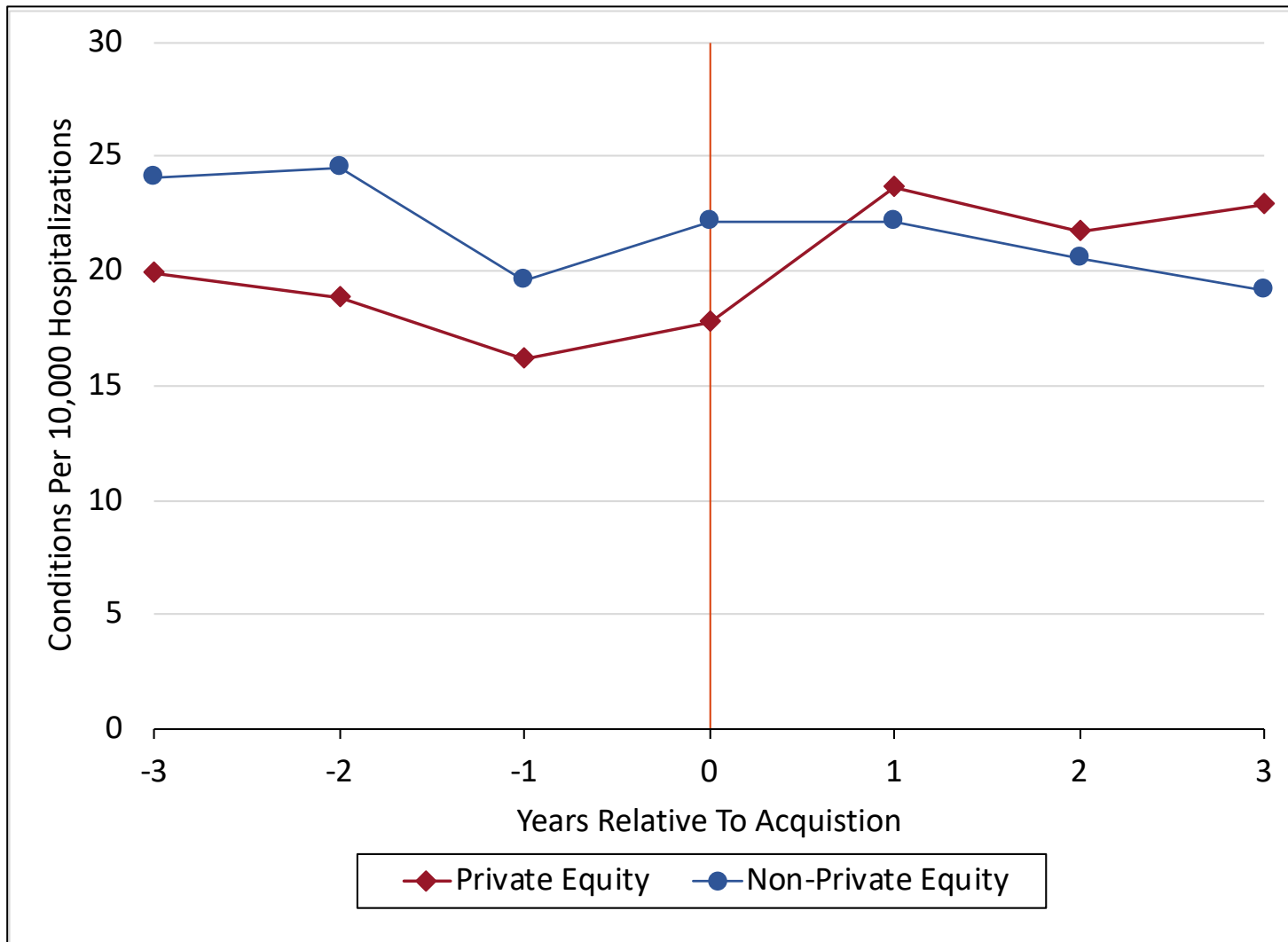
Net income	27%
Charges per day	7%
Charge/cost ratio	7%
Charge/cost ratio (ED)	16%
Case mix	1.4%
Medicare %	-2.4%

Figure. Total Charge to Cost Ratios Before and After Private Equity Acquisition



Acquisitions of Hospitals → ↑ Hospital-Acquired Complications

CMS Hospital-Acquired Conditions (HACs) – Composite



Relative to control, PE acquisitions increased:

- Composite HACs 25%
- Falls 27%
- Central line infections 38%
(Despite 16% fewer central lines)

Surgical site infections doubled at PE hospitals, while declining at controls.
(Despite 8% fewer surgeries performed)

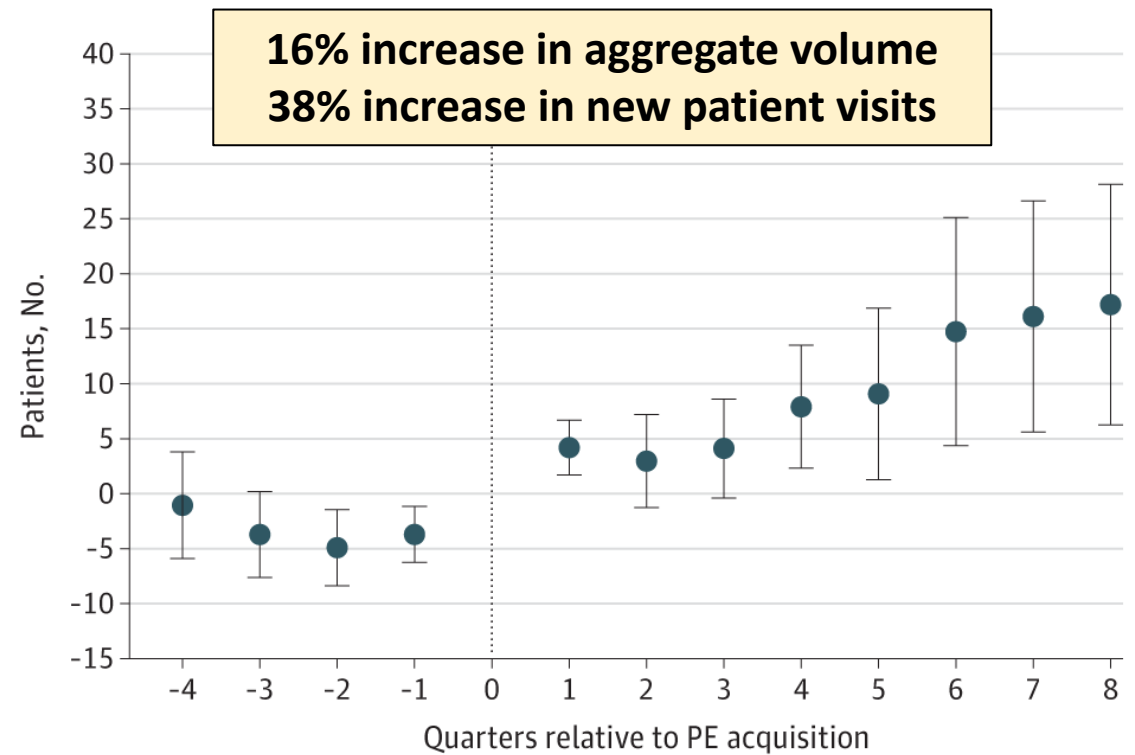
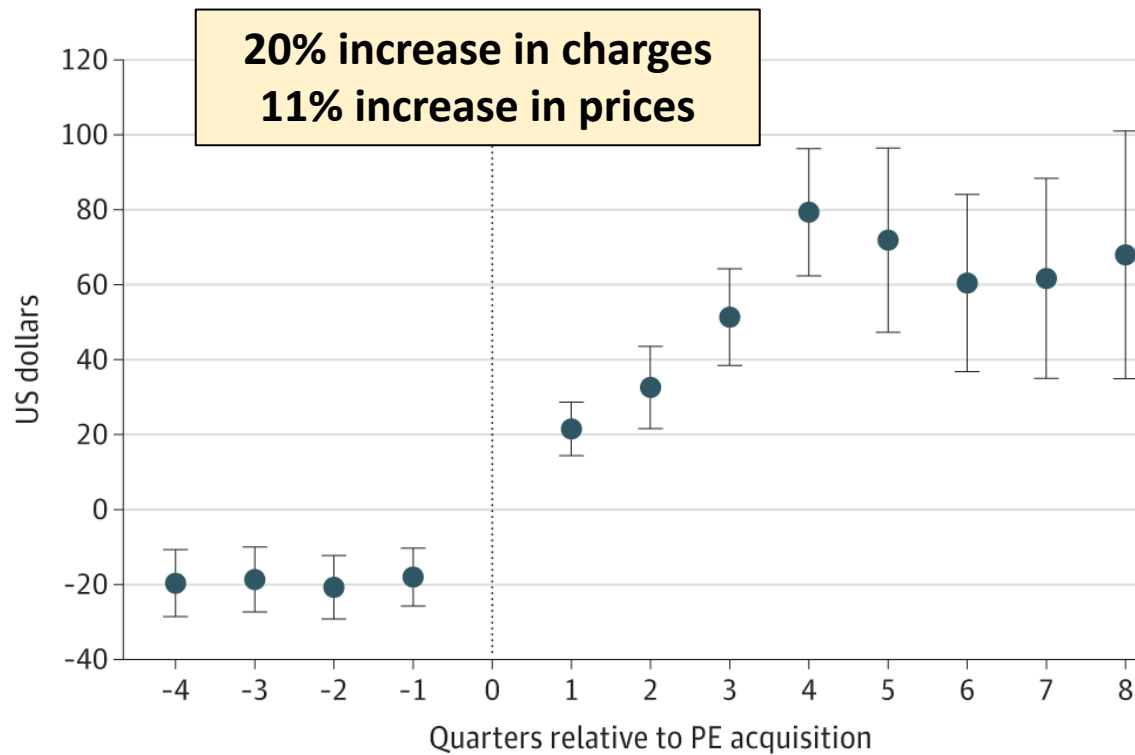
Acquisitions of MD Practices → ↑ Spending, Charges, Prices, Volume

Original Investigation

Association of Private Equity Acquisition of Physician Practices With Changes in Health Care Spending and Utilization

JAMA
Health Forum

Yashaswini Singh, MPA; Zirui Song, MD, PhD; Daniel Polsky, PhD, MPP; Joseph D. Bruch, PhD; Jane M. Zhu, MD, MPP, MSHP



Venture Capital vs. Private Equity



	Venture Capital	Traditional Private Equity (Leveraged Buyout)
Stage of investment	Early stage	Mature
Types of companies targeted	Start-ups or early-stage ventures with less of a proven business model, but with high growth potential	Established businesses that are undervalued or underperforming with inefficiencies that could be addressed through changes in operations, financial engineering, or governance
Amount of investment	Minority stake, <50% ownership	Majority stake, >50% ownership
Exit time frame (on average)	5–10 years	3–7 years
U.S. deal value total in 2019*	\$136.5 billion	\$627.3 billion
Number of U.S. deals in 2019*	10,777	5,133
Estimated average investment size	\$12.7 million	\$122.2 million
Expectations for returns	At least 10x; ideally, 50–100x returns for the most successful companies	At least 2–4x returns per deal

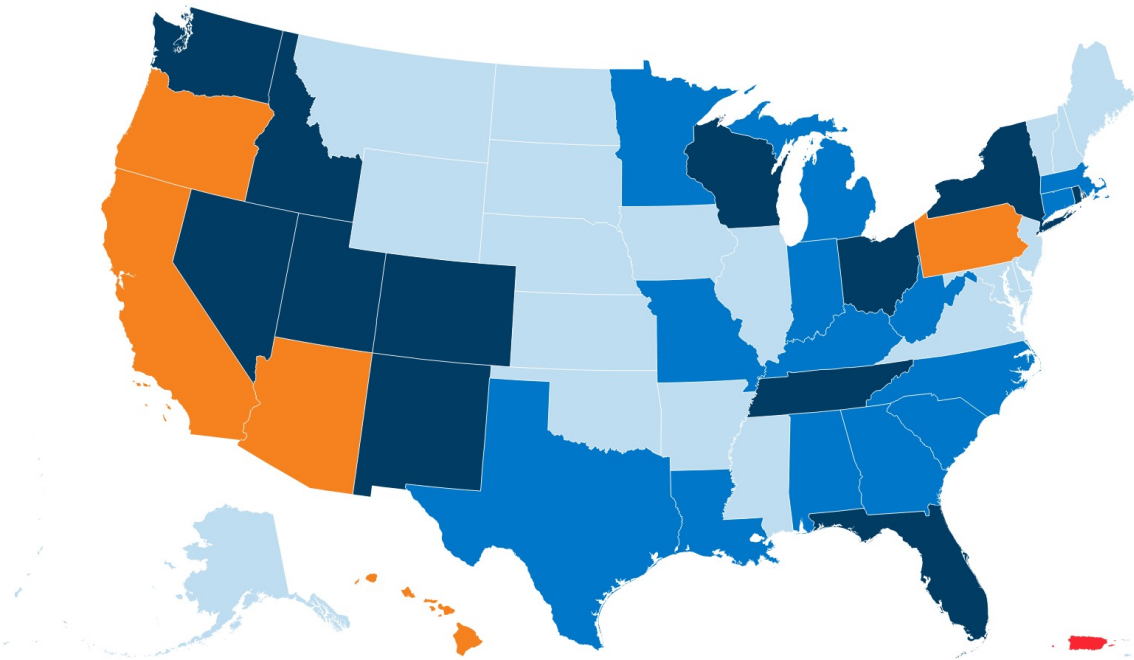
Policy Framework for Private Equity

F	Fraud & abuse	Enforce federal statutes including Anti-Kickback, Stark Laws
A	Antitrust	A) Federal: improve staffing and bandwidth for oversight at FTC B) State: state AGs, "corporate practice of medicine" laws
M	Moral hazard	A) Affiliation rule that ties acquired entities to the parent PE firm B) Limit the % debt used to make an acquisition C) Carried interest 20% "loophole"
P	Patients & prices	A) No Surprises Act prohibiting surprise billing in certain situations B) Price regulation to mitigate arbitrage incentive of consolidation
T	Transparency	Lower the threshold (\$111.4 million) for mandatory reporting of PE acquisitions and the % debt used in the acquisition.

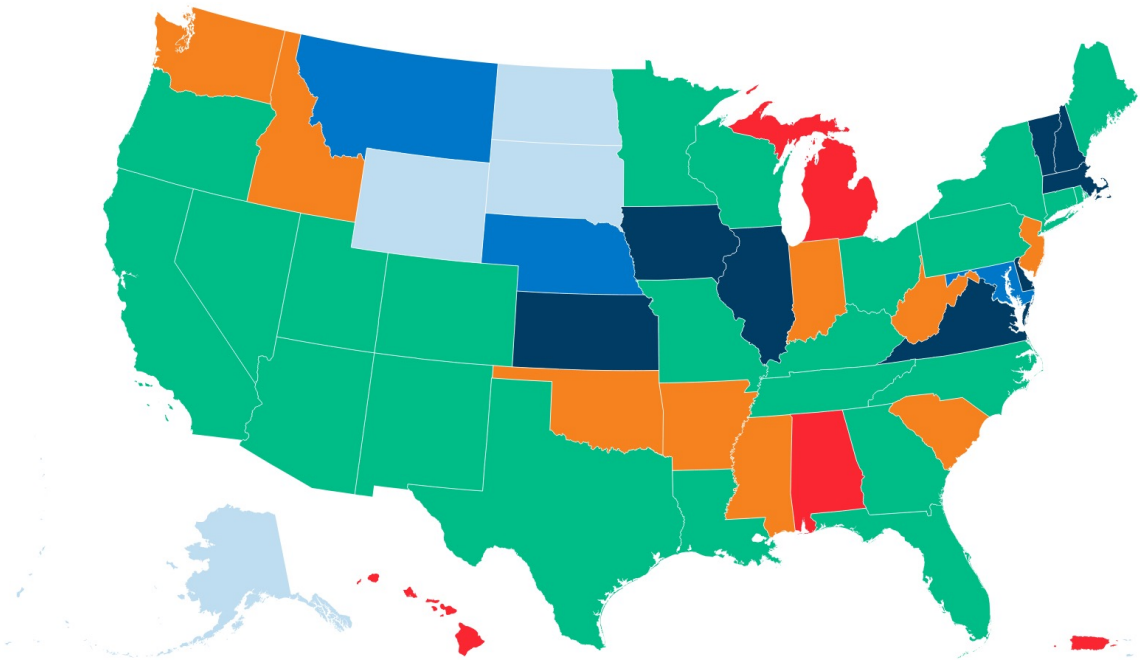
Medicare Advantage in 10 Short Years

2013 → **% of Beneficiaries in MA** → **2023**

■ < 20%
 ■ 20%–30%
 ■ 30%–40%
 ■ 40%–50%
 ■ 50%–60%
 ■ ≥ 60%



NOTE: Includes only Medicare beneficiaries with Part A and B coverage.
 SOURCE: KFF analysis of CMS Medicare Advantage Enrollment Files and March Medicare Enrollment Dashboard, 2013 and 2023.



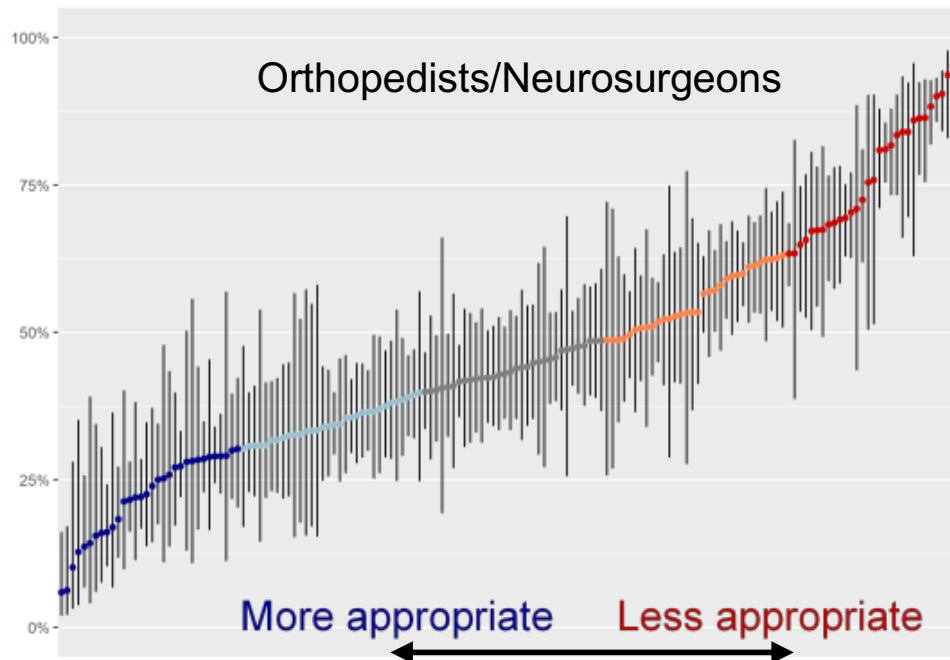
NOTE: Includes only Medicare beneficiaries with Part A and B coverage.
 SOURCE: KFF analysis of CMS Medicare Advantage Enrollment Files and March Medicare Enrollment Dashboard, 2013 and 2023.



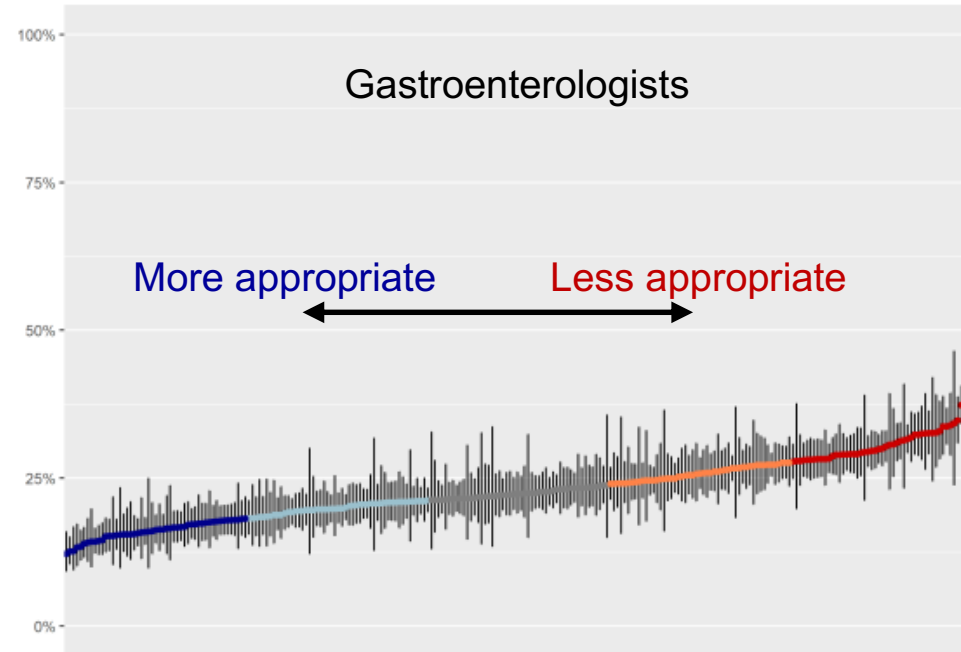
Practice of Medicine in this “Value-Based” Era

$$\text{Value of Care} = \text{Appropriateness} \times \frac{\text{Quality of Service}}{\text{Price of Service}}$$

Spinal Fusion for Low Back Pain (%)



Endoscopy for GERD with no alarm symptoms (%)



“The Body Was Not Even Cold”



To

Subject

Dear Dr. [REDACTED]

Our sincere condolences for the loss of your patient.

The Clinical Documentation Integrity (CDI) team reviews the charts of all deceased patients to make sure that the documentation captures the full complexity of the case. Having performed this review, we would appreciate your thoughtful attention to the Clinical Documentation query below.

There are 3 CDI queries for you in Epic. Access the drop down options by using F2 when completing the query. If needed, further instructions are at the bottom of this email.
