New report shows private equity’s hold on Philadelphia healthcare, identifies 900 locations

Original study maps out private equity ownership across healthcare sectors in Philadelphia, highlighting potential risks to patient care and service quality

Logo of the Private Equity Stakeholder Project

PHILADELPHIA, PA, UNITED STATES, October 30, 2024 /EINPresswire.com/ -- The Private Equity Stakeholder Project (PESP) released a new report, "Private Equity’s Footprint in Philadelphia Healthcare," offering an extensive, original analysis of private equity’s presence in a metro area's healthcare sector. The report identifies approximately 900 private equity-owned healthcare provider locations across the Greater Philadelphia area, from small clinics to major hospitals. This extensive investment by private equity in Philadelphia poses increased risks to the healthcare system and to patient care.

> “We wanted to measure private equity’s involvement in a city that knows its risks. The Philadelphia area has already seen public attention due to the private equity ownership of multiple hospitals.”
>
> *Michael Fenne, PESP researcher*

Private equity ownership in healthcare can bring risks including higher costs, lower quality of care, and disruption of essential services With private equity’s wide footprint across Philadelphia healthcare, including in specialties like gastroenterology, urology, and urgent care, the metro area is particularly vulnerable to the industry’s negative impacts.

“The goal in preparing this data was to begin to measure private equity’s involvement in a city that already knows its risks,” said Michael Fenne, senior healthcare researcher at PESP. “Hospitals in Philadelphia and the surrounding area have already seen public attention due to their private equity ownership. Hahnemann Hospital made national news for going bankrupt after being acquired by private equity a few years ago. Private equity also put considerable debt onto the owners of Crozer Health, which has seen its own set of concerns at local facilities."

Key findings:
-900 locations identified: Private equity firms control approximately 900 healthcare provider locations across the Greater Philadelphia area.

-Sub Sectors with largest private equity footprint: The report identifies three key subsectors in the Philadelphia area where private equity has made significant inroads:

-Physical therapy: The largest share of private equity-owned locations belongs to physical therapy clinics, with 271 locations operated by six different companies. This suggests regional consolidation, with each company averaging 45 clinics. Private equity's focus on physical therapy highlights its interest in acquiring high-margin, outpatient services that offer quick returns.

-Behavioral health: The report identifies 98 behavioral health provider locations under private equity ownership, spread across 12 different companies. Behavioral health has become a target for private equity, given the growing demand for mental health services. Private equity's presence in Philadelphia-area behavioral health raises questions about whether the drive for profits could compromise access to quality mental healthcare for patients in need.

-Dental care: Dental services represent another area with significant private equity ownership, as 86 locations are owned by six different companies. This averages to about 14 clinics per company. Private equity's involvement in dental care may lead to higher prices for routine services and less focus on personalized care, as companies streamline operations for profit.

Concerns for Philadelphia
-Increased Patient Risks: Research has shown that hospitals owned by private equity firms have higher rates of adverse events, such as patient falls and hospital-acquired infections. Research has also demonstrated that private equity-owned nursing homes have higher mortality rates among Medicare patients compared to non-private equity-owned facilities.

-Rising costs and debt: Studies have demonstrated that private equity investments drive up healthcare costs for patients. In addition, private equity-owned providers have introduced financial products like medical credit cards that trap patients in debt.

-Bankruptcy concerns: During the first half of 2024 alone, nine private equity-owned healthcare companies have filed for bankruptcy, representing 23% of all large U.S. healthcare bankruptcies so far this year. The aggressive use of debt by private equity firms leaves their portfolio companies vulnerable to market fluctuations, such as high interest rates and rising labor costs. Some firms also burden their companies with additional debt to fund shareholder payouts, known as dividend recapitalizations.

"This report aims to provide a real-world measurement for healthcare consumers and patients seeking to understand private equity's presence in the local healthcare market," Fenne said. "Our data show that most people in the region don't have to drive too far to find the nearest private equity-owned healthcare provider. Private equity healthcare investments extend to most corners of the Philadelphia region and include a broad range of clinic and provider types."

Find the full report and map of locations here: pestakeholder.org/reports/private-equity-in-philadelphia

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