CAHPR CENTER FOR ADVANCING HEALTH POLICY THROUGH RESEARCH

School of Public Health
BROWN UNIVERSITY

Private Equity Investments in Physician Practices in Maryland

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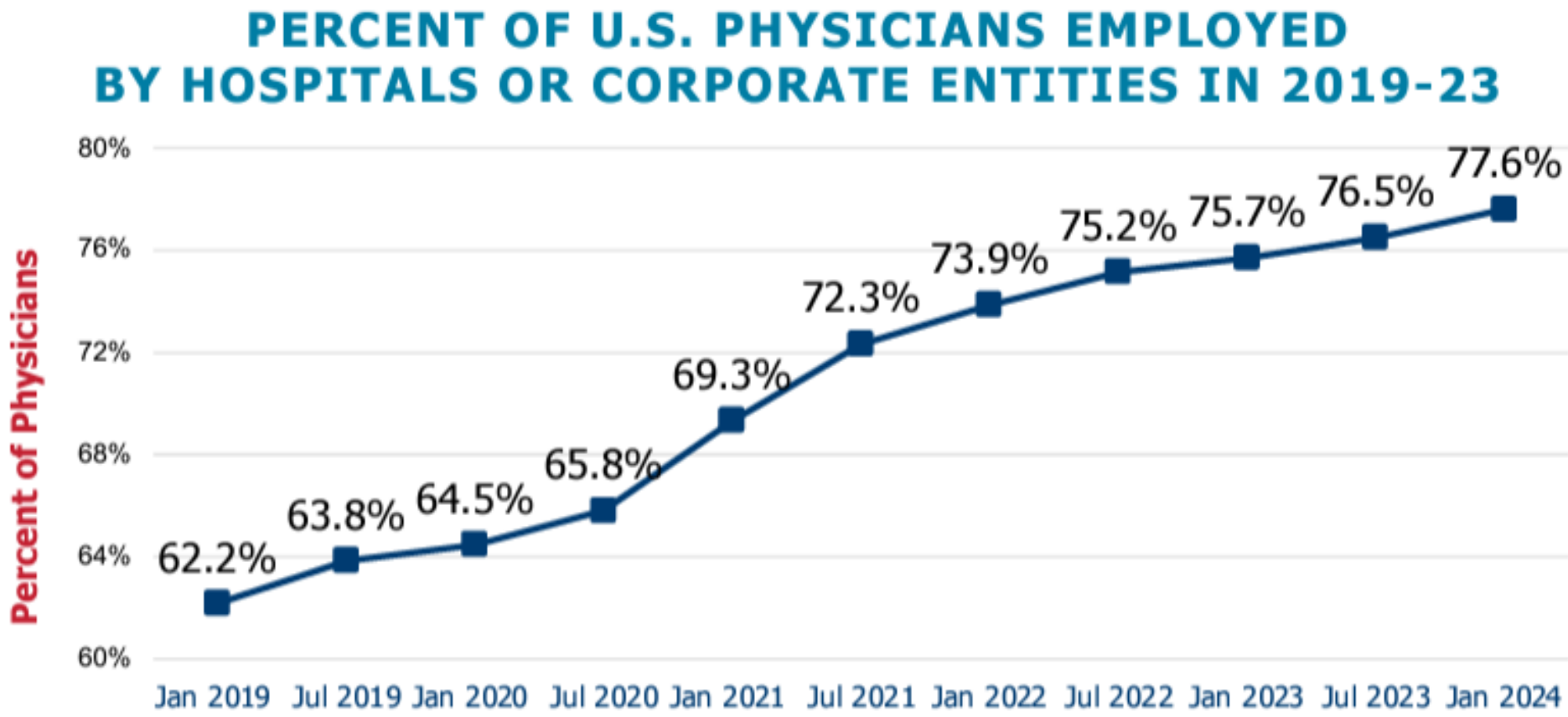
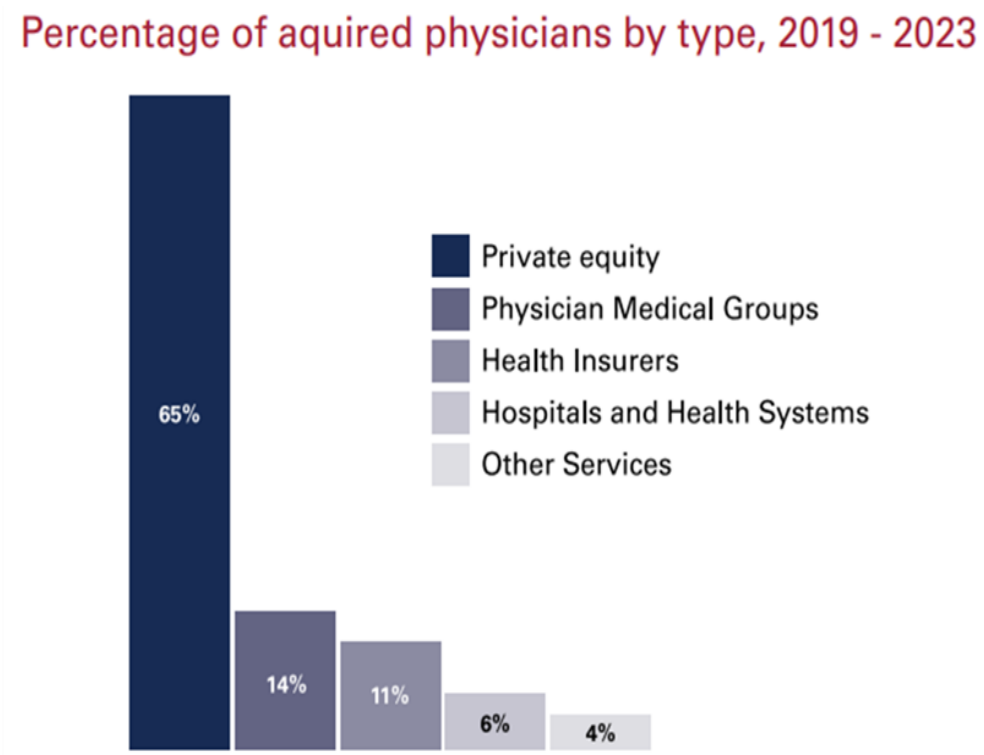
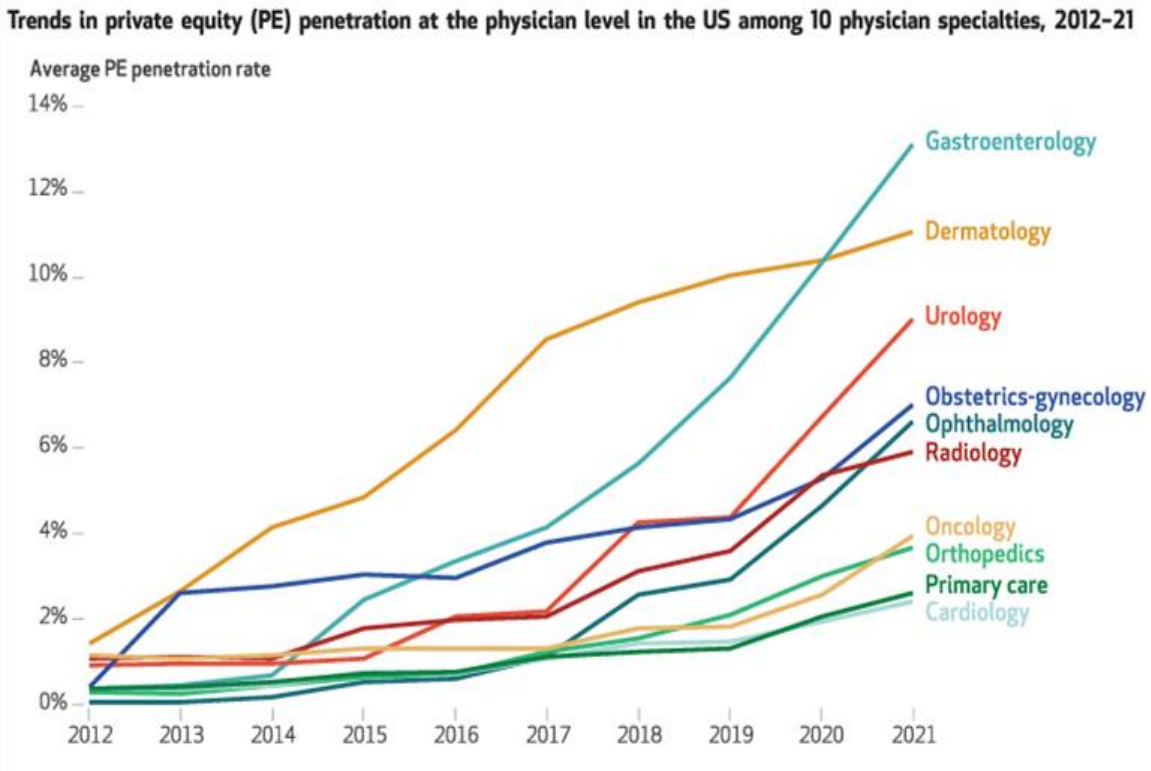
Maryland Health Care Commission
January 16, 2025

Rapid changes to physician organizations



A growing share of physicians are affiliated with PE firms nationally

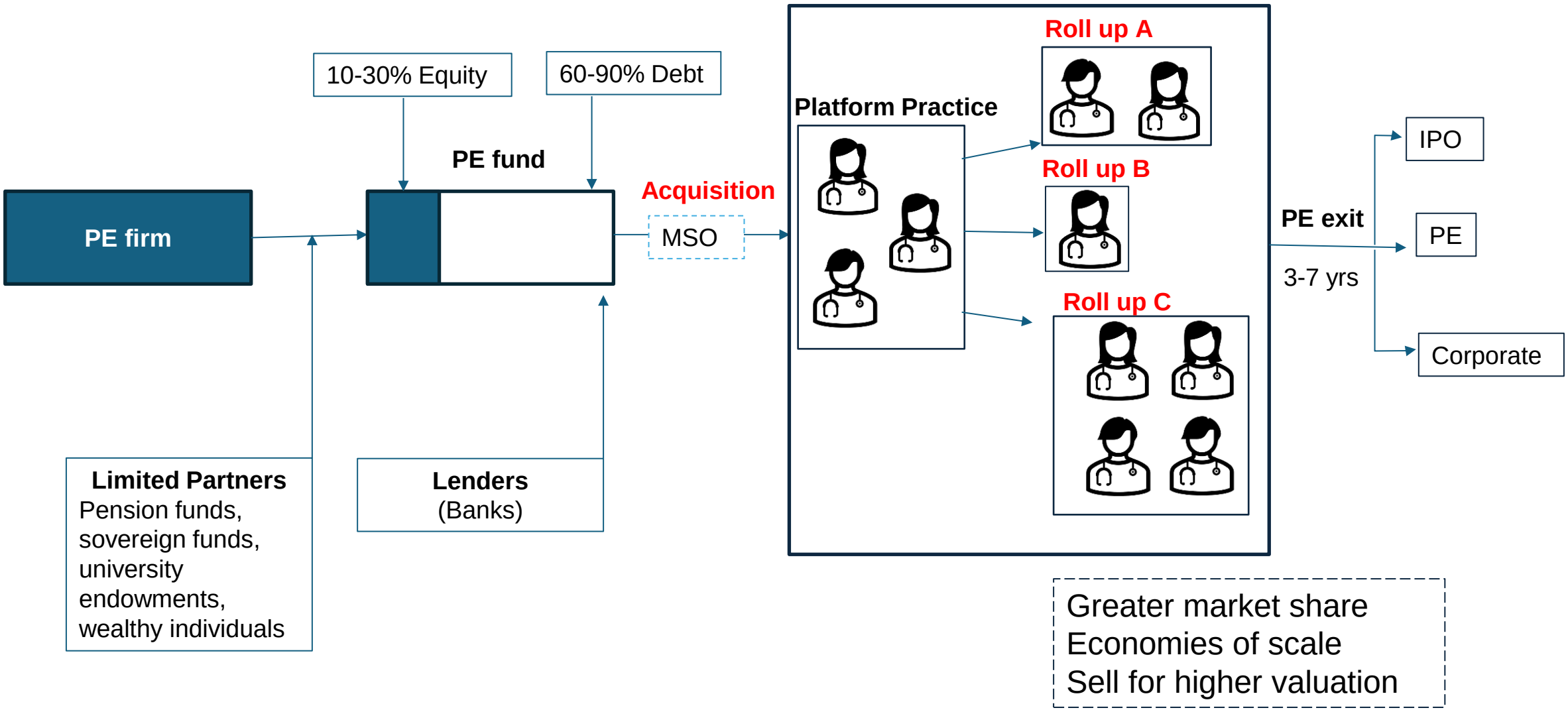




https://www.aha.org/system/files/media/file/2023/06/Private-Equity-and-Health-Insurers-Acquire-More-Physicians-than-Hospitals-Infographic.pdf

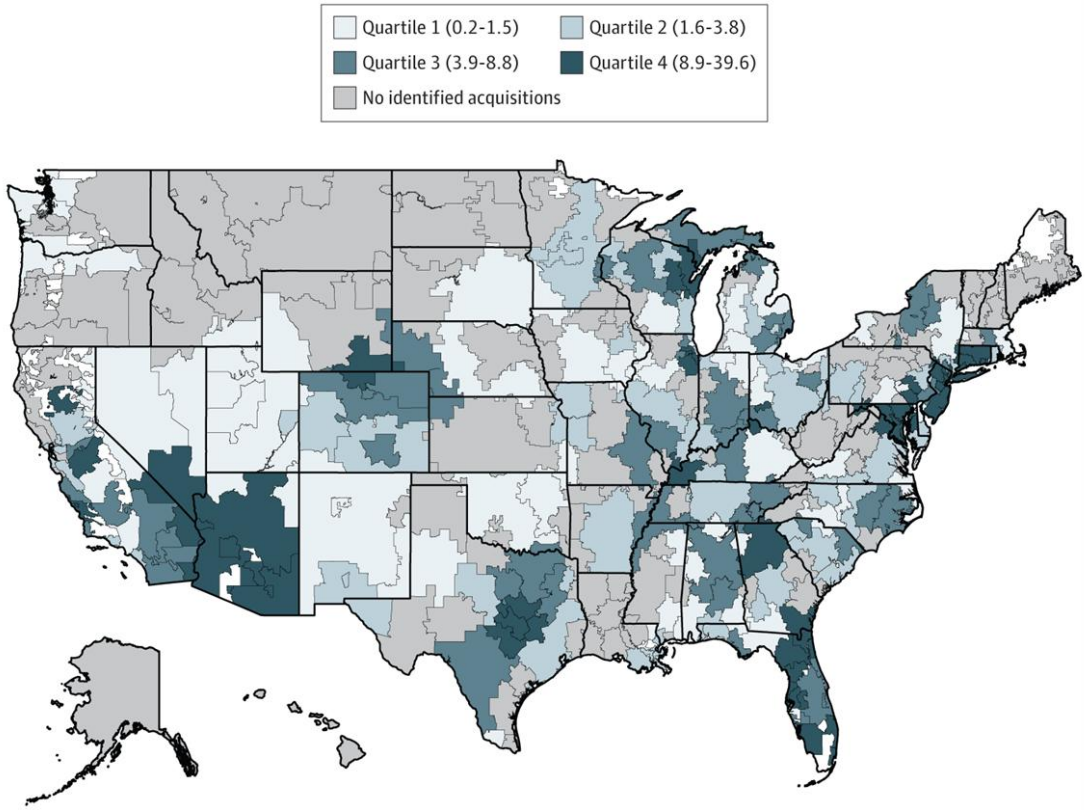
Abdelhadi, Ola, et al. "Private Equity–Acquired Physician Practices And Market Penetration Increased Substantially, 2012–21: Study examines private equity-acquired physician practices and market penetration." *Health Affairs* 43.3 (2024): 354-362.

What to expect from PE



Early evidence suggests that PE increases prices and utilization, also affects workforce composition

PE penetration across 6 office-based specialties, 2019



From: Singh, Y., Zhu, J. M., Polsky, D., & Song, Z. (2022, April). Geographic variation in private equity penetration across select office-based physician specialties in the US. *In JAMA health forum* (Vol. 3, No. 4, pp. e220825-e220825). American Medical Association.

- Nationally, PE acquisitions concentrated in FL, TX, AZ, Northeast (Singh et al., 2022)
- PE increases health care spending by increasing prices by 10-26% and service utilization (Singh et al., 2022, La Forgia et al., 2022, Braun et al., 2021)
- PE changes workforce composition by increasing hiring of physician assistants and nurse practitioners, increasing physician turnover (Singh et al., 2025, Bruch et al., 2023)
- PE has mixed effects on quality (Gupta et al., 2024, Kannan et al., 2024, Cerullo et al., 2022, Braun et al., 2021)

Concerns over PE have prompted policy attention but state-specific evidence is lacking

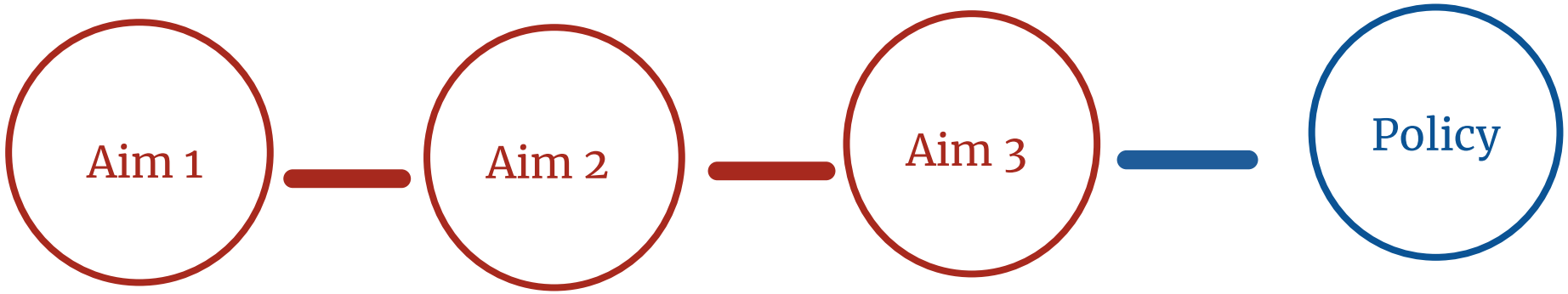
For Release

Federal Trade Commission, the Department of Justice and the Department of Health and Human Services Launch Cross-Government Inquiry on Impact of Corporate Greed in Health Care

Agencies seek info on transactions, including non-reportable deals, that may harm patients' health, workers' safety, quality of care, and affordability

- Concerns over PE in health care prompted a Request for Information from the Federal Trade Commission, Department of Justice, and Department of Health and Human Services and congressional investigations
- State-specific studies are sparse, reinforcing a need for more state-specific evidence to inform policymakers about the extent of PE penetration in the market
- The Maryland General Assembly passed legislation in 2024 (SB 1182/HB 1388) directing MHCC to study the evolving role of PE in the Maryland health care economy.

Study Overview: Private Equity Activity in Physician Practices in Maryland



Analyze extent of PE penetration in Maryland by physician specialty and geography

Examine the participation of PE-acquired physicians in payer networks

Examine the participation of PE-acquired physicians in value-based care programs

Tailored menu of policy options for Maryland to oversee and manage PE in health care markets

Data and methods

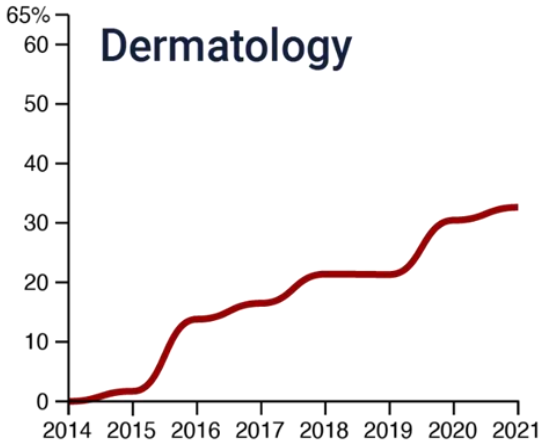
- **Data sources**
  - Pitchbook data + manual verification
  - Medicare Data on Provider Practice and Specialty (MD-PPAS)
  - Network participation data from Maryland Medical Care Data Base
  - Data on participation in value-based programs provided by MHCC
  - American Community Survey (ACS) and Census data

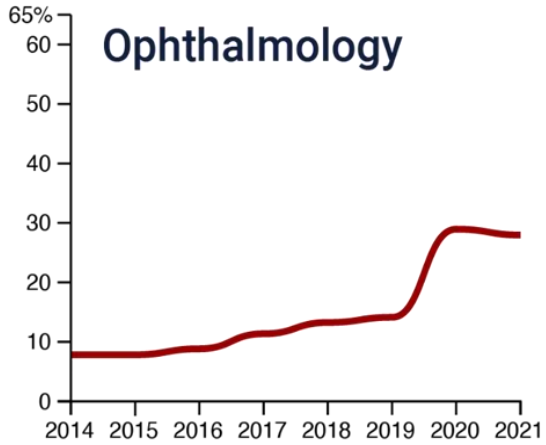
- **Private Equity Penetration:** share of physicians that were affiliated with PE firms
  - Assigned physicians a ZIP code based on the ZIP code where a physician derived the plurality of Medicare fee-for-service claims in 2021

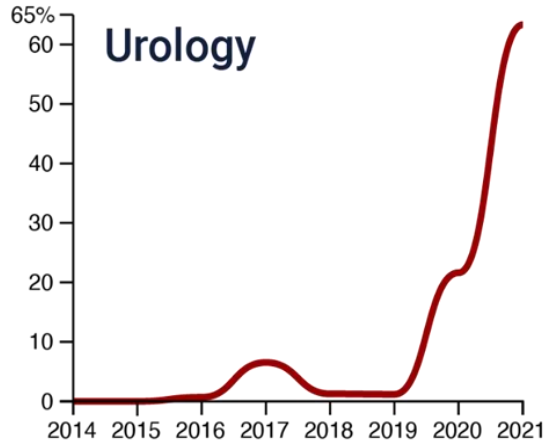
Limitations

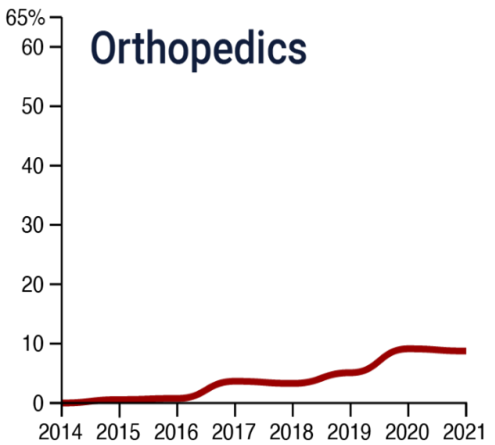
- Underestimate PE penetration
  - MD-PPAS data available only through 2021
  - No data on certain specialties (e.g., emergency medicine, dental)
  - No data on certain providers (e.g., advanced practice providers)
- Analysis does not include other for-profit entities
- No systematic data on PE exits
  - Assume entity is PE-affiliated if it is ever PE-affiliated
- Lack of data on PE heterogeneity
- Cross-sectional data precludes determination of causality

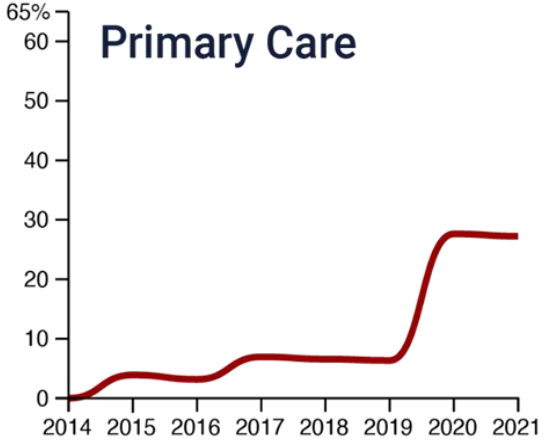
PE penetration in Maryland increased from 1.8% (2014) to 15.5% (2021) across all physician specialties

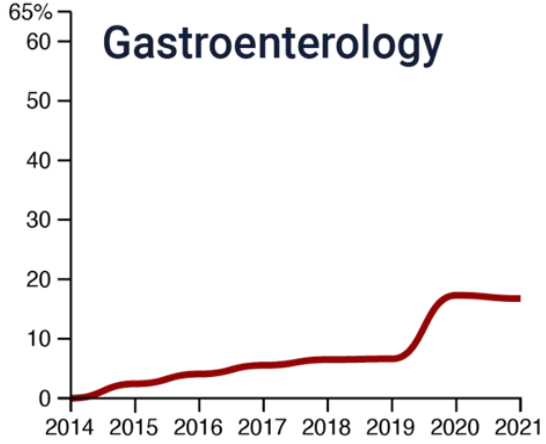


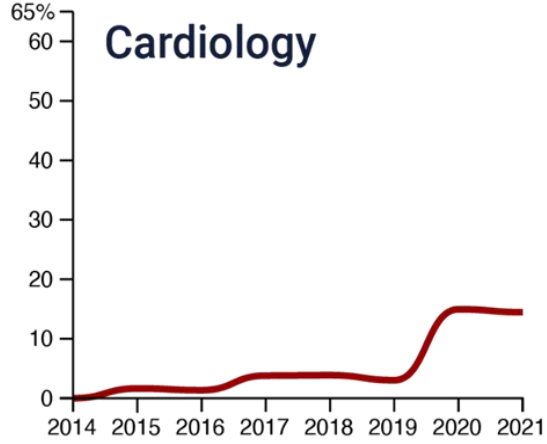


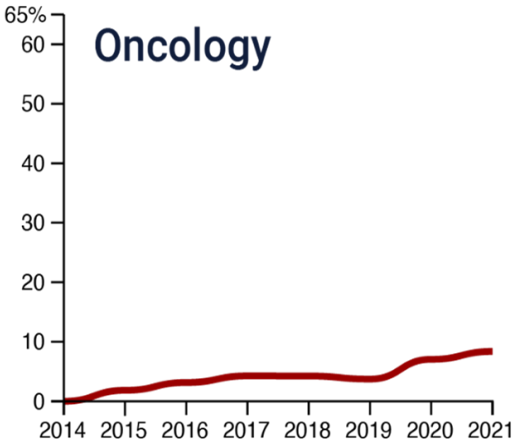








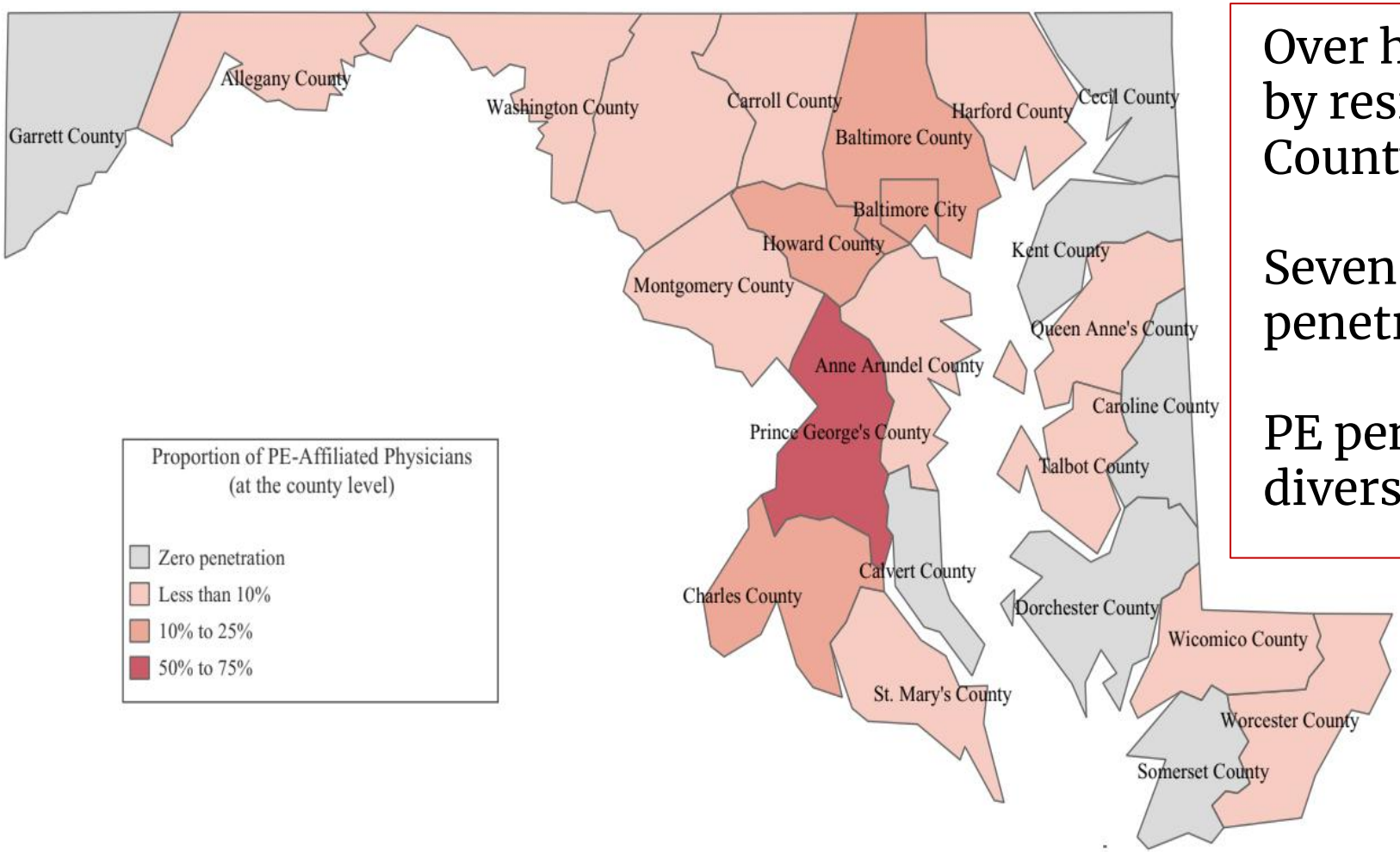




PE penetration in Maryland is higher than national estimates

Physician Specialty	PE penetration in Maryland (2021)	Estimates of national PE penetration (Abdelhadi, et al., 2021)
Oncology	8%	4%
Orthopedics	9%	4%
Cardiology	15%	2%
Gastroenterology	17%	14%
Ophthalmology	25%	6%
Primary care	27%	2%
Dermatology	36%	11%
Urology	63%	8%
All specialties (average)	15%	--

PE penetration in Maryland is concentrated in certain regions

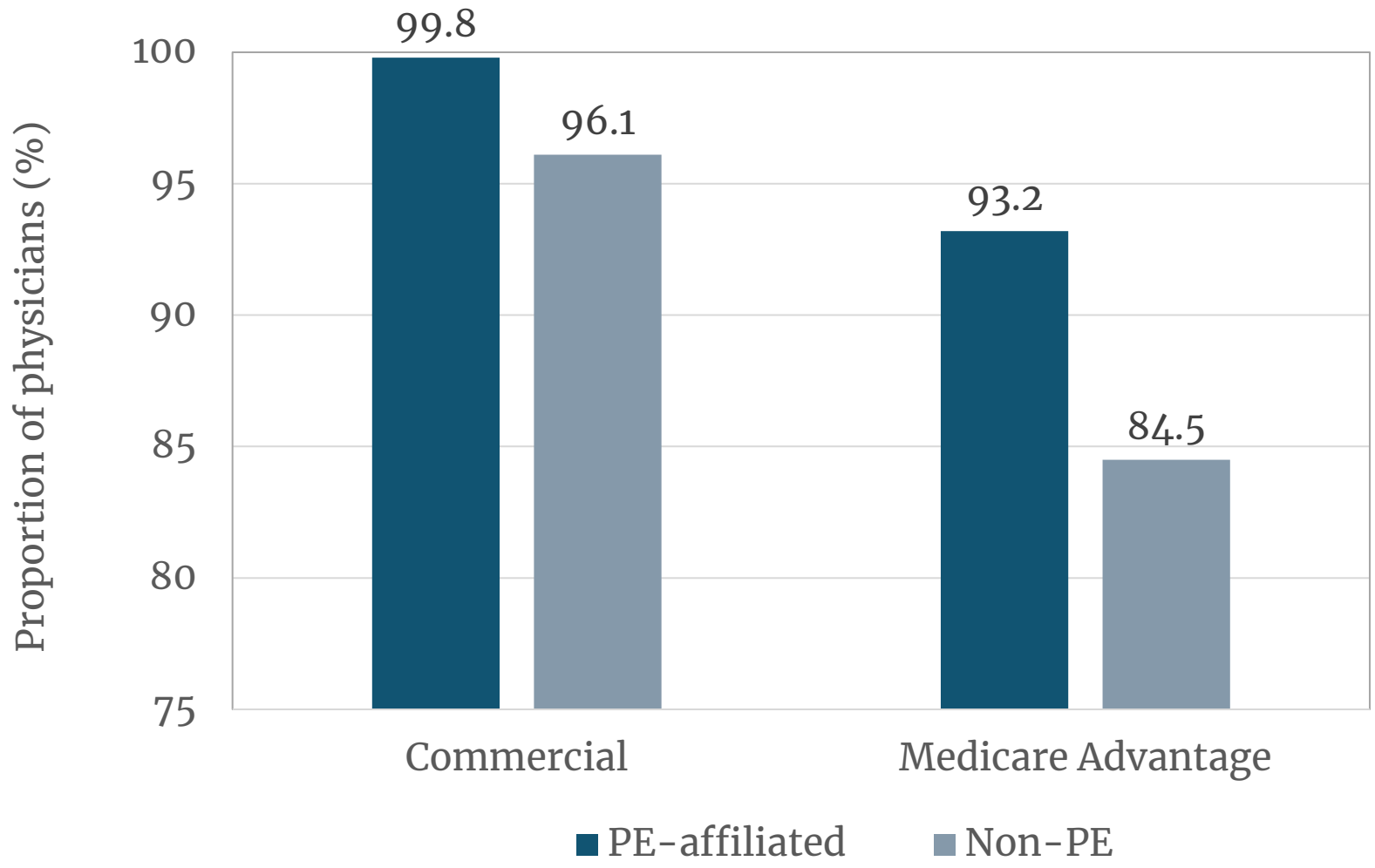


Over half of all physicians seen by residents of Prince George's County were PE affiliated in 2021

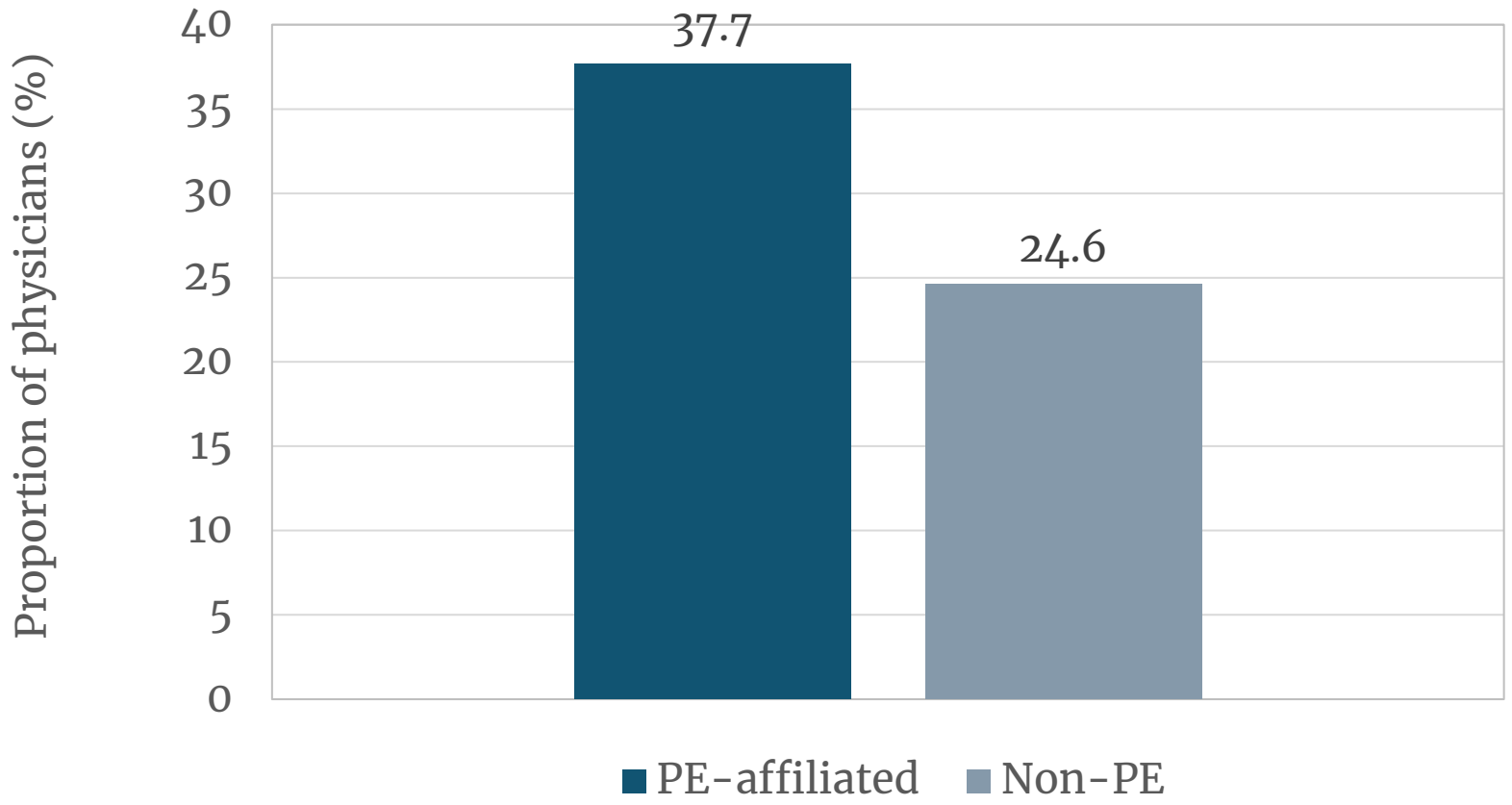
Seven rural counties had no PE penetration

PE penetration was greater in diverse communities

PE-affiliated physicians had higher in-network participation in commercial and MA plans



PE-affiliated PCPs had higher participation in the Maryland Primary Care Program



Summary

- **PE is part of a broader trend of corporate consolidation of physician practices**
- **Growing share of physicians in Maryland are PE-affiliated (15% in 2021)**
  - Variation across specialties and geographic regions
- **PE-affiliated physicians had higher rates of in-network participation**
  - PE acquisitions increase prices by 10-26% (Singh et al., 2022, La Forgia et al., 2022, Braun et al., 2021)
  - PE-affiliated practices deploy out-of-network billing (Cooper et al., 2020, Adler et al., 2023)
- **PE-affiliated physicians had higher rates of participation in value-based programs**
  - Value-based payment may create a need for capital
- **Policy challenge:** balance need for capital investment by physician practices with protections for patients and the clinical workforce

State Policy Options to Address Corporate Consolidation of Health Care Entities

From NASHP Model Law[1]: *Addressing Corporatization of Health Care, Consolidation, Closures*

	Policy Approach	Policy Concerns
	**Health Care Transaction Oversight Authority** (NASHP Model Part I)	Consolidation, costs, closures, sale-leasebacks
	**Strengthening the Prohibition on Corporate Practice of Medicine, Banning physician noncompetes, nondisparagement agreements** (NASHP Model Part II)	Professional autonomy, workforce effects, interference with clinical decision-making
	**Ownership Transparency** (NASHP Model Part III)	Opacity, lack of accountability

[1] https://nashp.org/a-model-act-for-state-oversight-of-proposed-health-care-mergers/

Policy 1: Enhanced Transaction Oversight

Policy Concern

Traditional antitrust tools can be inadequate to address novel forms of health care consolidation, including private equity and other corporate investment

Response

Strengthen oversight authority over health care transactions in **two primary ways**

1. **Expanding the Oversight Authority:**
   - Require **prior notice** of material transactions
   - Expand **review** authority
   - Enable authority to **block or impose conditions** upon the transaction without a court order
2. **Expanding role of state health agencies:** vest another state health entity (in addition to the state attorney general) with the authority to review and report on a proposed transaction's broader health care market impact.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UPDATED ON 07-26-2024

A Model Act for State Oversight of Proposed Health Care Mergers


Models for Enhanced Health Care Market Oversight — State Attorneys General, Health Departments, and Independent Oversight Entities

BY ERIN C. FUSE BROWN AND KATHERINE L. GUDIKSEN

REPORT | February 2024

Milbank Memorial Fund

NASHP Model Part I: Review of Proposed Material Change Transactions

NASHP released updated health care transaction oversight model in July 2024

Expands scope of entities covered

Private equity, management services orgs (MSOs), Real Estate Investment Trusts (REITs), payers, staffing companies

Expands types of transactions covered

Sale-leasebacks, MSO agreements, serial transactions going back 5 years, JVs, closures of key facilities or services, staffing agreements

Strengthens enforcement authority

- AG enforcement, penalties, injunctive relief
- State health agency enforcement
- Ongoing monitoring of transactions

Policy 2: Strengthening the CPOM Prohibition

Policy Concern

Corporate control over *physicians and other independent practitioners* (e.g., PE, Optum, etc)

What it is?

The Corporate Practice of Medicine (CPOM) doctrine generally bans unlicensed lay entities from owning, employing, or controlling medical practices. Stems from ban on the unlicensed practice of medicine.

Why strengthen it?

- CPOM laws eroded over time, coinciding with the "managed care" revolution, with exceptions (HMOs, Hospitals) and nonenforcement.
- Corporations contractually circumvent CPOM bans to exert *de facto* control over a medical practice they did not formally own through MSOs and "friendly PCs".

Perspective

SEPTEMBER 14, 2023

A Doctrine in Name Only — Strengthening Prohibitions against the Corporate Practice of Medicine

Jane M. Zhu, M.D., M.P.P., M.S.H.P., Hayden Rooke-Ley, J.D., and Erin Fuse Brown, J.D., M.P.H.

In the late 1800s, corporations began hiring U.S. physicians and profiting directly from their services without being bound by professional ethics considerations. Concerned about this commercialization of medicine, and potentially to avoid competi-

in health care continued? And how can the CPOM doctrine be

ployer, with 70,000 salaried or affiliated physicians, and retailers such as Amazon, CVS, and Walgreens have spent billions of dollars expanding their primary care footprint in nearly every state. Private-equity investors have reached penetration rates of more than

NASHP Model Part II: Strengthening CPOM Laws

Add or clarify CPOM prohibition in statute

- Prohibit unlicensed lay-entities from owning, employing, or controlling medical practices
- Prohibit any unlicensed lay-entities from interfering with clinical decisions

Regulate Friendly PC/MSO structure (does not ban MSOs)

- Restrict dual compensation/control of PC and MSO
- Require that licensed professionals maintain ultimate control over clinical and business decisions in contracts with MSOs
- Enumerate types of clinical and business decisions that implicate CPOM
- Ban or limit gag-clauses (non-disparagement agreements)

Protections for employed physicians (e.g., by hospitals or other exempted entities)

- Ban or limit gag-clauses
- Noninterference with clinical decisions

Multiple routes of enforcement: AG, administrative agency, private actions

- Private enforcement (by aggrieved employee or competitor) can supplement administrative enforcement, whistleblower as "private AG"

Policy 3: Transparency of Ownership/Control

Response

- Require all existing health care entities to **report information** on owners, controlling entities, business structure, including the ultimate owners or controlling parent, subsidiaries, entities under common control, and any management services organizations

- Require all health care entities to **report any *changes* to ownership or control** (would also constitute a material change transaction for notice and review purposes)

- Make this information **available to the public**

NASHP Model Part III: Transparency of Ownership/Control

Part III of NASHP Model requires health care market participants to report ownership and control to the Dep't of Health or other designated state health care entity.

Applicability

Group practices, hospitals, health systems, nursing facilities, insurers, PBMs

Frequency

Annually and upon any material change notice (under Part I)

Required information to be reported

Name, location, TIN, NPI, EIN, CCN, NAIC, owners, significant equity investors, control entity, MSO, corporate org chart, subsidiaries, entities under common control, financial reports

Enforcement

DOH/Health Commission administrative penalties, audits

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PAI-Avalere Report on Physician Employment Trends and Acquisitions of Medical Practices: 2019-2023

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