# COMMITTEE ON WAYS AND MEANS
**U.S. HOUSE OF REPRESENTATIVES**
**WASHINGTON, DC 20515**

May 27, 2021

The Honorable Gene L. Dodaro
Comptroller General of the United States
Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Comptroller General Dodaro:

I write today to request information about private equity (PE) investments in the health care industry. The exponential growth in PE investments across the health care system over the last several years has been associated with a host of trends that are negatively impacting the American people. Among them are an increase in surprise out-of-network billing, an increase in nursing home mortality rates, and the shuttering of critical access and safety net hospitals and other critical health care providers. These patterns demand further attention so that policymakers can protect patients and better understand the consequences to the health care delivery system. Further, reports about bankruptcies or closures following PE buyouts are concerning because of their far-reaching impact on patients, families, health care workers, and communities.

A recent Committee on Ways and Means Oversight Subcommittee hearing examined PE investments across the health care industry. Expert witnesses highlighted the need for further evaluation related to PE ownership to ensure that taxpayer-funded programs providing payments to PE facilities ultimately promote access to high-quality care. Such examination is particularly needed due to the strategies PE firms often rely on to maximize profit and operationalize efficiencies, such as leveraged buyouts and related-party transactions.

Although there are limited public data documenting PE ownership of health care facilities and evaluating the outcomes of such investments, various press reports have detailed troubling instances of PE-acquired health care facilities that subsequently closed or filed for bankruptcy.[1] Because leveraged buyouts load debt onto individual health care companies, if those companies

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[1] See, e.g., Max Fraser, *Public Health, Private Equity, and the Pandemic*, CUNY New Labor Forum (Sept. 2020), https://newlaborforum.cuny.edu/2020/09/04/public-health-private-equity-and-the-pandemic/; Aimee Picchi, *Private Equity Rushed into Health Care—Now, a Nurse Warns: "Be Scared"*, CBS News (July 29, 2019), https://www.cbsnews.com/news/private-equity-rushed-into-health-care-now-a-hospitals-fate-raises-fears/; Peter Whoriskey and Dan Keating, *Overdoses, bedsores, broken bones: What happened when a private-equity firm sought to care for society's most vulnerable*, The Washington Post (Nov. 15, 2018), https://www.washingtonpost.com/business/economy/opioid-overdoses-bedsores-and-broken-bones-what-happened-when-a-private-equity-firm-sought-profits-in-caring-for-societys-most-vulnerable/2018/11/25/09089a4a-ed14-11e8-baac-2a674e91502b_story.html.

do not grow fast enough or bring in enough money to keep up with projections, they can quickly end up bankrupt. In some cases, these bankruptcies result in facility closures, and, in others, companies that file for bankruptcy proceed through a restructuring process that can have ramifications for daily operations.

In both instances, it is the workers, patients, suppliers, communities, and other stakeholders that may suffer from these bankruptcies and closures—not the investors themselves.[2] According to one study, an estimated 20 percent of public companies that go private through leveraged buyouts ultimately declare bankruptcy within 10 years, compared to two percent of a control group that did not experience this transition.[3] These trends merit further investigation on a more holistic basis, as the closure or bankruptcy of health care facilities threatens the health of communities, raising significant concerns about access to care.

Accordingly, I request that the Government Accountability Office (GAO) conduct a longitudinal analysis to examine the relationship between PE investments and subsequent bankruptcies or closures of health care facilities across the United States. Specifically, to the extent feasible, I request that GAO address the following questions, distinguishing, where relevant, between situations that result solely in bankruptcies and those resulting in closures of health care facilities or providers:

1. To the extent it can be determined, how many health care facilities or providers have either filed for bankruptcy or closed following investments from PE firms in the last 10-15 years?
    a. How many facilities that declared bankruptcy subsequently closed?
    b. In what health care industries/settings have such bankruptcies or closures occurred?
    c. On average, how long after being acquired by a PE firm did such facilities file for bankruptcy or close?
    d. How do these rates of facility bankruptcies or closures compare to those that occur among other types of facilities?

2. Are there any geographic trends associated with such facility bankruptcies or closures?
    a. To what extent do these closures result in the loss of services for a given community due to the lack of other comparable facilities?

3. To what extent are PE-buyouts and subsequent bankruptcies or closures associated with facilities that disproportionately serve underserved or marginalized population groups (*e.g.*, safety net or critical access providers)?

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[2] Briana Spegele et al., *Risky Loans Secure Private-Equity Payouts Despite Downturn*, The Wall Street Journal (Dec. 17, 2020), https://www.wsj.com/articles/risky-loans-secure-private-equity-payouts-despite-downturn-11608216781?mod=hp_featst_pos3.

[3] Alicia McElhaney, *LBOs Make (More) Companies Go Bankrupt, Research Shows*, Institutional Investor (July 26, 2019), https://www.institutionalinvestor.com/article/b1gfygl4r8661f/LBOs-Make-More-Companies-Go-Bankrupt-Research-Shows.

4. What is known about:
    a. the relationship between health care job losses and bankruptcies or closures that occur following acquisition by PE firms?
    b. how such bankruptcies or closures affect the benefits of the health care workforce, including pensions?
    c. how patients or residents of facilities are affected by such bankruptcies or closures?

Thank you for your attention to this important matter. If you have any questions about this request, please contact Susan Athy (Susan.Athy@mail.house.gov) and Zachary Baron (Zach.Baron@mail.house.gov) of the Committee on Ways and Means Majority staff.

Sincerely,

Bill Pascrell Jr

Bill Pascrell, Jr., *Chair*
Subcommittee on Oversight