October 22, 2020

Diane Daych
Chair
Healthcare Private Equity Association
2500 Williston Drive
Charlottesville, VA 22901

Dear Ms. Daych:

As private equity investment in the health care sector surges, I write to urge your member companies to publicly disclose information necessary to give Congress and the American people a fuller picture of the dramatic changes such investment is causing. In particular, I am concerned that private equity investment in health care is driving prices up for patients, including through practices such as surprise medical billing. I am also concerned that private equity companies are interfering in the ability of local doctors to provide the best possible care to their patients.

Over the past decade, private equity groups have increasingly acquired physician practice groups and consolidated them into large nationwide staffing firms. As a result, many local doctors, who keep their communities healthy, no longer work for themselves or their local hospitals, but are employees of practice groups that staff those hospitals.

This raises serious questions about whether private equity firms restrict clinical independence. Further, this trend has had devastating impacts on many patients who received large and unexpected medical bills from hospitals that are effectively staffed by private equity firms. In these cases, even though patients visited hospitals within their insurers' network, the patients were hit by surprise medical bills because the doctor who saw them was employed by an out-of-network staffing firm.[1]

Private equity firms must comply with state laws prohibiting what is known as the "corporate practice of medicine." These laws prohibit corporations from practicing medicine or employing physicians to perform medical services.[2] These laws are intended to prevent the commercialization of the practice of medicine, so that patients are not harmed by conflicts of interest between a physician's duty to his or her patients and a corporation's duty to its shareholders. Although these state laws vary widely and have differing exceptions, the trends outlined above raise general questions regarding whether and how private equity firms are complying with both the letter and the spirit of prohibitions on the corporate practice of medicine.

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[1] https://www.propublica.org/article/how-rich-investors-not-doctors-profit-from-marking-up-er-bills
[2] https://www.ama-assn.org/media/7661/download

Given these serious concerns, I ask that your members provide transparency into private equity's role in the health care sector by answering the following questions by November 22, 2020:

1. How many deals involving health care companies with $5 million or more in annual revenue have your members completed since 2010?
   a. Please provide a breakdown of the number of the above acquisitions by year.
   b. Please provide a breakdown for all of the above acquired companies by their state of formation and their state of principal place of business.
   c. What is the total combined value of the above acquired companies at the time of acquisition?
   d. What portion of the total value in Question 1.c. above was acquired by the following large private equity firms or their subsidiaries:
      i. The Blackstone Group Inc.
      ii. The Carlyle Group
      iii. Kohlberg Kravis Roberts & Co. ("KKR")

2. How many of the above companies acquired by your members have been dissolved, liquidated, or gone into bankruptcy since 2010?

3. What safeguards have your members put in place to ensure physician practices they have acquired retain independence on matters pertaining to patient evaluation, diagnosis, and treatment?

4. What efforts have your members undertaken to identify and limit surprise out-of-network billing for patients at the practices they have acquired?

Thank you for your attention to this important matter.

With every good wish,

Maggie Hassan

Margaret Wood Hassan
United States Senator