

Private Equity Ownership of Physician Practices is Rising

CONVERSATION WITH THE RESEARCHER

“The study reveals high levels of market concentration in certain regions. This concentration may reduce competition and choice for patients, potentially affecting health care access and affordability.”



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Q: Why are the findings of this study significant?

A: The study highlights a substantial increase in private equity acquisitions of physician practices over time. This trend has resulted in firms controlling a significant share of physician practice specialties in various metropolitan statistical areas (MSAs) across the country. This level of market dominance raises questions about competition and potential impacts on patient care and prices of health care. Such acquisitions may lead to higher prices for health care services for these specialties without necessarily improving the quality of care.

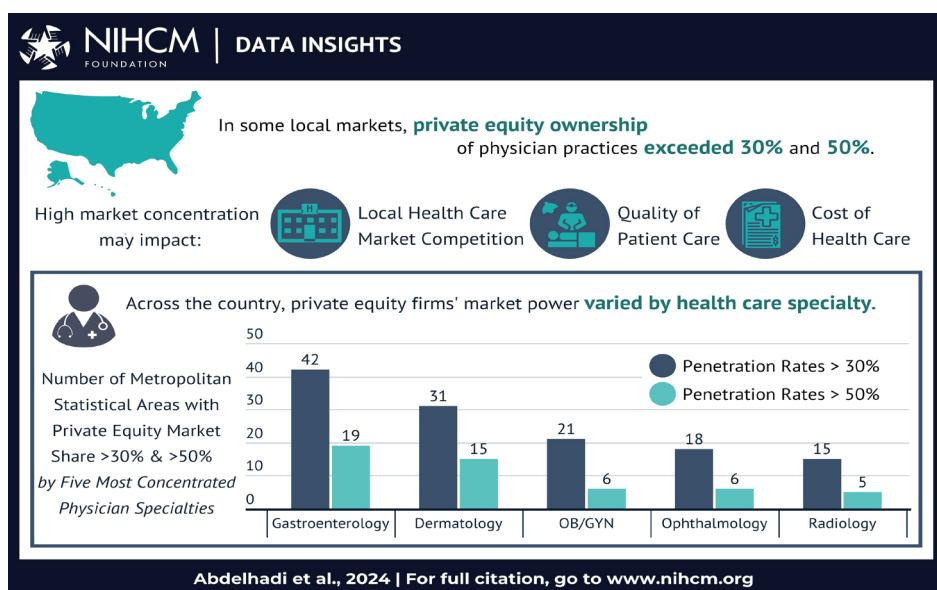
Q: What are the main takeaways of this study for policymakers and regulatory agencies?

A: The findings emphasize the need for rigorous antitrust scrutiny by regulatory bodies. Given the significant market shares held by private equity firms in specific MSAs, there is a call for closer examination to prevent anti-competitive behavior that could harm consumers and patients. Regulations need to address concerns about the potential impact of private equity ownership on the quality of care delivered. Private equity firms may prioritize profit, leading to cost-cutting measures that could compromise service quality. Ensuring adequate oversight and accountability is crucial to maintaining high standards of care.

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SYNOPSIS

A novel study revealed significant growth in private equity firm acquisition of physician practices between 2012 and 2021, raising concerns about the potential impact on local health care market competition, quality, and pricing. The study found that private equity firms’ market share exceeds 30% and 50% in some local markets, with significant geographic and specialty-type variation. As private equity involvement in health care continues to grow, these findings are relevant to policymakers and regulatory agencies focused on understanding health care market concentration and its implications across health care.



HEALTH CARE MARKET POWER OF PRIVATE EQUITY-OWNED PRACTICES

Private equity firms continue to invest heavily in the US health care sector, especially in acquiring physician practices. While these acquisitions can provide capital and technology, the focus on maximizing short-term profits, often through further acquisitions and consolidation, raises concerns about the impact on market competition, health care quality, pricing, and provider staffing. Such concerns are amplified when firms dominate a significant portion of health care markets within a region and can leverage their market share power to reduce competition and enhance price bargaining with payers. As policymaker oversight of private equity’s role in health care is increasing, this study is one of the first to examine the penetration rates at the local level.

This analysis examines physician practices for 10 specialties most frequently acquired by private equity firms. The interest in specialty practices may be due to the increasing demand caused by industry fragmentation, the aging population, and the rise in private coverage. In some local markets, private equity ownership exceeded 30% and 50% of the market share in at least one specialty, with the highest rates observed in the South. These high rates may be attributed to such firms’ strategy to gain further market power.

Dominating a market can have many effects on health care, including limiting patient choice in selecting where to receive care, and impacting the cost and quality of care received. These findings further highlight the increasing trend of private equity firms’ involvement in health care delivery and are relevant to policymakers and regulators seeking to address market competition.

RESEARCH INSIGHTS

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STUDY METHODS

Researchers identified physician practices through reported 2012 to 2021 acquisitions using various databases and industry reports (Irving Levin Associates Healthcare M&A Database, PitchBook private equity merger and acquisition databases, and media outlets). Acquired practices were linked to two IQVIA physician data sets and matched using the practice name, location, and physician characteristics (specialty, age, and sex). Market penetration was calculated separately for each specialty by year and estimated as the percentage of full-time-equivalent physicians at acquired practices within MSAs. Acquisitions were analyzed at the practice-site level to account for acquisitions with multiple practices or practices spanning numerous care sites.

CITATION

Abdelhadi O, Fulton BD, Alexander L, Scheffler RM. Private Equity-Acquired Physician Practices And Market Penetration Increased Substantially, 2012-21. Health Aff (Millwood). 2024 Mar;43(3):354-362. doi: 10.1377/hlthaff.2023.00152. PMID: 38437602.

FOR MORE INFORMATION

For more information about this study, contact Ola Abdelhadi at oabdelha@berkeley.edu. For more details on the NIHCM Foundation Investigator-Initiated Research Grant Program, contact Cait Ellis at cellis@nihcm.org.

KEY FINDINGS

	Characteristics	Number of Private Equity-Acquired Practice Sites (Percent)	Number of Non-Private Equity-Acquired Practice Sites (Percent)
Geographic Region	South	2,768 (47.9%)	50,459 (38.3%)
	Northeast	1,157 (20.0%)	29,212 (22.2%)
	Midwest	1,085 (18.8%)	23,511 (17.9%)
	West	769 (13.3%)	28,370 (21.6%)
Specialty*	Dermatology	827 (14.3%)	5,818 (4.4%)
	Ophthalmology	648 (11.2%)	8,966 (6.8%)
	Gastroenterology	697 (12.1%)	4,468 (3.4%)

**Of the ten specialties studied, the three listed had the highest private equity penetration rates over the study period.*

This analysis examined private equity acquisition of physician practices across ten office-based specialties - primary care, dermatology, obstetrics-gynecology, gastroenterology, ophthalmology, oncology, urology, radiology, orthopedics, and cardiology - and their market share within each Metropolitan Statistical Area (MSA). The study found that:

Acquisition Rates:

- Private equity-acquired physician practices grew between 2012 and 2021 from 816 practice sites across 119 MSAs to 5,779 practice sites across 307 MSAs.
- In 120 MSAs, these firms collectively controlled over 30% of the market share in one or more specialties, with firms holding over 50% of the market share in 60 MSAs.
- In 108 MSAs, a single firm held more than 30% of the market share in at least one specialty, with one firm having more than 50% of the market share in 50 MSAs.

Acquisition Rates by Specialty:

- Private equity firms most commonly acquired dermatology practices throughout the study period, followed by ophthalmology and gastroenterology.
- However, between 2019 and 2021, physician-level private equity penetration rates grew the most across three specialties: gastroenterology, dermatology, and urology.

Differences in Acquired- and Non-Acquired Practice Characteristics:

- Private equity penetration was highest in the South (47.9%) and lowest in the West (13.3%).
- Compared to non-acquired sites, private equity-acquired practices employed fewer primary care physicians. However, they employed more dermatologists, obstetricians-gynecologists, and gastroenterologists.
- Acquired practice sites were also less likely to employ female physicians.