The Effect of Private Equity Acquisition on Health Care Spending and Utilization

Why This Study Is Important

Researchers found that private equity acquisition of physician practices was associated with increases in health care spending and utilization among new and existing patients. These findings are significant given that penetration by private equity firms has been increasing rapidly in recent years and previous research on the impact on health care delivery and spending has been limited or inconclusive. While acquisitions may improve technological and operational efficiencies, they may negatively impact health care access, quality, and spending. Previous gaps in knowledge are addressed in this study through examining changes in physician practices’ spending, utilization, and practice patterns following private equity acquisition. These findings contribute important evidence on potential overutilization and higher spending on care, while highlighting areas for further research.

What This Study Found

- Researchers examined the impact of the acquisition of physician practices across dermatology, gastroenterology, and ophthalmology – the office-based specialties with the greatest number of acquisitions to date.
- Acquisition in these specialties was associated with differential increases in the allowed amount and charges per health insurance claim. Compared to the 2,874 control practices, the 578 private equity-acquired practices reported an average $71 increase (+20.2%) charged per claim and a $23 increase (+11.0%) in the allowed amount per claim.
- Differential increases in the volume of encounters (inclusive of all services including procedures) among both new and existing patients were recorded after acquisition of these specialties. In terms of patient visits, the private-equity acquired practices experienced a 25.8% increase in number of unique patients seen, largely driven by a 37.9% increase in visits by new patients and a 9.4% increase in the share of office visits for established patients that were billed as longer than 30 minutes. The private equity-acquired practices’ volume of encounters increased by 16.3% relative to the control group.
- There were no statistically significant changes found in patient risk scores.

What These Findings Mean

This economic evaluation found that among a large commercially-insured population, acquisition of physician practices by private equity firms is associated with increases in health care spending and several measures of utilization. These findings suggest that increases in billing intensity and higher negotiated prices for service may occur after acquisition by private equity firms. In addition, these results may indicate common post-acquisition changes across specialties and a slight variation in outcomes of interest across selected commonly-billed procedures within each specialty. As private equity has a common profit model within the three office-based, high-volume procedural specialties studied, it is important to understand the mechanisms that increase profit both across and within specialties in order to generate policy responses to potentially adverse implications.

For more information about this study, contact Yashaswini Singh at ysingh@jhu.edu or Dr. Jane Zhu at zhujan@ohsu.edu. For more information about the NIHCM Foundation Investigator-Initiated Research Grant Program, contact Cait Ellis at cellis@nihcm.org.
More About This Study

Utilizing a difference-in-differences study design, researchers compared outcomes in private equity-acquired practices across three specialties between 2016 and 2020 with matched controls from 2015. Changes in utilization were measured through the number of unique patients, new patients, total evaluation and management visits, and the total number of encounters. Private equity acquisitions were captured by combining several data sources, including proprietary data from PitchBook Inc. The list was then manually verified and expanded upon using press releases, industry reports, and physician practice websites. Physicians affiliated with both private equity-acquired and non-acquired practices were captured through two IQVIA databases, the 2016 SK&A Office Based Physicians database and the 2019 OneKey database, both of which allowed researchers to identify the geographical locations acquired by private equity firms. Lastly, the study sample was linked to the FAIR Health National Private Insurance Claims patient de-identified claims data from January 1, 2015 through December 31, 2020.


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