

Private Equity Ownership Reshapes Workforce Composition in Physician Practices

CONVERSATION WITH THE RESEARCHER



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Q: How does this study differ from previous studies?

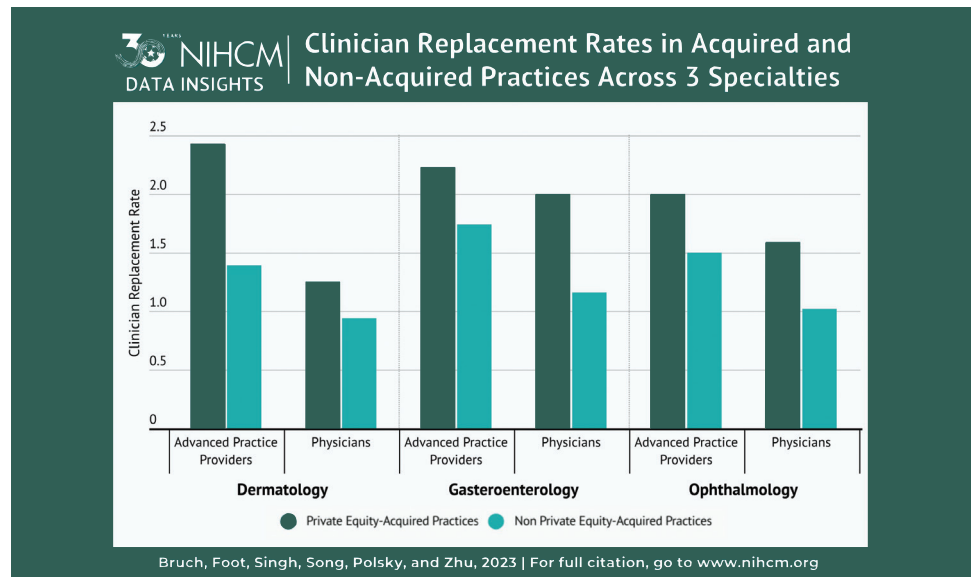
A: A growing body of work investigates the impact of ownership changes, like private equity acquisitions, on health care costs and utilization, but little is known about the impacts of these changes on the physician workforce, which is facing seismic shifts in the structure, organization, and practice of medicine. This study uses a novel linked dataset to look at the extent to which PE acquisition of physician practices changes the composition of the clinical workforce.

Q: What are the implications of this work?

A: From a workforce composition standpoint, these results could reflect shifts within private equity practices and a greater reliance on advanced practice providers. But to the extent that exiting and entering a practice reflects turnover, this has implications for physician satisfaction and workforce stability. The implications are unclear, but these results raise important questions. For example, it is possible that PE practices may be expanding access by growing their advanced practice staff, as this workforce can supplement physician care particularly where the latter is not available. At the same time, we don't know how these workforce shifts may affect quality and continuity of care.

SYNOPSIS

New research found that when private equity firms acquire independent physician practices, the workforce composition changes, including through an increase in advanced practice providers. Private equity firms' involvement in the health care market is increasing across the US, yet very little has been known about the implications on the workforce. Varying state policies on private equity investment may offer greater opportunities for private equity firms, impacting the workforce, competition, pricing, and utilization of care within a local health care market.



HOW OWNERSHIP CHANGES IMPACT THE CLINICIAN WORKFORCE

Researchers found that across three specialties with high-levels of private equity penetration, acquired practices hired physicians at higher rates than the rate at which they left practices (replacement), which may lead to the need for a larger physician workforce. They also found that there was an increase in advanced practice providers, including nurse practitioners and physician assistants, who may replace existing clinicians as they are less costly to employ and may address physician supply shortages.

Though the long-term implications for workforce size and composition at private equity-acquired practice sites remains unclear, these findings are significant as a stable workforce is associated with better patient health outcomes and reduced health care resource use. Fully understanding how private equity ownership impacts the access to and quality of care received and the extent to which it impacts local health care markets is important for policymakers and practices who may be considering selling to a private equity firm.

Private equity firms may select independent physician practices that are well-positioned for growth. Practices may sell to private equity firms due to financial and ownership incentives and increasing market competition. However, the ownership structure of private equity firms and associated financial pressures also has the potential to reduce autonomy and contribute to physician burnout and poor clinician retention. Understanding the impact of ownership changes on workforce composition is critical as physician practices nationally face clinician supply shortages. Further studies are needed to understand the impact on clinician workforce as private equity firms' investments into medical specialties continues to grow.

CITATION

Bruch, J. D., Foot, C., Singh, Y., Song, Z., Polsky, D., & Zhu, J. M. (2023). Workforce Composition In Private Equity–Acquired Versus Non– Private Equity–Acquired Physician Practices. *Health Affairs*, 42(1). <https://doi.org/10.1377/hlthaff.2022.00308>

FOR MORE INFORMATION

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For more information about the NIHCM Foundation Investigator-Initiated Research Grant Program, contact Cait Ellis at cellis@nihcm.org.

KEY FINDINGS

Among 1,208 US-based practice sites across private equity-acquired and non-acquired dermatology, gastroenterology, and ophthalmology practices:

- In acquired practices, entering clinicians replaced exiting clinicians at a higher rate than at non-private equity-acquired practices.
- At the individual clinician level, the probability of both entering and exiting a practice was higher among physicians at private equity-acquired practices compared to non-private equity-acquired practices.
- Out of the three studied specialties, gastroenterology had the highest clinician replacement rate, followed by dermatology and ophthalmology.
- Clinician replacement rates were higher for physicians under the age of 40 years old than for older physicians, among both private equity-acquired and non-private equity-acquired practices, suggesting a shared natural evolution of the workforce.
- There was a significant yearly increase in the number of advanced practice providers at private equity-acquired practices after ownership change, which may replace or complement current staffing structures, but no statistically significant changes in the overall yearly physician counts.

STUDY METHODS

Using a difference-in-differences approach, this study examined a novel data set of private equity acquisitions linked to longitudinal clinician-level data. Several data sources were combined to identify private equity-acquired and non-acquired practices between 2016 and 2018. Proprietary data from Pitchbook Inc. was used to identify acquisitions, data was then linked to the IQVIA OneKey data set allowing for precise practice locations, which was then linked to the 2014 to 2019 Medicare Physician and Other Practitioners data set to evaluate workforce turnover and composition over time. All analyses were conducted using R.