Private Equity Firms Acquire Health Care Providers, Drive Up Costs

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According to data compiled by Pitchbook, private-equity firms are continuing to acquire more healthcare service providers throughout the US. Between Q1 and Q3 2022, private equity firms had an estimated 725 deals, eclipsing the total year value from 2020.

Pitchbook’s analysis states that there may be opportunities for private equity firms to acquire more practices if the economic prospects are poor in the future.

The authors expect for more “distressed deals” in 2023 if the macroeconomic situation does not improve, allowing more options for private equity acquisitions in the health care sector.

These acquisitions are significant because they drive up healthcare costs as private equity investors push for higher prices and lower expenditures. In a study entitled ‘Changes in Hospital Income, Use, and Quality Associated With Private Equity Acquisition’, authors found hospitals run by private equity firms had increased annual net income of $2,302,391 and increased in-patient charges of $407.

Under the capitalist economic system, profit maximization requires maximizing the difference between revenues and expenditures. Private equity firms, through their deals in the sector, are able to leverage their capital to increase the profits in the healthcare sector by increasing revenues and decreasing costs, including labor costs, whenever possible. As private equity continues to acquire larger market shares within the sector, their ability to leverage their positions for private profit will only continue to drive up costs and burden the masses for the benefit of the oligarchs.

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