

Private Equity: To Save or Destroy USA Healthcare

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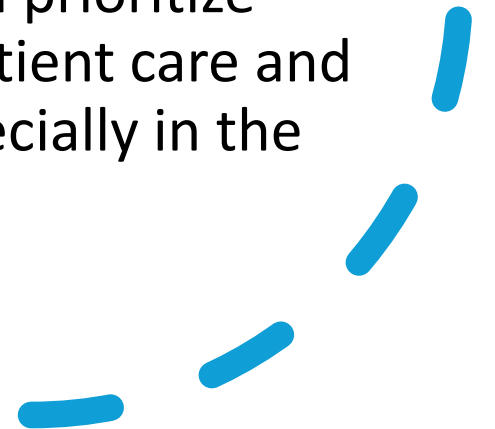
Disclosures

- Honoraria
 - Medtronic, Stryker, Ethicon, Novo Nordisk



Concept

- Private equity firms use a model of leveraged buyouts to purchase businesses, employing financial engineering, debt, and cost-cutting strategies to increase profitability and valuation before an "exit" strategy (selling the business) within a few years. Their practices include multiple arbitrage by consolidating smaller practices, taking on debt that shifts to the target company, reducing overhead, and sometimes selling assets while retaining leases to extract quick returns. While these practices can bring capital and efficiency, they often prioritize rapid profits, potentially impacting patient care and increasing market concentration, especially in the healthcare sector



Possibilities

- **Financialization of Healthcare:**
- Some critics argue that the focus on profit turns healthcare into a commodity and jeopardizes patient care, according to the Journal of Ethics
- **Market Concentration:**
- The aggressive acquisition and consolidation of physician practices can lead to reduced competition, which may result in higher prices and lower quality.
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Hypotheticals

- **Debt Burden:**
- The debt placed on acquired companies can create financial instability and even bankruptcy risk for the target firm
- **Ethical Dilemmas:**
- The inherent conflict between maximizing profit for investors and providing patient-focused care raises significant ethical concerns in the healthcare sector

Cons

- **Cost Cutting:**
- Implementing rapid cost reductions to boost profits and valuation quickly, which can involve reducing staff or other expense
- **Financial Engineering:**
- Using debt and financial structures, such as selling assets and then leasing them back, to generate returns for investors



Trends

- Concierge Medicine
- Private Emergency Rooms
- Already have inadequate care and disparities in care



Winners

- Owners
 - Maybe less stress on practice initially
- Private Equity Investors





- Non owners
- Patients
- Outcomes



Conclusions

- Short term but significant monetary gain for owners
- Long term not financially stable
- Cost cutting will negatively impact our health outcomes

