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Private Equity is the Driving Force Behind Surprise Medical Billing

Patients are vulnerable to expensive "surprise" medical bills when they unknowingly receive out-of-network care that insurers will not cover or fully reimburse, leaving patients to cover an often-expensive balance. Wall Street private equity (PE) firms have driven much of the rise in surprise billing that threatens the financial stability of vulnerable patients as well as families' health and peace of mind. PE-owned health care companies have spent lavishly on advertising and lobbying to prevent Congress from curbing the predatory practice of surprise billing that they profit from.

Surprise billing had already become a very serious issue demanding resolution in normal times. But the problem is even more grave in the midst of a pandemic and resulting economic crisis. Families and health systems will desperately need patients treated immediately, without worrying about out-of-network surprise billing; no one should be denied care, or be afraid to get or continue care because of costs. Dollars urgently needed to provide protective supplies, medical equipment, hospital beds, testing, and more should not instead become windfalls for PE executives.

Private equity is behind the national surprise billing epidemic: The PE industry has quietly been taking over growing portions of the health care industry, especially the practice groups and staffing companies behind surprise billing.[1] Private equity firms are investment companies that pool money to buy companies, including using leveraged buyouts to purchase the medical practice groups, ambulance firms, hospitals, nursing homes, and other health care companies. Over the past decade, PE firms rolled-up medical practices and physician groups into large companies that rely on patients paying out-of-pocket surprise bills to generate profits, including buying nearly 200 practice groups between 2017 and 2018.[2]

PE-owned healthcare companies have pioneered charging patients high surprise bills to generate hefty profits. The PE industry publication *Pitchbook* recently reported that "With little regulation of billing practices, PE-backed clinics and their doctors can basically charge whatever they see fit, and patients often aren't in a position to object."[3] PE-owned doctors' groups have relied on out-of-network, surprise billing as "a key to their highly profitable business strategy," according to *Kaiser Health News*.[4] The American Medical Association reported that PE-owned practices raised prices and increased the number of out-of-pocket services.[5] Private equity firms used leveraged buyouts to buy the two largest ER staffing groups that control one-third of all physician staffing firms and supply doctors to hundreds of hospitals.[6] Blackstone bought TeamHealth for $6.1 billion in 2016 and KKR bought Envision Physician Staffing for $9.9 billion in 2018.[7] A 2018 Yale University study found that when these two PE-backed staffing companies took over emergency departments, they raised prices by two-thirds.[8]

Surprise billing threatens patients: People assume that ambulances and emergency room doctors are covered by their insurance, but when PE-owned health care companies do not accept insurance payments or refuse to be part of networks, they can and do charge much higher prices that leave patients footing the unreimbursed bill. These bills are not only unexpected, they are much larger because patients must reach higher out-of-network deductibles and have higher copayment or out-of-pocket limits.[9]

Surprise billing has been on the rise as PE-firms have bought up physician practice groups and ambulance companies. A 2019 Stanford University study found that 43 percent of patients received surprise emergency room and hospital inpatient bills in 2016, a considerably higher proportion of patients than in 2010, and that the cost of those out-of-network bills rose to over $2,000.[10] Two PE firms control half of all helicopter ambulance trips that routinely "surprise bill" transported patients as much as $30,000 to $40,000.[11]

Private equity is exacerbating the household financial crisis from medical debt: Even before the current crisis, private equity-driven surprise billing was worsening the widespread and significant financial burden of medical debt.[12] Nearly 140 million Americans have faced medical financial hardship because of out-of-pocket health care bills.[13] A 2019 study found that two-thirds of U.S. bankruptcies were related to medical expenses or medical-related work loss — or over 500,000 medical bankruptcies annually.[14] And PE-owned physician groups sometimes aggressively pursue medical debt in court. Before *ProPublica* and *MLK50* blew the whistle on this practice, a subsidiary of Blackstone-owned TeamHealth filed more lawsuits against patients with unpaid medical debt in Memphis, Tennessee, than 3 major hospitals combined.[15]

Private equity-backed firms fight to save their predatory profits from commonsense reforms: Proposed federal legislation to curtail surprise billing would make it harder for PE-owned companies to price gouge patients, which is essential to their business model. In 2019, Fitch Ratings put Envision and TeamHealth on its list of "loans of concern" because they could not pay their debts without surprise billing.[16] PE-backed companies and industry groups have mounted an aggressive campaign to derail any meaningful surprise billing legislation. In 2019, Envision, TeamHealth and other PE-financed groups spent over $55 million in lobbying and advertising to influence surprise billing legislation.[17]

Congress should stop surprise billing and curb private equity's corrosive role in the economy, especially in health care: Congress should pass strong legislation to stop surprise billing and/or prevent all surprise billing in the next public health legislation to address the ongoing coronavirus disaster. Congress should also pass the Stop Wall Street Looting Act (S.2155/H.R.3848) to prevent private equity firms from using regulatory loopholes and financial engineering to harm workers, the economy, consumers and patients.

Endnotes:

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