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Private Equity is the Driving Force Behind Surprise Medical Billing

Wall Street private equity firms have driven much of the rise in surprise medical billing that threatens the financial stability of vulnerable families as well as their health and peace of mind. Patients are vulnerable to expensive "surprise" medical bills when they unknowingly receive out-of-network care for services like ambulance rides, emergency room visits, or x-rays at in-network hospitals or clinics that insurers will not cover or fully reimburse, leaving patients to cover an often-expensive balance.

Before the pandemic, surprise billing had reached alarming levels, but it became even more grave during a public health and economic crisis. Families and health systems need patients to receive prompt, affordable treatment, without worrying about out-of-network surprise billing. No one should be denied care or fear getting or continuing care because of costs. Private equity firms should not extract outsized profits from a healthcare system buckling under the pandemic strain.

Private equity is behind the national surprise billing epidemic: Private equity has taken over a growing portion of the healthcare sector, including the medical practice and staffing groups behind surprise billing.[1] Over the past decade, private equity firms rolled-up medical practices, physician groups, and ambulance firms into large companies that profit from patients paying out-of-pocket surprise bills, including buying nearly 200 practice groups between 2017 and 2018.[2]

The private equity industry monitor *Pitchbook* 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] Private equity-owned doctors' groups have relied on surprise billing as "a key to their highly profitable business strategy," according to *Kaiser Health News*.[4] Private equity firms bought the two largest emergency room staffing groups that supply doctors to hundreds of hospitals.[5] Blackstone bought TeamHealth for $6.1 billion in 2016 and KKR bought Envision Physician Staffing for $9.9 billion in 2018.[6] A Yale University study found that when these companies took over emergency departments, they raised prices by two-thirds.[7]

Surprise billing threatens patients: People assume that ambulances and emergency room doctors are covered by their insurance, but some private equity-owned companies charge much higher out-of-network 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.[8]

Surprise billing has grown with the surge in private equity takeovers of 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.[9]

Two private equity firms control half of all helicopter ambulance trips that routinely "surprise bill" transported patients as much as $30,000 to $40,000.[10] During the pandemic, an unconscious coronavirus patient was airlifted from one hospital to another by a private equity-owned air ambulance company that charged her over $52,000.[11]

More than 80 percent of ground ambulance trips also result in surprise medical bills that can run from $2,000 to $4,000 — amounting to $129 million annually in surprise ground ambulance bills.[12] These bills continued during the pandemic. One sedated coronavirus patient was charged an $1,800 out-of-network surprise ambulance bill.[13]

Private equity is exacerbating the household financial crisis from medical debt: Even before the pandemic, private equity-driven surprise billing was worsening the widespread and significant financial burden of medical debt.[14] Nearly 140 million Americans have faced medical financial hardship because of out-of-pocket health care bills.[15] A 2019 study found that two-thirds of U.S. bankruptcies were related to medical expenses or medical-related work loss — over 500,000 medical bankruptcies annually.[16] Private equity-owned physician groups sometimes aggressively pursue medical debt in court. One TeamHealth subsidiary filed more lawsuits against patients with unpaid medical debt in Memphis, Tennessee, than 3 major hospitals combined.[17]

Private equity-backed firms fight to preserve surprise billing profits: The private equity-backed healthcare companies staved off meaningful federal legislation to curtail surprise billing for years. In 2019, Envision, TeamHealth and other private equity-financed groups spent over $55 million in lobbying and advertising to influence surprise billing legislation.[18]

A 2020 legislative "fix" for surprise billing left gaps and loopholes that may allow private equity-backed companies to charge higher bills. It did not ban higher out-of-network charges; instead, disputes will go to arbitration, in what *Bloomberg* called a "win for the [private equity] healthcare companies."[19] While the measure covered air ambulances, ground ambulances were totally excluded from the legislative fix and can still charge surprise bills.[20]

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 prevent private equity-backed firms from profiting through surprise medical billing. Congress should also pass the Stop Wall Street Looting Act to prevent private equity firms from using regulatory loopholes and financial engineering to harm patients, communities, and workers. Visit stopwallstreetlooting.org to learn more and contact your legislator to urge them to support the Stop Wall Street Looting Act.

Endnotes:

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