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Private Equity and Its Impact On Hospital Quality and Safety

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"Private equity has invested nearly $1 trillion into U.S. health care since 2006. While private equity's investment in health care only represents a small portion of the massive U.S. health care system, the industry has made critical contributions benefiting providers and patients alike. These investments have funded research into deadly diseases like Alzheimer's and Parkinson's, expanded and renovated facilities, modernized medical records and health care data, and made other needed investments." – American Investment Council 2024

The last decade has seen a tidal wave of private equity PE investment into U.S. hospitals, outpatient centers, nursing homes, and physician practices. Indeed PE acquisitions of physician practices is up 6 fold over the past decade or so. The capital flows freely—but does the quality of care grow with the profits? Is patient safety sacrificed for the bottom line? Private equity (PE) refers to financial services firms whose business involves the investment in privately held companies with the goal of improving the company's operations and ultimately selling that company for a profit. Private Equity firms, which raise capital from institutional and high-net-worth investors, act as a way for private company owners to obtain more capital to advance their businesses. PE may also help the private company go public. The important point is that the PE firm does not lend money to the business owner, they buy into the business. That is what "equity" means: They become owners.

In this analysis we will discuss healthcare businesses like hospitals, surgery centers, physician practices, radiology centers, etc. Private Equity firms may sometimes deploy a strategy that involves borrowing heavily against the acquired entity's assets and cash flow, then extracting value through cost cutting, revenue optimization, and quick resale—typically within 3–7 years. Though not entirely uncommon, most private equity investments are not long term in nature. In healthcare, this model can create a dynamic tension: debt and financial pressure erodes the availability of capital resources for clinical operations, which hence leads to layoffs, which may degrade care delivery, and therefore compromise safety. PE ownership of healthcare companies is rapidly increasing and therefore we ought to ask whether patient safety is being impacted negatively or is being improved.

Some say private equity is revitalizing healthcare with much-needed money for investments in healthcare modernization and improved ef-

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ficiency. Others argue it is compromising safety by cutting corners and prioritizing financial return over human outcomes.

Private equity firms manage Billions of healthcare capital per year in the US. These arrangements often inject the funds that hospitals need to improve and can't find elsewhere. Money is needed for electronic health records, imaging systems, and even basic capital improvements that can get greenlit faster with better funding mechanisms.

In some cases, performance metrics improve post-PE-acquisition. A Duke-led analysis found declines in in-hospital and 30-day mortality among PE-backed hospitals for certain conditions like AMI. A study in 2021 revealed no evidence of increased patient mortality or readmission rates at PE-acquired hospitals.

Private Equity investment strategies may improve management discipline and accountability. PE-backed hospitals often introduce the use of financial Key Performance Indicators, advanced analytics, and centralized procurement strategies that bring operational discipline to previously siloed, sluggish, inefficient systems. We need to work on how these same quantitative approaches can improve patient centeredness, timeliness of care delivery, access to care, clinical effectiveness and efficiency and of course Safety! The Commonwealth Fund reported in 2023 that there is no evidence that PE investment in healthcare leads to improved quality of care. The same report points towards evidence that mortality increased in nursing homes bought by PE firms. The data is not clear. It is not an either or proposition. The conclusion one can draw is that more research is needed on how PE affects quality.

The Clinical Impact: What does the data Say?

Hospital Adverse Events Increase Post-Acquisition by PE

A 2023 JAMA study by Bruch et al. compared over 600,000 Medicare admissions at PE-owned hospitals to over 4 million at matched controls. The researchers compared hospital-acquired patient safety events among Medicare patients. They compared those treated at private equity-acquired hospitals against matched controls at non-PE hospitals. They studied these patients over a ten-year period and found that patients experienced a 25% increase in hospital-acquired patient safety incidents when treated at PE hospitals. Statistically significant increases were found in falls and hospital acquired infections (eg central-line associated blood stream infections and surgical site infections). This was found despite the fact that private equity hospitals placed fewer central lines and performed fewer surgeries. In-hospital mortality however did decrease slightly at private equity versus control hospitals. There was no change in 30-day mortality after hospital discharge.

After PE acquisition, hospital-acquired adverse events increased significantly:

- Patient falls: +27%
- Central line infections (CLABSIs): +38%
- Total hospital-acquired patient safety events: +25%

Quality of Care Often Declines after PE Takes Over

A 2023 BMJ systematic review analyzed 55 studies across multiple healthcare sectors and found that there was evidence that PE ownership had a negative effect on the quality of care delivered. The researchers found that:

- 21 studies showed worsened quality
- 12 showed improved quality
- 6 showed mixed or no change

How Can PE Ownership Harm Patient Safety?

Theoretically PE firms seek to improve the revenue above expenses of a healthcare operation in order to improve its profitability.

This may result in:

1. **Reduced Staffing and Increased Turnover**
   Healthcare is very labor intensive. Most hospitals spend the highest percentage of their budgets on human resources: Physicians, Nurses, technicians etc. Cost cutting often begins with clinical labor. Lower nurse-to-patient ratios [fewer nurses for every patient] and rising nursing turnover are associated with more medical errors, delayed response times, and care omissions.
2. **Resource Diversion**
   Debt servicing obligations may reduce investment in safety infrastructure—like infection control, EHR upgrades, and professional development.
3. **Commercial Needs Over Clinical Prioritization**
   PE firms frequently expand profitable services (e.g., elective surgery) and de-emphasize unprofitable ones (e.g., complex chronic care or geriatrics), even when the latter are vital to patient safety.
4. **Data Opacity and Weak Oversight**
   Unlike publicly traded health systems, PE-owned entities may not publicly report clinical outcomes, safety metrics, or internal incidents. This limits transparency for regulators and patients.

Are There Benefits to PE Ownership?

It is not all doom and gloom. To be fair, some PE-backed organizations have modernized healthcare operations, implemented system-wide safety protocols and deployed advanced data analytics. In fragmented sectors—such as dental care or behavioral health—consolidation can potentially improve standardization. The positive impact of PE investment depends on ethical leadership and re-

investment in high reliability systems of care for quality improvement.

Policy Recommendations: Safeguarding Safety in a Financialized System

To align PE activity with patient-centered care, stronger healthcare leadership and oversight is necessary:

- Leadership of any healthcare concern ought to prioritize quality care and patient safety
- Public reporting of quality metrics by all PE-owned entities
- Limits on debt-to-revenue ratios in PE-backed clinical organizations ought to be regulated by States
- Certificate of Need evaluation ought to be focused on quality and patient safety, not just market share
- Regulatory requirements for reinvestment of earnings into quality improvement, patient safety, infection prevention, staff education and staffing.

Conclusion: First, Do No Harm

Private equity is reshaping the U.S. healthcare system—and not always for the better. The evidence is compelling: PE ownership may be associated with worse outcomes, higher rates of harm, and reduced clinical accountability.

If capital is to serve healthcare, rather than destabilize it, public policy and health system leadership must demand greater transparency, enforce safety guardrails, and prioritize patient outcomes over investor returns. One ought not be categorically against private investment in healthcare. There are many hospitals and other concerns currently owned, at least in part, by PE firms. We ought to be concerned about what happens when clinical complexity is managed like a commodity, and short-term financial return outpaces long-term safety planning. We ought to be thinking about how capital infusions can be used to improve quality, safety and innovation.

We must stop pretending PE firms are one size fits all monoliths. Some firms invest responsibly, others work more aggressively to improve their bottom lines. The old myth that big business is evil does not fly... and by the way, healthcare is Big Business! We need to work to make American healthcare the best and safest it can possibly be. What matters most is transparency, data sharing, and evidence based care — especially when patients may have no say in who owns the hospital where their lives may hang in the balance. In healthcare, profit ought not to come before patients. These do not need to be mutually exclusive but ethical proactive leadership is the key to success.

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Resource:

What hospitals are owned by private equity? Find out here. Airtable PE Hospital Tracker. https://airtable.com/appZYwbt3vioNrb95/shricxhAQSjpv5ec8/tbl058jjL6qNMqzkM