Original Investigation

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Association of Physician Management Companies and Private Equity Investment With Commercial Health Care Prices Paid to Anesthesia Practitioners

Ambar La Forgia, PhD\textsuperscript{1}; Amelia M. Bond, PhD\textsuperscript{2}; Robert Tyler Braun, PhD\textsuperscript{2}; Leah Z. Yao, BS\textsuperscript{2}; Klaus Kjaer, MD, MBA\textsuperscript{3}; Manyao Zhang, MA\textsuperscript{2}; Lawrence P. Casalino, MD, PhD\textsuperscript{2}

\hspace{0.5cm} \□ Author Affiliations  |  Article Information


\hspace{0.5cm} \hspace{0.5cm} \hspace{0.5cm} Ambar La Forgia, PhD

Assistant Professor, Management of Organizations
Haas School of Business, University of California, Berkeley
Corporatization of Medicine

- Financial institutions and large corporations increasingly acquiring health care organizations, raising concerns of misplaced managerial emphasis on financial outcomes at the expense of clinical outcomes.
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What do you see as the biggest concerns of corporate ownership?
What do you see as the biggest benefits of corporate ownership?
Corporate Ownership and Health Care Delivery: Theory

• **The good:** Increase quality and lower costs by standardizing care, improving managerial processes, and leveraging economies of scale
  • Capital to invest in technology + fund expansions & hire more staff

• **The bad:** Higher prices and increase in low-value services as a result of increased market power and pressure to increase shareholder value
  • Upcoding, shorter visits, more testing
  • Loss of physician autonomy
Corporate Ownership and Health Care Delivery: Evidence

- Acquisitions of independent dialysis clinics & private equity acquisitions of nursing homes -> worse patient outcomes + higher Medicare spending (Eliason et al. 2020; Gupta et al. 2021)

- Hospitals contracting with physician staffing firms -> More surprise bills + higher commercial prices in emergency department setting (Cooper et al. 2020)

- Private equity acquisitions of dermatology practices -> Small price increases, no changes in spending (Braun et al. 2021)
Our Paper

• How do commercial prices change when hospital outpatient departments and ambulatory surgery centers (ASCs) contract with physician management companies (PMCs)?

• Collect data on all PMCs in the US that provide anesthesia staffing services and use difference-in-differences methods to compare outcomes for facilities that contract with PMCs to those that do not

• Study whether outcomes differ if the PMC is owned by a private equity (PE) company or not
What is a Physician Management Company (PMC)?

• For-profit entity that manages the back-office administration of acquired medical practices to increase practice revenue
  • Ex. contracting and billing, group purchasing, IT support, population health/clinical analytics, human resources

• PMC consolidates and manages the business functions (bill under a single Tax ID) and physicians manage clinical care

• PMCs vary in size, location, specialty and ownership
  • Publicly traded or privately-held – Increased investment from private equity – Take ownership of non-clinical assets through the MSO
What is a Physician Management Company (PMC)?

- Some PMCs, referred to as physician staffing companies (ex. TeamHealth) also provide staffing and management services to hospitals and other facilities for hospital-based specialties such as anesthesiology and emergency medicine.

- Why anesthesia?
  - High-margin high-volume specialty & the most commonly acquired medical specialty (~22% of all US anesthesia practitioners are part of a PMC).

- Hospitals/ASCs increasingly outsourcing clinical staffing and management for anesthesia
  - Off-load burden of scheduling/managing OR coverage + potentially lower costs by subbing anesthesiologists with CRNAs.
Our Findings

• What happens to commercial prices when outpatient facilities contract with PMCs for anesthesia staffing and management services?

Key Finding: 16.5% increase in allowed amounts after PMC contract
Our Findings

• Are there differences in prices if a PMC does or does not receive private equity (PE) funding? → YES!

Key Finding: PE-backed PMCs increased prices by 26.0% while PMCs without PE only increased prices by 12.9%
Why Do Prices Go Up? And So What?

• **Mechanisms:** PMCs negotiate significantly higher prices for anesthesia services likely as a result of amassing greater market share and better negotiating expertise
  • Private equity firms stronger financial incentives to create short-term returns

• **What does this mean for patients?**
  • Higher prices get passed onto patients in the form of higher cost-sharing and insurance premiums

• **What does this mean for practitioners?**
  • Unclear whether practitioners even receive higher salaries or benefits from the PMC
Implications

• **Transparency**: Very difficult to know when a practice is acquired/owned by a corporate entity or financial institution

• **Antitrust**: Are Corporate Practice of Medicine laws being violated? Are these organizations operating as vehicles to quietly amass market share?

• **Open question**: In what settings and under what conditions can corporate ownership *improve* outcomes? To what extent are higher prices justified by improved quality or access?