Original Investigation

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

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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**

HOW PRIVATE-EQUITY FIRMS SQUEEZE HOSPITAL PATIENTS FOR PROFITS

By Sheelah Kolhatkar
April 9, 2020

Private equity ownership is killing people at nursing homes

A new study describes the human toll of private equity firms buying up nursing homes.

By Dylan Scott | @dylanlscott | dylan.scott@vox.com | Feb 22, 2021, 4:30pm EST

Lawsuit accuses TeamHealth of billing fraud, 'profiting from patients'

Morgan Haefner - Wednesday, July 15th, 2020 Print | Email

Physician staffing firms are behind $30M campaign to stop surprise-billing legislation, Politico says

Kelly Gooch - Updated Wednesday, September 18th, 2019 Print | Email

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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

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- 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?**

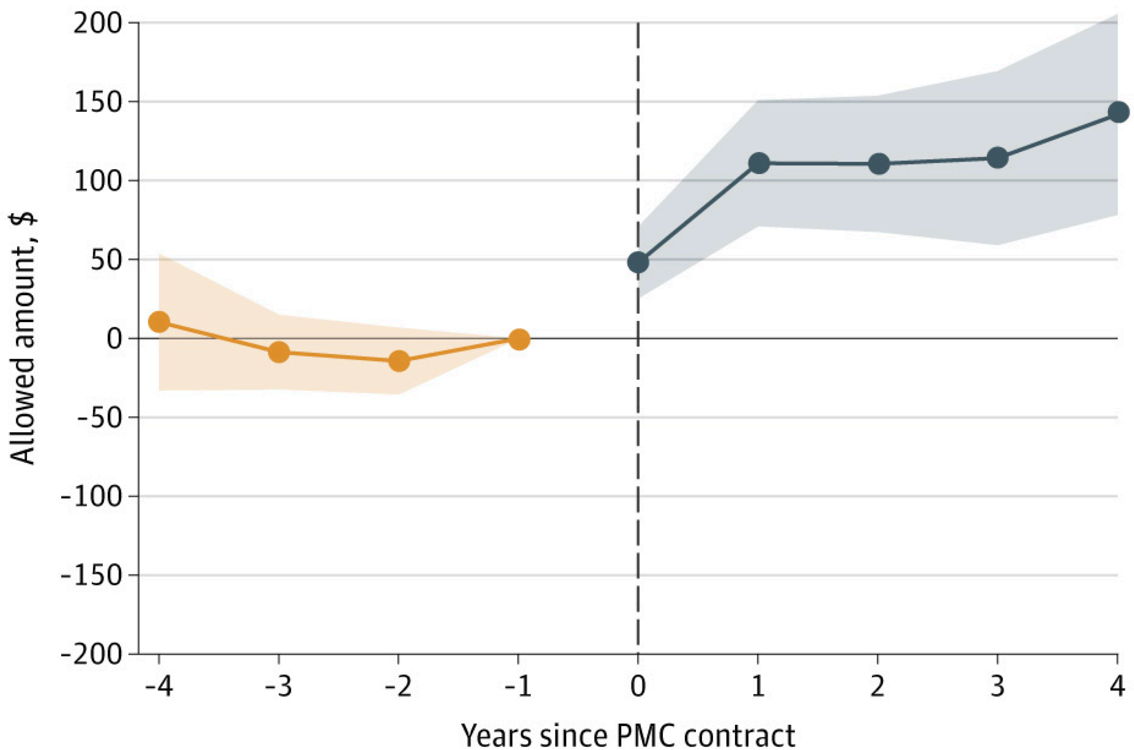

Image courtesy of JAMA Network®

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!**

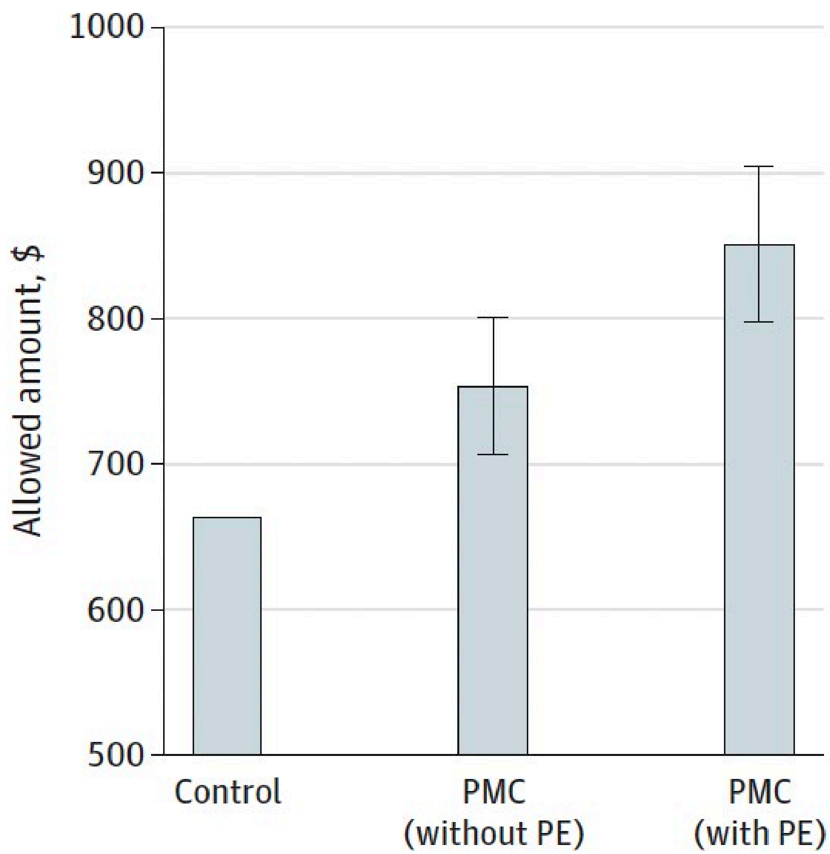

Image courtesy of JAMA Network®

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?