April 8, 2024

The Honorable Mia Bonta, Chair
Assembly Health Committee
1020 N Street, Room 390
Sacramento, California 95814

RE: AB 3129 (Wood) – AG Oversight of Private Equity Acquisitions in Health Care - SUPPORT

Dear Chair Bonta:

The Purchaser Business Group on Health supports AB 3129, which would extend the Attorney General’s oversight authority to private equity and hedge fund acquisitions that result in changes in control of health facilities and provider groups. This bill would ensure that these acquisitions have timely review for their impacts on cost, quality, and access to care, and give the Attorney General authority to approve, deny or approve these acquisitions with conditions to protect consumers and purchasers.

The Purchaser Business Group on Health is a not-for-profit coalition of employers and public agencies with the mission of improving quality, affordability, and equity in the healthcare system. For over two decades, PBGH has supported public policies to promote healthy market competition, cost transparency and quality performance. We encourage and advocate for healthy competitive provider marketplaces where consumers and patients have the opportunity to make informed choices among health care providers.

Private equity acquisitions in health care have accelerated drastically in the last decade, totally $1 trillion nationally. Fund managers have little knowledge of health care; they make investments in health care organizations primarily to maximize profits and cash flow. They often aggressively seek quick profits, and they usually own health care entities for a much shorter period than other buyers, averaging three to seven years. A common tactic used by private equity firms is to flip the asset by selling their newly purchased health care organization to companies like CVS or Amazon, for a much higher price. But to attract those buyers, private equity firms boost profits through cutting costs, raising prices, increasing the number of more profitable procedures, and cutting less profitable services – even if those services are needed in the community. When private equity firms use health care facilities as collateral, they leave them with debt; and high levels of debt can increase their risk of bankruptcy – raising concerns about closures and loss of services.

These actions are made are at the expense of the consumers who are going to hospitals and doctors to get the health care they need. Studies have shown that private equity
acquisitions have negative impacts on costs, quality, and access to care. Comparing communities where private equity dominate physician specialties, a study found that price increases are up to 3 times higher; and a recent study found that private equity ownership in U.S. hospitals was associated with a 25 percent increase in hospital acquired conditions, which was driven by falls and central line-associated infections.

AB 3129 builds on the Attorney General’s existing oversight authority over nonprofit hospital mergers, extending this authority to private equity and hedge fund acquisitions of health care facilities, including hospitals, skilled nursing facilities, and physician groups. With this oversight authority, the Attorney General will review these mergers for impacts on competition in the health care market, costs, quality, and access to care.

PBGH members are particularly concerned about this kind of consolidation in the health care industry, since we know that it leads to higher provider prices and health insurance premiums. Employers and their employees and families are facing a crisis of affordability in health care, and we need to have healthy competition among health plans and providers based on cost and quality to ensure that health benefits are affordable.

For these reasons, the Purchaser Business Group on Health requests your support for AB 3129 (Wood).

Sincerely,

William E. Kramer
Senior Advisor for Health Policy

cc: Assemblymember Wood, Author Members, Assembly Health Committee