

March 4, 2024

Senator Kate Lieber  
Chairwoman  
Senate Committee on Rules  
900 Court St. NE, S-223,  
Salem, Oregon 97301

**RE: Hearing on HB 4130**

Dear Chairwoman Lieber:

The OrthoForum appreciates the Committee holding this hearing on HB 4130 and seeking ways to create a more efficient healthcare system that lowers costs while improving care. We support HB 4130 and we believe that any discussion about improving quality of care while also reducing costs in the modern healthcare system must consider the harmful effects of private equity firms' acquisitions of healthcare providers. The OrthoForum is an association comprised of physicians, who are on the front lines of providing patient-centered care. Our membership has first-hand experience with the negative impact of these deals. Overall, our members have observed that often after a private equity firm takes over an independent physician group, the quality of care for patients goes down, the cost of care to public and private payors goes up, and employee working conditions worsen. The bottom line is that private equity interferes with the social contract between a doctor and their patient.

Dr. Brad Butler, a practicing physician with a member group of the OrthoForum, describes his support for HB 4130:

“The State of Oregon is not exempt from the national trend of private equity's entry into the healthcare system. I support HB 4130 and the efforts to try to close the loopholes in Oregon's corporate practice of medicine law. As a physician, my primary focus is the care provided to my patients. But time after time when private equity gets involved, we see a shift in focus to maximizing profits for shareholders and costs going up for patients. This bill is a big step in the right direction for the State of Oregon and our patients.”

The OrthoForum is a national physician specialty organization that is committed to protecting and growing the independent orthopaedic group practice of medicine. Our organization was established to meet the unique challenges that integrated orthopaedic group

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practices face in today's health care environment. Currently, we represent ~35% of all independently owned orthopaedic practices in the United States.

Our member groups face many federal and state policy issues that impact their ability to provide quality and cost-effective care to their patients. In response to this, we are committed to developing and supporting policies that serve to strengthen and defend the independent practice of orthopaedic medicine. In doing so, we place the highest priority on patient access, efficient treatment processes, and reduced cost.

### Impact of Private Equity Acquisitions of Independent Health Care Providers

We believe that everyone benefits when physicians have control over the delivery of care and can work directly with their patients to make medical decisions and deliver patient-centered care. Private equity firms do not share this ideal. They seem to be more concerned with maximizing investor profits than advocating for patients. Unfortunately, current U.S. tax law incentivizes private equity firms to acquire health care providers and gives them an advantage over other would-be acquisition partners by providing the firms with substantial tax breaks.

Private equity firms have been particularly active in acquiring independent physician groups. Currently, more than half of all specialists in several U.S. markets are owned by private equity firms, according to a recent study by the American Antitrust Institute, the Petris Center at the University of California, Berkeley, and the Washington Center for Equitable Growth.<sup>1</sup> As the *New York Times* summarized, the study found that “[i]n more than a quarter of local markets — in places like Tucson, Ariz.; Columbus, Ohio; and Providence, R.I. — a single private equity firm owned more than 30 percent of practices in a given specialty in 2021.”<sup>2</sup> The article added, “In 13 percent of the markets, the firms owned groups employing more than half the local specialists.”<sup>3</sup>

The OrthoForum's experience—consistent with independent research, public reports, and even a recent investigation by the Federal Trade Commission (FTC)<sup>4</sup>—is that, after a private equity firm takes over an independent physician group there are generally adverse effects. These

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<sup>1</sup> Richard M. Scheffler et al., *Monetizing Medicine: Private Equity and Competition in Physician Practice Markets* (July 10, 2023), [https://www.antitrustinstitute.org/wp-content/uploads/2023/07/AAI-UCB-EG\\_Private-Equity-I-Physician-Practice-Report\\_FINAL.pdf](https://www.antitrustinstitute.org/wp-content/uploads/2023/07/AAI-UCB-EG_Private-Equity-I-Physician-Practice-Report_FINAL.pdf).

<sup>2</sup> Reed Abelson & Margot Sanger-Katz, *Who Employs Your Doctor? Increasingly, a Private Equity Firm.*, *The New York Times* (July 10, 2023), <https://www.nytimes.com/2023/07/10/upshot/private-equity-doctors-offices.html?auth=login-google1tap>.

<sup>3</sup> *Id.*

<sup>4</sup> Press Release, Federal Trade Commission, *FTC Challenges Private Equity Firm's Scheme to Suppress Competition in Anesthesiology Practices Across Texas* (Sept. 21, 2023), <https://www.ftc.gov/news-events/news/press-releases/2023/09/ftc-challenges-private-equity-firms-scheme-suppress-competition-anesthesiology-practices-across>.

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effects often include decreased quality of care for patients, increased cost of care for public and private payors, and deteriorating working conditions for employees.

Regarding higher costs, there is significant evidence that private equity acquisitions of health care providers result in higher prices without any evidence of an increase in quality or access to care. For example, a recent study concluded that, after hospital outpatient departments and ambulatory surgery centers contracted with a physician management company (PMC), prices paid to anesthesiologists increased, and were substantially higher if the PMC received private equity investment.<sup>5</sup> Consistent with the study's findings, the FTC recently brought a lawsuit against private equity firm Welsh Carson, highlighting the harmful price effects of private equity acquisitions of independent physician groups. According to FTC Chair Lina Khan, "private equity firm Welsh Carson spearheaded a roll-up strategy and created [U.S. Anesthesia Partners (USAP)] to buy out nearly every large anesthesiology practice in Texas. . . . [T]hese tactics enabled USAP and Welsh Carson to raise prices for anesthesia services—raking in tens of millions of extra dollars for these executives at the expense of Texas patients and businesses."<sup>6</sup>

As for decreased quality and access to care, while there are many examples, the 2021 sale of an independent physician group at Dartmouth College to private equity backed One Medical, is instructive. In 2012, Dartmouth Health Connect, a primary care physicians office, was opened by the college in connection with Boston startup Iora Health. The office was originally intended to offer accessible and affordable healthcare to college students and the surrounding area. It began with two full-time physicians, a nurse, and other health professionals. After the private equity-backed takeover of the group, however, all that remains is one physician assistant with responsibility for approximately 1,300 patients.<sup>7</sup> In our experience, aggressive cuts in staff-to-patient ratios result in decreased quality of and access to care for patients. Furthermore, they result in job losses and increase stress for health care sector workers, contributing to burnout, among other negative impacts.

We commend the Committee for holding this important hearing and urge you to pass HB 4130 and continue to work on addressing these critical policy issues related to private equity's negative effects on cost and quality of patient care.

Sincerely,

The OrthoForum

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<sup>5</sup> Ambar La Forgia et al., *Association of Physician Management Companies and Private Equity Investment With Commercial Health Care Prices Paid to Anesthesia Practitioners*, 182 JAMA Intern Med. 396, (2022), <https://jamanetwork.com/journals/jamainternalmedicine/fullarticle/2789280>.

<sup>6</sup> Federal Trade Commission, *supra* note 4.

<sup>7</sup> Douglas Farrago, *The Metamorphosis and Transformation of a DINO*, DPC News (Oct. 6, 2023), <https://dpcnews.com/uncategorized/the-metamorphosis-and-transformation-of-a-dino/>.