Consolidation, Private Equity, and Drug Prices in Health Care Costs

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Total PE Deals in Healthcare* — Reported Deal Value, Estimated Deal Value, and Reported Deal Count, 2010-2020

Petris Center/AAI analysis of PitchBook data.

SOURCE: PitchBook Data, Inc.
Private Equity

- Pools of capital
- Organized as partnerships
  - Fund manager as general partner
  - Pension funds & institutional investors as limited partners
- Private
- Lightly regulated
- Short & fixed lifespan (typically 10 years)
PE Funding and Profits

**Sources of Funds**
- Fund Manager: 73%
- Limited Partners: 25%
- Bank Loans: 2%

**Share of Profits**
- Fund Manager: 60%
- Limited Partners: 20%
- Banks: 20%

Estimated based on available information about deal structures. For illustration purposes only.
Common PE Profit Strategies

- Cut Costs
- Generate Revenue
- Consolidate
- Collect Fees
Hazards of Private Equity in Healthcare

- Poorer health outcomes
- Higher prices
- Lack of competition
- Decreased stability
Potential Solutions

• Increase scrutiny of competition impacts of all healthcare acquisitions
• Close regulatory loopholes
• Ban sale-leasebacks of healthcare facilities
• Ban anti-steering, anti-tiering, and anti-transparency practices
• Consider banning or restricting private equity acquisitions of healthcare facilities

Thank you
Count of Reported PE Buyouts in Healthcare by Sector, 2010-2020

SOURCE: PitchBook Data, Inc. Data has not been reviewed by PitchBook analysts.