ENVISION HEALTHCARE:

A Private Equity Case Study

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PRIVATE EQUITY STAKEHOLDER PROJECT

Envision Healthcare: A Private Equity Primer

In light of Envision Healthcare's (owned by KKR) starring role in America's surprise medical billing problem, as well as recent headlines around its potential bankruptcy and its ongoing feud with UnitedHealthcare, the Private Equity Stakeholder Project has put together a report on Envision Healthcare as a case study to demonstrate some of the pitfalls of private equity investment in healthcare.

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Envision Healthcare – an overview

Envision Healthcare, owned by private equity firm Kohlberg Kravis Roberts (KKR) since 2018, describes itself as a "leading national medical group."[1] It has two main businesses centered around physician staffing: Envision Physician Services and AMSURG, with over 25,000 clinicians that contract with more than 780 healthcare providers.[2] By its own estimates, "more than 30 million patients depend on [Envision Healthcare] annually across the spectrum of specialty care — from operating rooms to emergency departments to birthing suites."[3]

Founded in 1992,[4] Envision has cycled in and out of private equity ownership over the course of its lifespan. In 2005, Onex Capital purchased it via a leveraged buyout and brought it public later that year.[5] It went private again when Clayton, Dubilier & Rice acquired it for $3.2 billion in 2011,[6] and then had a successful initial public offering (IPO) in 2013.[7] In 2016, it merged with AMSURG, a physician staffing and management group for ambulatory surgery centers. Soon after, Envision combined AMSURG's subsidiary, Sheridan, with Envision's emergency staffing division, EmCare, into a rebranded Envision Physician Services.[8] This merger greatly expanded Envision's market power by making it the nation's largest physician staffing firm, and allowed it "to bid contracts for an entire hospital or system."[9]

In 2018, KKR took Envision private again via a $9.9 billion leveraged buyout,[10] using approximately $7 billion in debt—about 70.7% of the overall deal.[11] According to Reuters, "KKR's takeover of Envision for US$9.9bn…was one of the largest leveraged buyouts since the financial crisis."[12]

Envision currently has a large footprint across U.S. healthcare through its two main businesses: AMSURG and Envision Physician Services.

Envision's 2021 Impact Report reported over 30 million patient encounters in 2021.[13]

Envision Physician Services, specifically, was responsible for:

- About 12 million emergency department visits in 2021
- 4 million hospital visits
- Over 9 million radiology reads
- Over 2.6 million anesthesia cases
- Supporting the delivery of over 132,000 newborns[14]

The report also claims that AMSURG clinicians provided care to over 1.4 million patients in 2021 via:

- Over 900,000 colonoscopies
- Over 180,000 cataract surgeries
- Over 95,000 orthopedic surgeries[15]

Despite its sizeable market power, Envision is currently at risk of restructuring or bankruptcy. According to Moody's Investor Service, this partly stems from how KKR has saddled the company with high levels of debt through distressed exchanges, as well as Envision's ongoing legal disputes with UnitedHealthcare, one of the nation's largest health insurers, that have left its physicians out-of-network.[16] Envision's recent debt restructurings have insulated its subsidiary, AmSurg, from potential bankruptcy by separating it from Envision into a new LLC and loading Envision with most of the bad debt.[17]

But there are also obstacles Envision faces due to increasing regulatory scrutiny that has resulted in legislation to tackle the problem of surprise medical billing.[18]

Envision's role in surprise medical billing

Envision has had a starring role in America's surprise medical billing problem. Surprise medical billing is when a patient is hit with an unexpected bill after receiving healthcare services at a supposedly in-network provider. This happens because many hospitals and providers contract with third party physician groups to provide services (such as emergency room staffing) which negotiate their own billing rates with insurers. Historically, some of these groups, including Envision, remained out-of-network, either in the short term or long term, in order to charge higher rates,[19] although this practice has decreased following increased scrutiny and regulation.[20]

Providing emergency care can be very lucrative, as people cannot anticipate or plan for emergencies, and thus cannot research ahead of time if the emergency department where they receive care (and the clinicians there who will take care of them) are in-network. As such, emergency care is defined by inelastic demand, which means that demand for services will not change even when prices do. Envision's business model has historically relied on the inelastic demand of emergency medical care coupled with a strategy of out-of-network billing to charge much higher than average rates to patients.[21]

In 2017, researchers at Yale University published findings on EmCare, the name for Envision's emergency physician group prior to their rebranding. They found that when Envision entered into a new contract with a hospital, it would "immediately exit networks, bill as out-of-network providers, and seek to collect their charges (which they also [raised] by 96 percent relative to the charges billed by the prior physician charges)."[22]

While Envision did participate in some insurers' networks,[23] the study authors explain that the threat of going out-of-network (the "outside option") provides leverage to negotiate higher in-network rates for physician groups like Envision, which also lead to increased costs for patients in the form of higher insurance premiums and cost-sharing.[24]

The researchers also demonstrated that six-month historical spending increased by 15 percent and

12-month historical spending increased by 11 percent for hospital patients after EmCare entered a hospital.[25] Overall, the study provided compelling evidence that EmCare was engaged in a business strategy that relied on staying out-of-network with patients' insurers in order to extract higher payments.[26]

Shortly after the research was published, the *New York Times* covered the findings in an article where it also profiled Envision,[27] drawing national attention to Envision's role in the issue of surprise medical billing.

Despite the mounting negative attention and scrutiny around surprise medical billing, Envision continued to be an appealing acquisition target due to its successful business model and growing footprint following its merger with AMSURG, with potential to roll up even more physician groups over the coming years. In 2018, KKR acquired Envision for $9.9 billion dollars.[28]

Emergency medicine's inelastic demand, as well as the fact that it is "episodic care requiring minimal follow-up and is well compensated in the US clinical reimbursement system"[29] make it an attractive space for investment. Emergency medical transport also offers lucrative opportunities.

The year prior to KKR's acquisition of Envision, KKR's portfolio company, Air Medical Group, purchased Envision's ambulance subsidiary for $2.4 billion.[30]

Air ambulances are another major driver of surprise medical bills and balance billing. A Brookings report found that compared to other types of air ambulance providers, private equity-owned air ambulance companies, in particular, are less likely to be in-network, with 89% of their transports from 2014-2017 being out-of-network.[31] Bills from private equity-owned and publicly-traded air ambulance companies also tend to be higher than those from hospital, nonprofit, and independently-owned providers, and surprise bills for the former grew by 50% between 2014 and 2017 and averaged $26,507 in 2017.[32]

KKR and private equity firm American Securities controlled nearly two thirds of the air ambulance market as of 2017.[33]

Eileen Appelbaum and Rosemary Batt, writing for *The American Prospect*, explain that "loading patients who sought emergency care with often unpayable medical debt was KKR's secret sauce. It was as simple as that."[34]

Yet KKR's "secret sauce" became a liability as policymakers began working to protect consumers from surprise medical bills.

Envision helps fund dark money campaign against legislative attempts to regulate surprise billing

As of 2018, multiple states, including California, Oregon, and New York, had passed legislation protecting patients from surprise medical bills.[35] Yet, these laws fell short for many patients. This is because states cannot regulate private self-funded health plans because they are governed by the federal Employee Retirement Income Security Act (ERISA) and are therefore exempt from most state insurance regulations.[36] Federal legislation was needed to protect all patients, regardless of their insurance type.

In the summer of 2019, legislative attempts aimed at addressing the issue of surprise medical billing took off. In July, Rep. Frank Pallone, Jr. (D-NJ) introduced a bill (No Surprises Act) in the House with bipartisan support aimed at protecting consumers from surprise medical bills from out-of-network providers.[37] Very quickly, the original bill was amended with a polarizing arbitration provision supported by many doctors and hospitals but deeply unpopular with the insurance industry.[38]

Around this time, a shadowy group called Doctor Patient Unity was running ads and sending mailers in multiple states, targeting politicians up for re-election and suggesting that government "rate setting" posed a risk to patient care and would benefit insurers.[39] Meanwhile, the insurance industry-backed group, Coalition Against Surprise Medical Billing, also began an ad campaign, arguing that the arbitration provision was a "handout to health providers backed by private equity firms."[40]

In September 2019, researchers Eileen

> *Ultimately, the final version of the No Surprises Act is watered down from its original form to appease the various industry groups who lobbied to protect their bottom lines.*

Appelbaum and Rosemary Batt published a critical essay that identified KKR's ownership of Envision Healthcare.[41] Later that month, the *New York Times* reported that Envision and TeamHealth, a physician staffing group owned by private equity firm Blackstone, were the primary funders behind the dark money group and detailed their extensive campaign. By September, the campaign had already totaled over $28 million in spending.[42]

Following the *New York Times* coverage, a bipartisan group of legislators led by Rep. Frank J. Pallone (D-NJ) and Rep. Greg Walden (R-OR) initiated an investigation into private equity firms' role in surprise medical billing, sending letters to KKR, Blackstone, and Welsh, Carson, Anderson, & Stowe requesting information.[43]

By April 2020, KKR-backed Doctor Patient Unity had spent at least $57 million on ads and continued to do so, even as Envision was simultaneously cutting pay and benefits for many of its doctors and medical staff following lower volumes in emergency rooms and ambulatory surgery centers due to the pandemic.[44]

The No Surprises Act became law in December 2020, scheduled to go into effect for January 2022.[45] The Centers for Medicare and Medicaid (CMS) website explains that the final bill:

> "protects people covered under group and individual health plans from receiving surprise medical bills when they receive most emergency services, non-emergency services from out-of-network providers at in-network facilities, and services from out-of-network air ambulance service providers. It also establishes an independent dispute resolution process for payment disputes between plans and providers and provides new dispute resolution opportunities for uninsured and self-pay individuals when they receive a medical bill that is substantially greater than the good faith estimate they get from the provider."[46]

Ultimately, the final version of the No Surprises Act is watered down from its original form to appease the various industry groups who lobbied to protect their bottom lines. Nevertheless, The No Surprises Act does appear to be having a negative financial impact on Envision, which is now limited in the extent to which it can successfully engage in an out-of-network billing strategy.[47]

While the arbitration provision in the final version of the act is considered physician- and provider friendly, some physician groups have also pursued a strategy of using the courts to challenge certain aspects of the law's implementation.[48]

These disputes aside, the law is not as far-reaching as it could have been. A STAT editorial aptly explains:

> "The No Surprises Act did not aim to improve the design of insurance, control costs, or encourage peace treaties between payers and caregivers. Consequently, the financial games continue. Caregivers can still extract high payments, and insurers can employ cost controls that are ineffective but nonetheless generate unpredictably high out-of-pocket cost-sharing for Americans unlucky enough to need care. Lawyers, as always, will be busy."[49]

Litigation with UnitedHealthcare and providers

While both insurer and provider groups have lobbied extensively with lawmakers over the specifics of No Surprises Act, insurers and providers have also been squabbling with each other about the issue of surprise medical bills, with each group blaming the other.[50]

Envision Healthcare and insurer UnitedHealthcare, in particular, have been embroiled in an ongoing feud over surprise billing that predates KKR's acquisition of Envision,[51] but has intensified in recent months.[52]

Health industry publication *FierceHealthcare* reported in October 2018 that Envision was engaging in a marketing campaign that placed blame on insurers for surprise billing, and that this was in response to a dispute with UnitedHealthcare, who was sending letters to hospitals warning that Envision might be taken out of their insurance network. *FierceHealthcare* reported:

> "The dispute dates back to April when UnitedHealthcare first threatened to cut ties with the company, citing 'highly questionable' billing practices. Negotiations have stalled because Envision requests a rate 600% more than what Medicare allows, according to the insurer."[53]

Despite the feuding, Envision and UnitedHealthcare renewed their in-network contract for 2019.[54] However, this truce did not last, and by January 1, 2021, their in-network relationship ended because the two could not come to an agreement on rates, with UnitedHealthcare claiming that "Envision's high costs are not reflective of fair market rates and are driving up costs for its members."[55] As of September 2022, Envision was out-of-network with UnitedHealthcare, which Moody's Investor Service cited in its September 2022 rating as a factor contributing to its assignment of the lowest corporate rating to the company.[56]

Since terminating their in-network contract, Envision and UnitedHealthcare have been embroiled in litigation. In May 2022, Envision sued UnitedHealthcare over allegations that it underpaid Envision, implying this was part of a larger business strategy to grow its competing provider group, Optum.[57] Jim Rechtin, Envision's CEO since February 2020, was previously president of OptumCare.[58]

Envision sued UnitedHealthcare again in September 2022, alleging that "UnitedHealthcare routinely denied claims for commercial members who were among the sickest and sought care at an emergency room," according to *HealthcareDive.*[59] In a press release, Envision CEO Jim Rechtin claimed that, "No other health plan comes close to the level of denials we see from United. United needs to be held accountable for not fulfilling its basic function – paying for care. United needs to pay its bills."[60]

About a week later, UnitedHealthcare sued Envision over allegations that "it overpaid the physician staffing firm millions of dollars after Envision exaggerated the complexity of illness and care provided to thousands of patients in emergency rooms."[61]

For an outsider watching the public feud and litigation play out, it is often impossible to discern what is factual versus what is exaggerated versus what is outright false. However, the tumultuous relationship between the two companies and its potential impacts on medical bills and insurance costs for patients around the country speaks to a lack of protective regulations for patients caught in the crossfire, and to the limitations of the No Surprises Act.

Envision is also facing litigation in California from the American Academy of Emergency Medicine Physician Group, who allege violation of California laws barring corporations from practicing medicine.[62] Envision moved to dismiss the suit, but the U.S. District Court for the Northern District of California refused to dismiss it.[63] As of November 2022, the lawsuit is ongoing.

Risk of restructuring and bankruptcy

Amidst the feud with UnitedHealthcare, the pandemic, and the implementation of the No Surprises Act, Envision's financial situation has steadily worsened. In August of 2022, *Bloomberg* reported that Envision saw a loss of $26 million in adjusted EBITDA for the second quarter, which trailed losses in the first quarter, as well. *Bloomberg*'s reporting highlighted how AMSURG had "generated roughly $55 million in adjusted earnings" while Envision Physician Services was in the red.[64]

On September 21, 2022, Moody's Investor Service downgraded Envision Healthcare to its lowest corporate credit rating. In its rating report, Moody's explained:

> "With respect to governance, Envision Healthcare has an aggressive financial strategy characterized by high financial leverage, shareholder-friendly policies, and the pursuit of acquisitive growth. This is largely due to its private equity ownership by KKR since its leveraged buyout in 2018. Lastly, the company executed a distressed exchange in April 2020, April 2022 and again in July 2022."[65]

A look at the various financial maneuvers undertaken at Envision under KKR's ownership in the midst of a changing regulatory landscape around surprise billing help paint a better understanding of the "aggressive financial strategy" cited by Moody's and how Envision has arrived to the place where it is today.

When KKR acquired Envision in 2018 for $9.9 billion via a leveraged buyout,[66] it used about $7 billion in debt to do so—approximately 70.7% of the deal value. This debt was not taken on by KKR, but rather loaded onto Envision.[67] As cited in a previous section of this report, Reuters reported that "KKR's takeover of Envision for US$9.9bn…

was one of the largest leveraged buyouts since the financial crisis."[68] Using high amounts of leverage to acquire companies can be a major risk if market conditions suddenly change and a company has to meet its debt service obligations amidst falling revenues.

Indeed, the billions in debt would become a major liability for Envision as the regulatory landscape around surprise billing began to shift, and also as the pandemic disrupted operations as usual for both the emergency physician staffing arm of Envision's business, as well as their ambulatory surgery center staffing and management business.

In May 2020, *WSJ* reported how both Envision and TeamHealth (owned by Blackstone) had net losses of $55 million and $45 million, respectively, in the first quarter of 2020. Envision's bonds due in 2025 were reported to be trading at 36 cents on the dollar.[69]

WSJ's coverage explained how the pandemic was negatively impacting both companies due to the need to pause elective procedures and the reduction in emergency department volumes. It also cited the costly lobbying fights and pending regulatory issues surrounding the No Surprises Act. But *WSJ* also raised questions about both Blackstone's leveraged buyout of TeamHealth and KKR's of Envision, writing:

"The dismal performance of the deals—among the largest LBOs in a relatively fallow period for such activity—raises questions about how two of the most successful private-equity firms failed to understand the risks of investing in a highly regulated industry with powerful stakeholders."[70]

In April 2020, both KKR and Envision hired law firms to assist in a restructuring and potential bankruptcy.[71] The month prior, *Bloomberg* reported that Envision had taken on more debt, fully drawing on its revolving credit facility and that as a result, Envision's "$7.4 billion of debt traded to record lows."[72]

Meanwhile, Envision was still facing scrutiny for its dark money campaign and role in surprise billing. A damning investigative report from *ProPublica* published in April 2020 cited how Envision was continuing to spend millions on its Doctor Patient Unity advertising campaign while cutting "pay and benefits for emergency room doctors and other medical workers."[73] Axios also reported in April 2020 that Envision had received CARES Act money, likely to the tune of $100 million.[74]

Against the backdrop of the pandemic and impending No Surprises Act legislation, Envision was feuding with UnitedHealthcare over in-network rates. December 2020 saw the passage of the No Surprises Act into law (although it would not be implemented until 2022),[75] and January 1, 2021 marked the day Envision and United Healthcare no longer had an in-network contract.[76]

Despite these challenges, in October 2021 Moody's Investor Service changed its outlook for Envision from negative to stable. Moody's cited the increased liquidity from the $275 million in CARES Act funds Envision had received as of June 30, 2021 as one of factors in its updated rating.[77]

Yet, Envision's debt continued to be a liability. Researchers Eileen Appelbaum and Rosemary Batt reported in the American Prospect that, "Envision's $5.3 billion first-lien term loan, due in 2025, was trading in distressed-debt territory at the beginning of March 2022, at 73 cents on the dollar; and its senior unsecured note due in 2026 was trading at 53 cents on the dollar." They declared that Envision Healthcare had "hit the skids," arguing that Envision would have to pivot back to an out-of-network billing strategy, "if it was to meet its debt obligations."[78]

Appelbaum and Batt predicted that KKR would adopt a familiar private equity strategy:

> "Drawing on lessons from other PE-owned companies facing financial distress —like Nine West, J. Crew, and Sears—KKR will likely emerge unscathed by dividing Envision into two companies, one with the valuable assets and the second with the remaining assets…. KKR may divide Envision's assets, with 'Bad Envision' holding the least profitable assets and the debt, while "Good Envision" gets to make a clean start and raise new debt to pay off creditors holding the debt of Bad Envision, at significantly less than 100 cents on the dollar."[79]

In April 2022[80] and then July 2022,[81] Envision executed "distressed exchanges" to refinance its debts with its various creditors.[82]

In October 2022, *Bloomberg* reported key details of the April 2022 refinancing transaction. Angelo Gordon & Co and Centerbridge Partners offered over "$1 billion of fresh financing" but with conditions: "Envision would have to strip the company's most promising division—a business called Amsurg—from existing creditors and pledge it as collateral for the new loan."[83]

The *Bloomberg* reporters explain this was possible because of legal document loopholes that could be exploited, and they share a graph of various law firms plotted according to their success in devising more favorable terms for borrowers. The law firms used by KKR and Envision were at the top of the list of those considered more protective to borrowers.[84]

These types of maneuvers have been termed "lender-on-lender violence,"[84] and it should be cause for concern that a private equity firm once considered too conservative to engage in these practices is now playing with fire. However, KKR is relatively insulated from the risks of its financial maneuvers; its lenders, its portfolio company, and the workers it employs and patients it serves will likely bear the most consequences.

The debt maneuvers used by Envision and KKR have been used in the past by "other struggling companies owned by private equity funds---including J.Crew," but according to *Bloomberg*, "the Envision deal marked the first time that an investment giant like KKR, viewed as more conservative than its peers, was willing to take the gloves off in this way."[85]

Bloomberg reports that this debt exchange was not the only option:

> "Envision, which also explored a consensual debt exchange that would have raised less funding, ultimately opted for what is considered one of the most controversial and coercive out-of-court restructurings to date. The deal with Angelo Gordon and Centerbridge would prove to be just the beginning of a series of maneuvers that eventually allowed the company to restructure the vast majority of its debt but forced creditors to turn against one another."

These types of maneuvers have been termed "lender-on-lender violence,"[86] and it should be cause for concern that a private equity firm once considered too conservative to engage in these practices is now playing with fire. However, KKR is relatively insulated from the risks of its financial maneuvers; its lenders, its portfolio company, and the workers it employs and patients it serves will likely bear the most consequences.

It appears Appelbaum's and Batt's predictions are coming to fruition as the "Good Envision" (AMSURG) gets cordoned off from the "Bad Envision," in ways that allow KKR to emerge "unscathed."[87]

Following the April 2022 refinancing transaction, Moody's downgraded Envision to a lower corporate rating, arguing it was a "distressed exchange, which is a default under the rating agency's definition."[88]

Fast forward to September 2022 and following another distressed exchange Envision executed in July, Moody's downgraded Envision to its lowest corporate rating, with a high probability for bankruptcy or major restructuring.[89]

Under KKR's ownership, Envision has transformed from a profitable company and desirable acquisition target purchased in one of the largest leveraged buyouts since the financial crisis to a financially distressed one at high risk for bankruptcy and facing reputational fallout from its business practices.

Conclusion

On its website, Envision markets itself with statements such as:

> "As a group of 25,000 clinicians, we use our collective voice at the state and federal levels to stand up for the needs of the millions of patients we serve."[90]
>
> "Our emergency department physicians provide care to all patients, regardless of their insurance status."[91]

However, its historical use of surprise billing as part of its business model and its efforts to prevent strong regulation of surprise billing that would protect patients from expensive medical bills tell a different story. The second statement quoted above merely relates the company's responsibility under the Emergency Medical Treatment and Labor Act (EMTALA), which legally obligates emergency departments and their staff to provide emergency treatment to patients regardless of their ability to pay.[92] The EMTALA does not require that patients who cannot pay at the time of service will receive free treatment—they are still on the hook for the bill after they have been discharged (and their estate will be on the hook if the patient has the misfortune of dying).

Medical debt is one of the leading causes of bankruptcy in the United States,[93] and surprise medical billing has likely contributed to this issue.[94] Envision Healthcare's extractive business model of surprise billing that can saddle medical debt onto patients has come full circle as Envision faces a high risk of major restructuring or bankruptcy itself, saddled with debt by its private equity owner and amidst the regulatory challenges posed by the No Surprises Act.

Yet, unlike the ordinary Americans who may end up in life-changing bankruptcies because of their medical debt, Envision's private equity investors will likely come out relatively unscathed and may, in fact, come out even better than before.[95] Envision's story should not be read as an unfortunate anomaly in our healthcare system and economy but rather a natural consequence of the stranglehold that private equity and other special interests have on our healthcare and our political system.

Yet, unlike the ordinary Americans who may end up in life-changing bankruptcies because of their medical debt, Envision's private equity investors will likely come out relatively unscathed and may, in fact, come out even better than before.[93]

Timeline of Envision Healthcare (2017-present)

JULY 2017

Yale University researchers publish a paper on outsourced emergency department groups and their impacts on surprise billing and out-of-network charges (Envision's subsidiary, EmCare, was featured in this research).[96] The New York Times runs a story on EmCare and the Yale study.[97]

SEPTEMBER 2017

Senator Claire McCaskill (D-MO) initiates an inquiry into Envision's business practices, requesting information from the company's CEO.[98]

MAY 2018

Forbes publishes an article citing the Yale research and detailing the mounting backlash against Envision from patients and insurers. It also teases that Envision will be going private soon.[99]

JUNE 2018

KKR announces it will acquire Envision Healthcare.[100]

JULY 2018

FTC approves the acquisition.[101]

OCTOBER 2018

KKR completes its $9.9 billion acquisition of Envision,[102] using approximately $7 billion in debt.[103]

MAY 2019

Sen. Rick Scott (R-FL) introduces the "Protecting Patients from Surprise Medical Bills Act" in the Senate.[104] A few weeks later, Senator Bill Cassidy (R-LA) introduces a different bill to the Senate, the "STOP Surprise Medical Bills Act of 2019" with 30 bipartisan cosponsors.[105]

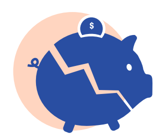
JULY 2019

Rep. Frank Pallone, Jr. (D-NJ) introduces a bill (No Surprises Act) in the House with bipartisan support aimed at protecting consumers from surprise medical bills from out-of-network providers.[106] A mysterious multi-million-dollar dark money advertising campaign begins, "targeting Senate Republicans up for reelection in 2020."[107]

SEPTEMBER 2019

Researchers Eileen Appelbaum and Rosemary Batt publish a critical essay connecting Envision Healthcare to its private equity owner, KKR.[108]

The *New York Times* reports that "private equity-backed firms" (Envision and TeamHealth) are behind the dark money campaign, which has totaled over $28 million in spending.[109]



Following Appelbaum and Batt's essay and the *NYT* coverage, a bipartisan group of legislators led by Rep. Frank J. Pallone (D-NJ) and Rep. Greg Walden (R-OR) launch an investigation into private equity firms' role in surprise medical billing. They send letters to KKR, Blackstone, and Welsh, Carson, Anderson, & Stowe requesting information as part of their investigation.[110]

MARCH 2020

Envision takes on more debt, and $7.4 billion of their debt is reported to be trading at "record lows."[111]

APRIL 2020

ProPublica reports that Envision cut pay and benefits for many of its doctors and medical workers at the onset of the pandemic, while simultaneously continuing to spend money on political ads targeting attempts to regulate surprise billing. From June 2019 until April, the dark money group, Doctor Patient Unity, had spent $57 million on ads fighting surprise billing legislation. [112]

Bloomberg reports that Envision Health is in restructuring and bankruptcy talks after hiring law firm Kirkland & Ellis LLP. KKR also hired a firm (Paul Weiss Rifkind Wharton & Garrison) "to advise on Envision's restructuring options."[113]

Axios reports that Envision received CARES Act bailout money of an undisclosed amount, although they estimate it to be around $100 million "based on recent financial reports and the initial federal formula."[114]

DECEMBER 2020

The No Surprises Act becomes law.[115]

JANUARY 2021

After years of feuding, Envision and UnitedHealthcare terminate their longstanding in-network contract.[116]

OCTOBER 2021

In a Moody's Investor Service rating of Envision, the agency cites that Envision had received $275 million in CARES Act grants as of June 30, 2021.[117]

NOVEMBER 2021

A group of 152 bipartisan lawmakers write to the Biden administration to raise concerns about an interim final rule (IFV) issued in September for the implementation of the No Surprises Act.[118]

DECEMBER 2021

A group of emergency physicians in California sues Envision for allegedly violating California laws that prohibit the corporate practice of medicine.[119] This lawsuit is ongoing as of [date].[120]

JANUARY 2022

The federal No Surprises Act goes into effect.[121]

MARCH 2022

Part of Envision's debt is "trading in distressed-debt territory."[122]

APRIL 2022

Envision takes on more debt via a $1 billion refinancing deal,[123] which Moody's Investor Service characterizes as a "distressed exchange."[124]

MAY 2022

Envision sues UnitedHealthcare, claiming they use aggressive tactics to push providers out-of-network. They also allege that these tactics are part of United's strategy to grow their own competing medical group, Optum Health.[125]

Moody's downgrades Envision to a lower corporate rating, arguing the April 2022 refinancing was a "distressed exchange, which is a default under the rating agency's definition."[126]

JULY 2022

Envision takes on more debt via a refinancing transaction,[127] which Moody's Investor Service characterizes as a "distressed exchange."[128]

AUGUST 2022

The Biden administration issues a third final rule regarding implementation of the No Surprises Act "following a federal court's ruling siding with a medical association."[129]

SEPTEMBER 2022

Moody's Investor Service downgrades Envision Healthcare to its lowest corporate credit rating.[130]

UnitedHealthcare and Envision sue each other (again).[131]

LIST OF LIMITED PARTNERS INVESTED IN KKR AMERICAS FUND XII

Source: *PitchBook*

In July 2018, *Bloomberg* reported that multiple states who had passed legislation against surprise medical billing (including California, New York, and Oregon) had pension funds “poised to profit from the practice” via their investments with KKR.[132]

The table below contains a list of select limited partners who are original investors in KKR’s Americas Fund XII, which is the fund that acquired Envision Healthcare in 2018.[133] The types of limited partners included in the list are public pensions, corporate pensions, foundations, and government agencies. The data was sourced from PitchBook, except where otherwise noted.

Limited Partner	Type	Commitment (if available)
Almenni Pension Fund	Corporate Pension (Iceland)	
Birta lífeyrissjóður	Corporate Pension (Iceland)	$6.21M
California Public Employees’ Retirement System	Public Pension Fund	$750.00M
California State Teachers’ Retirement System	Public Pension Fund	$250.00M
California State University Foundation	Endowment	
Canada Pension Plan Investment Board	Public Pension Fund	$300.00M
Chicago Teachers’ Pension Fund	Public Pension Fund	$25.00M
Citigroup Pension Plan	Corporate Pension	
Credit Suisse Anlagenstiftung 2. Säule	Foundation	$8.00M
Dominion Energy Ohio Union Retiree Health and Welfare Plan	Corporate Pension	
Dominion Energy Retiree Health and Welfare Plan	Corporate Pension	
Dominion Resources Defined Benefit Master Trust	Corporate Pension	
Dominion Transmission and Hope Union Retiree Health and Welfare Plan	Corporate Pension	
Emerson Electric Company Retirement Plan	Corporate Pension	
Festa lífeyrissjóður	Corporate Pension (Iceland)	$5.00M
Gemeinschaftsstiftung der Zellweger Luwa	Foundation (Switzerland)	$5.00M
Gildi Lifeyrissjodur	Public Pension Fund (Iceland)	$31.32M
Icelandic State Pension Funds	Public Pension Fund (Iceland)	$14.40M
Kentucky Teachers Medical Health Insurance Trust	Public Pension Fund	$10.00M
Kentucky Teachers’ Retirement System	Public Pension Fund	$50.00M

Continued

Limited Partner	Type	Commitment (if available)
Koret Foundation	Foundation	$2.50M
Maine Public Employees Retirement System	Public Pension Fund	$60.00M
Manton Foundation	Foundation	$10.00M
Michigan Department of Treasury	Government Agency	$200.00M
Minnesota State Board of Investment	Public Pension Fund	$200.00M
New York City Board of Education Retirement System	Public Pension Fund	$16.00M[134]
New York City Employees' Retirement System	Public Pension Fund	$158.00M
New York City Fire Department Pension Fund	Public Pension Fund	$28.00M[135]
New York City Police Pension Fund	Public Pension Fund	$75.00M
New York State Common Retirement Fund	Public Pension Fund	$600.00M
Oregon Investment Council	Public Pension Fund	$500.00M
Oregon Public Employees Retirement System	Public Pension Fund	$500.00M
Pensions Caixa 30	Corporate Pension	$20.00M
Personalvorsorgestiftung der Ärzte und Tierärzte	Union Pension Fund (Switzerland)	$5.50M
Public Employee Retirement System of Idaho	Public Pension Fund	$50.00M
Raytheon Technologies Corporation Employees Rwetirement Plan	Corporate Pension	
Richard King Mellon Foundation	Foundation	
Stafir lífeyrissjóður	Corporate Pension	$5.00M
Stapi Lífeyrissjóður	Public Pension Fund	$12.53M
State of Michigan Retirement Systems	Public Pension Fund	$200.00M[136]
Teachers' Retirement System of the City of New York	Public Pension Fund	$223.00M
TfL Pension Fund	Public Pension Fund (United Kingdom)	$22.00M
Thrivent Financial for Lutherans Individual Pension Account Plan	Corporate Pension	
Transamerica Pension Plan	Corporate Pension	
Washington State Investment Board	Public Pension Fund	$750.00M

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