Apollo’s Stranglehold on Hospitals Harms Patients and Healthcare Workers

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KEY POINTS

• Private equity firm Apollo Global Management owns two of the largest hospital systems in the US: Lifepoint Health and ScionHealth.

• Apollo’s ownership of major rural hospital chains poses risks to patients and healthcare workers.

• Under Apollo’s ownership, Lifepoint and ScionHealth have taken on substantial debt and are now subject to high credit risk.

• Apollo’s hospitals across the country have experienced cuts to services, layoffs, poor quality ratings, and regulatory investigations.

• Apollo used a complex spinoff transaction to evade antitrust scrutiny in its acquisition of Kindred Healthcare, raising questions about potential anti-competitive outcomes.
**Introduction**

**LIFEPONT HEALTH AND SCIONHEALTH** are two of the largest hospital systems in the US.¹ They are both owned by private equity firm Apollo Global Management.²

The two companies are the result of a series of hospital acquisitions by Apollo, which in 2018 bought Lifepoint and merged it with another hospital chain, RegionalCare Hospital Partners.³ Then, in December, 2021 Lifepoint acquired the large long term acute care hospital chain Kindred Healthcare. As part of the transaction, Lifepoint shifted some of the acquired facilities and some of its existing hospitals into a new company called ScionHealth,⁴ which is also controlled by Apollo.⁵

Through Lifepoint and Scion together, Apollo has an extensive hospital footprint, owning approximately 220 hospitals across 36 states.⁶ Of the 220 hospitals, Lifepoint has 126 (57%), while Scion has 94 (43%). As of December 2021, Lifepoint employed 50,000 workers,⁷ and Scion reportedly employs approximately 25,000 workers as of 2023.⁸

Private equity investment in healthcare companies can carry substantial risk to patients and healthcare workers. The high returns typically targeted by private equity investors over short time horizons may incentivize cost-cutting and risky behaviors that can harm patient care, including using high financial leverage, reducing staff, and pushing costly procedures.

Apollo's bullish hospital acquisitions are the latest example in a trend of consolidation of healthcare providers, which has been steadily increasing over the past two decades and is expected to continue.⁹ A growing body of research shows that consolidation of healthcare providers tends to raise healthcare prices while failing to improve quality of care.¹⁰ ¹¹
The hospital systems Apollo owns are highly indebted, have cut operating costs and charity care, and in some cases reduced services, received poor quality rankings, and attracted regulatory scrutiny.

See below for a summary of Apollo’s hospital acquisitions in recent years.

### Timeline of Apollo’s Hospital Acquisitions

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>May 2016</td>
<td>Apollo acquired Capella and merged it with RegionalCare Hospital Partners Inc. to create RCCH HealthCare Partners. The combined company had 16 regional health systems in 12 states and 13,000 employees.</td>
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<tr>
<td>Nov. 2018</td>
<td>Apollo acquired Lifepoint and merged it with RCCH. The resulting company had 84 non-urban hospitals in 30 states with 60,000 employees and another 7,000 affiliated physicians.</td>
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<tr>
<td>June 2021</td>
<td>Apollo Fund VIII sold Lifepoint to Apollo Fund IX.</td>
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<tr>
<td>Dec. 2021</td>
<td>Apollo acquired Kindred and merged it with Lifepoint. As part of the transaction, Lifepoint shifted some of the acquired facilities and some of its existing hospitals into a new company called ScionHealth, which is also owned and controlled by Apollo.</td>
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<tr>
<td>Jan. 2023</td>
<td>Apollo acquired Cornerstone Health Group and merged it with ScionHealth, adding 15 specialty hospitals and eight senior living locations with 3,000 employees.</td>
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<tr>
<td>Feb. 2023</td>
<td>Apollo acquired psychiatric hospital chain Springstone, adding 18 hospitals and 35 outpatient locations.</td>
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This brief report will cover the state of Lifepoint and Scion’s financials under private equity ownership, patient and worker issues and service and job cuts at Apollo’s hospitals, and anticompetitive concerns arising from Lifepoint’s spinoff of ScionHealth.
Excessive debt

Despite being owned by one of the wealthiest private equity firms in the world, Lifepoint and Scion are highly indebted.

High levels of debt are common among private equity-owned companies. Private equity firms often utilize significant amounts of debt when buying companies. Firms typically buy companies through leveraged buyouts, whereby a private equity firm finances a substantial portion of an acquisition by taking out a loan secured by the company it is buying. High leverage can divert cash away from operations to interest on debt and leave companies more at risk for restructuring or bankruptcy.

According to the latest credit rating from Moody’s Investor Service, ScionHealth’s debt/EBITDA ratio was approximately 5.8x in June 2022, and was expected to increase as high as 7.3x for calendar year 2022—which means that the company had 5.8 times more debt than income available to pay off that debt. Moody’s also noted that ScionHealth had weak liquidity and was expected to “burn cash,” and that ScionHealth had a “preponderance of debt,” including an asset backed lending (ABL) facility with a first priority lien on all liquid assets of the company including cash, accounts receivable and inventories, and a second lien on all other tangible and intangible property.

According to Moody’s latest credit rating for Lifepoint, the company’s debt/EBITDA ratio was approximately 7.9x in September 2023. The high debt ratio in part reflects new debt taken on in September 2023—including $1 billion secured notes and a $2 billion backed senior secured term loan—which together increase Lifepoint’s annual interest expense by about $37.5 million.

Moody’s rates both Lifepoint and Scion with a B3 Corporate Family Rating (CFR) and B3-PD Probability of Default Rating, which means they are considered speculative and are subject to high default risk.

Many private equity-owned hospitals have closed in recent years. Apollo had a hand in one of the largest urban hospital closures in modern history, with the 2019 closure of Hahnemann University Hospital. Apollo subsidiary Midcap was the hospital’s lender.

Vacuuming up COVID-relief money while cutting costs

During the pandemic, Lifepoint collected $1.64 billion in COVID stimulus aid, including almost $650 million in grants that the company will not have to pay back. Although Lifepoint qualified for the aid, lawmakers raised concern about healthcare companies owned by cash-rich private equity firms effectively being subsidized by taxpayer dollars.
Despite the pandemic and the federal relief aid, Lifepoint cut operating costs substantially in 2020, slashing salary and benefit costs by $166 million versus the prior year and cutting supply costs by $54 million versus the prior year.\(^2\) Lifepoint also cut the charity care it provided by 21% ($7.3 million) in 2020.\(^3\)

**Sale-leaseback transactions**

Apollo has also profited from Lifepoint by selling the real estate for some of its hospitals to real estate investment trusts (REITs) to then be leased-back. In November 2019 Lifepoint sold the real estate assets for 10 of its acute care hospitals in Pennsylvania, Iowa, Wyoming, Texas, Oklahoma, and Kansas to healthcare REIT Medical Properties Trust (MPT) for $700 million.\(^4\) Those hospitals now pay rent on the property they previously owned.

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Service and job cuts
In central Pennsylvania, Lifepoint’s Conemaugh Nason Medical Center announced it would end scheduled obstetrics deliveries beginning in October of 2022. In an email to employees announcing the discontinuance, Conemaugh Nason’s CEO Tim Harclerode told employees that because deliveries had declined over the past several years, the limited demand for the services combined with “operational challenges” made it difficult for Nason to effectively provide obstetric services. Additionally, Conemaugh Nason’s OB/GYN stopped accepting new patients in August 2022 and closed October 2022, along with the hospital’s pediatric clinics. However, a new fourth operating room is expected to open. The cuts to OB/GYN and pediatric services are consistent with a national trend, particularly in rural areas, of hospitals reducing those services in favor of more lucrative lines of service, which can exacerbate maternity and pediatric care deserts.

At Conemaugh Nason’s neighboring hospital, Conemaugh Memorial Medical Center in Johnstown, PA (also owned by Lifepoint), hospital leadership announced in May 2023 that it was laying off two dozen employees, although the Medical Center stated that these were not direct care positions.

In August 2022 Lifepoint’s Memorial Medical Center in Las Cruces, NM closed its psychiatric ward citing staffing shortages. According to the hospital’s lease with the city and county, the termination of psychiatric services could be grounds for a termination of the lease, though city officials have not yet taken any action against the hospital. The psychiatric ward did not reopen until a year later as a partnership with Peak Behavioral Health (which is also owned by a private equity firm).

Poor outcomes and unsafe conditions
According to The Lown Institute Hospital Index, which ranks hospitals and health systems based on health equity, value, and outcomes, multiple Lifepoint facilities rank among the worst hospitals in their states.

As of September 2023, Lifepoint’s Havasu Regional Medical and Valley View Medical Center as the worst hospital and fourth worst hospital in the state of Arizona, respectively (out of 52 hospitals).

Lown names four Lifepoint facilities among the worst ten in Virginia (out of 74 hospitals): Sovah Health Danville, Clinch Valley Medical Center, Fauquier Hospital, and Twin County Regional Hospital.
Lown also ranks Wilson Medical Center as the 5th worst hospital in the state of North Carolina (out of 95 hospitals).43

Lifepoint hospitals have notably high readmission rates; in 2022 Lifepoint’s North Alabama Medical Center, National Park Medical Center in Arkansas, and Fauquier Hospital in Virginia each had the highest readmission rate in their respective states.44

Fauquier Hospital and Lifepoint’s Nason Hospital in Pennsylvania each faced the maximum Medicare payment cut for FY 2022 as a penalty for their high readmission rates.45

Likewise, the Center for Medicare and Medicaid Services (CMS) also rates hospitals using a 1-5 star system. Lifepoint and Scion hospitals lag behind national averages for quality ratings, with an average CMS star rating of 2.8 compared to the national average 3.2 stars. 38.2% of Lifepoint and Scion hospitals have a 2-star rating or below,46 compared to 29.8% nationally.47

**Wilson Medical Center, North Carolina**

Lifepoint’s Wilson Medical Center faced regulatory scrutiny in 2022 and 2023, including threats by CMS to revoke its Medicare payments and an investigation by the state’s attorney general. Wilson is the only hospital in Wilson County, located about an hour east of Raleigh.48

On three separate occasions in under a year, compliance surveys by state regulators found that quality deficiencies warranted an “immediate jeopardy” designation for the hospital.49 According to CMS, immediate jeopardy represents a situation in which a hospital has “placed the health and safety of recipients in its care at risk for serious injury, serious harm, serious impairment or death.”50

In June 2022, regulators found enough deficiencies at Lifepoint’s Wilson Medical Center in North Carolina that CMS threatened to terminate its Medicare contract.51 The investigation highlighted three incidents that occurred in early 2022—one patient died after a fall and sedation at the facility; another patient died shortly after his heart monitor was disconnected; and a suicidal patient locked himself in a bathroom in the hospital’s emergency room lobby and threatened to overdose on medication that regulators say the hospital should have confiscated.52

In August 2022 the North Carolina Department of Justice began pursuing a separate investigation of Wilson. Assistant Attorney General Llogan Walters wrote to Lifepoint that the state’s Department of Justice was “extremely concerned about patients’ ability to access quality healthcare,” at Wilson, noting a decrease in available beds for inpatient care and allegations of chronic understaffing, a decrease in the treatment of low-income patients and the effective denial of care for patients who cannot pay for essential treatment.53 Denying care for patients in need of emergency treatment who do not have the ability to pay would violate the Emergency Medical Treatment and Labor Act (EMTALA).54
Following the EMTALA investigation, CMS again placed Wilson on immediate jeopardy status in October 2022.55

In March 2023, CMS issued a third immediate jeopardy citation to Wilson in under a year after identifying numerous care deficiencies during a February investigation. One incident involved “alleged inappropriate sexual interaction” between a nurse and a psychiatric patient that the hospital waited a month to report. Another involved a patient who was given a dye contrast for a CT scan against his physician’s orders, damaging his kidneys and making him dependent on dialysis.56

Wilson Medical Center is also one of the 5.4 percent of US hospitals that has received 1 star from CMS. The hospital faces a host of ongoing issues, including rates of people who left the emergency room without being seen at over double the national average, rates of surgical site infections after surgery also at over double the national benchmark, death rates for pneumonia patients that were 21.4 percent higher than the national average, and death rates for stroke patients that were 18.6 percent higher than the national average.57

**Ottumwa Regional Health Center, Iowa**

In late 2022 a nurse practitioner at Lifepoint’s Ottumwa Regional Health Center in southeast Iowa was found to have sexually assaulted nine patients at the hospital in 2021 and 2022.58

In March 2023, Senator Chuck Grassley (R-IA) sent a letter regarding the sexual assaults to executives at Lifepoint, Apollo, Medical Properties Trust (Lifepoint’s landlord), and Warburg Pincus (Lifepoint’s previous private equity owner), raising questions about how the financial impacts of PE ownership may have created the conditions for the assault to occur:59

> “The constant selling and reselling of hospital assets by private equity, private capital, real estate investment trusts (REITs), and other related entities raises questions with respect to whether these financial maneuvers have negatively impacted the resources and thereby the care our nation’s rural hospitals provide to their patients.”60

Grassley raised particular concern with the high levels of debt placed on the hospital by its private equity owners:

> “When I see the type of tragic lapses that occurred at Ottumwa Regional—the sexual assault of nine female patients by a now deceased nurse practitioner who overdosed and died at the facility—it raises serious questions with respect to whether these hospitals have the right resources or if they are being loaded with overwhelming amounts of debt to the point where they are forced to shift money away from patient care. When multiple financial transactions involving the same hospital systems occur, patients can get lost in the equation.”61
As of November 2023, the authors have been unable to find evidence that Lifepoint or Apollo have responded to the Grassley letter.

Ottumwa has other significant issues as well. According to CMS Care Compare, emergency department patients have to wait almost 50 percent longer than similar hospitals in Iowa. Additionally, the hospital does double outpatient CT scans, which can expose patients and workers to unnecessary radiation, at over four times the rate of Iowa hospitals.

**Sagewest, Wyoming**

In November 2020, at Scion’s Sagewest Health Center - Lander (it was a Lifepoint hospital at the time), an elderly patient, Elaine Tillman was assaulted by a psychiatric patient that was being insufficiently supervised. Tillman died from her injuries the following month. The attack resulted in the hospital psychiatric ward being shut down. A nurse at the hospital blamed the attack on insufficient staffing at the hospital.

In 2020 the *Wall Street Journal* reported that a Sagewest Riverton, Wyoming chipped away at staffing and services until most services were transferred to Sagwest Lander, 30 miles away. The events combined turbocharged a campaign to build a new nonprofit hospital in Riverton with a maternity ward.

Riverton residents reported that the consolidation severely reduced access to medical services, pointing out that the transfer led to increased utilization of air ambulances, from 155 in 2014 to 937 in 2019. Private equity firms also dominate the air ambulance industry.

According to the *WSJ*, Wyoming’s Department of Health urged Lifepoint to ensure adequate staffing after several alleged safety incidents involving unsupervised patients and inspection reports for the hospital found sanitation issues, including unsanitary surgical tools.
Sexual assault accusations at undisclosed Lifepoint Hospital

In September 2023, *Bloomberg* reported that “A Lifepoint Health hospital delayed acting for ‘a couple years’ after officials learned that a physician was accused of sexually assaulting patients, according to statements made by the company’s top attorney during a meeting with employees.” Jennifer Peters, the Chief Legal Officer for Lifepoint, held the meeting to discuss serious incidents that created liability for the company and how HR staff could properly respond in the future. According to *Bloomberg*,

“The most egregious incident she described, the lengthy delay in confronting alleged sexual assaults, involved an obstetrician who was accused of ‘assaulting patients’ at a hospital, she said, according to the recording. During her remarks, she didn’t name the hospital or the obstetrician or say who made the accusations…Peters said during the meeting that the hospital’s chief ‘apparently blocked us’ from taking action because the allegations involved the only obstetrician at that hospital. ‘And what happens when you remove your only OB, and our program shuts down and catastrophe awaits?’”

After the publication of the *Bloomberg* report, Lifepoint issued a statement that denied that the company had been aware of the sexual assault allegations for multiple years before acting, which contradicted what *Bloomberg* reported the Chief Legal Officer expressed in the recorded meeting.

Collective Bargaining and Preventing Sentinel Events

All of the above cases illustrate the danger of sentinel events, which according to the Joint Commission is a “a patient safety event that results in death, permanent harm, or severe temporary harm.” With the exception of the sexual assault at the undisclosed Lifepoint hospital—where the hospital’s union status is unknown—all of these cases occurred at hospitals where workers lack collective bargaining rights. Nurse unions in particular play an essential role in whistleblower protection and in public dissemination of whistleblower allegations—exposing problems to coworkers and the public before a situation rise to the sentinel event level. During the height of the pandemic, major nursing unions were vocally raising concerns about safe staffing and PPE shortages inside hospitals. Current unions at Lifepoint have raised concerns about patient care standards. Additionally, academic research has found that nursing unions improve patient care standards in hospitals.

Violations at Scion/Kindred Facilities

While Kindred has a history of violations that predate Apollo’s ownership, (previously it was owned by a consortium of private equity firms Welsh, Carson, Anderstone and Stowe and TPG as well as insurer Humana), some of the problems have continued since Apollo completed the acquisition in January 2022. A health inspector in January 2023 found that at Kindred Hospital Brea in California, “The facility failed to maintain an accurate infection control surveillance program for the months of January through December 2022,” observing failures in cleanliness and hand hygiene. Similar problems were observed in a follow up inspection in August 2023.

At Kindred Hospital South Hollywood in Florida, an inspector in May 2022 found the facility in a state of significant disrepair, with 16 rooms out of compliance, with one example being “The room walls were in disrepair that included; large scuff marks, peeling paint, and numerous small holes. The
bathroom commode toilet seat was broken in half and could not be used by the residents.”78 Similar issues were found in a follow up inspection in September 2023, where inspectors found that “the facility failed to provide housekeeping and maintenance services necessary to maintain a sanitary, orderly, and comfortable interior.”79

**Underpaying workers**

In July, the U.S. Department of Labor’s Wage and Hour Division ordered Lifepoint to pay $97,209 in back wages after finding overtime pay violations for EMS workers at Lifepoint-Central Carolina Hospital. The investigation found that the hospital used timekeeping software that deducted workers’ pay meant for breaks they did not get.80

In 2022 nurses at Lifepoint’s Community Medical Center in Missoula, MT alleged that the hospital had underpaid 257 nurses following a ransomware attack on the hospital’s computer system. In a letter sent to the hospital’s CEO, the nurses said that some had been underpaid by up to $4,500. The average underpayment averaged $1,000 per nurse.81
Concerns About Competition

As healthcare consolidation continues to accelerate and drive up healthcare costs, Apollo’s merger of Lifepoint and Kindred and creation of ScionHealth in December 2021 merits scrutiny for potentially anti-competitive impacts. As part of the transaction to acquire Kindred, Lifepoint shifted some of the acquired facilities and some of its existing hospitals into a new company, creating ScionHealth. Though Lifepoint and Scion now position themselves as entirely separate businesses, they are both owned and controlled by Apollo.

Through the Lifepoint and Scion chains combined, Apollo owns 220 hospitals. By spinning off some of Lifepoint’s hospitals into Scion, Apollo Investment Fund IX owns multiple hospitals in particular geographic markets, such as Indianapolis, Austin, St. Louis, Louisville, and Dallas-Fort Worth. Apollo now has two vehicles with which it can make health system transactions in ways that could evade antitrust scrutiny.

In an interview with Health Leaders, Lifepoint CEO David Dill touted the spin-off of Scion as “a unique opportunity to build two companies...We looked at the portfolios of [Lifepoint and Kindred] to put unique assets together that will allow both organizations to focus and use the deep bench of talent, resources, and expertise that both companies have, and kept those going.”

The “unique opportunity to build two companies” must be examined in the context of a large health system merger in which Lifepoint contracted NERA Economic Consulting to advise on antitrust concerns and to facilitate approval from the Federal Trade Commission (FTC). NERA reported that the FTC cleared the transaction without any conditions.

Corporations often voluntarily spin off assets into new companies in order to avoid having to do it on the government’s terms during antitrust review. As explained in the University of Miami Business Law Review, “Even if control is surrendered on paper, control is maintained by common owners. Setting aside the sheer economic advantage, spin-offs offer a degree of power and control court-ordered separations do not.”

Scion and Lifepoint are owned by the same Apollo fund (IX) and even listed together in the same row in Apollo Global Management’s 2021 annual filing with the SEC. The two companies have separate boards of directors, although the three members of Scion’s Board, Matthew H. Nord, Maxwell David, and Eric L. Press are all partners at Apollo and also serve on Lifepoint’s Board.

Though the FTC approved the Lifepoint/Scion split and Kindred transaction, it does not mean the merger and spinoff has not and will not have anti-competitive impacts on patients and workers going forward.
CONCLUSION

UNDER APOLLO’S OWNERSHIP, Lifepoint and ScionHealth hospitals have rolled up rural and long-term health care providers while overseeing facilities with significant problems in care delivery and taking on large debt loads. The consequences of Apollo’s gamble have been borne by hospital workers and the communities they serve. Apollo’s hospital profiteering has resulted in dangerous conditions, closures and reduced access to services, and declining quality. Its strategic spinoff of Scion and growing market share may pose additional anticompetitive risks for consumers.

Apollo must seek a productive relationship with its workers. In healthcare, collective bargaining is the manner to ensure that worker rights are protected, and that healthcare workers have the protections they need to advocate for their patients. Unionized Lifepoint and Scion workers regularly expose poor patient care practices to the public, helping to ensure the worst-case scenario patient care events do not occur.
Endnotes


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class=Report&c0=%5Byield=Rating_Action_%5R anouncement Of Periodic Review %R Credit Opinion %R Pg. 5.


28. For examples, see here (Pipeline Health), here (Prospect Medical Holdings), here (Noble Health), and here (Hahnemann).


49. Peak Behavioral Health is owned by Summit Behavioral Healthcare, which is owned by PE firm Patient Square Capital.


data?state=IA&zipcode=52571&sort=hospital-payment-and-value-of-care


72. See, e.g. here, here, here, here, here, here, here.


APOLLO’S STRANGLEHOLD ON HOSPITALS HARMS PATIENTS AND HEALTHCARE WORKERS