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**Request for Information on Corporate Consolidation Through Serial Acquisitions and Roll-Up Strategies**

Dear Assistant Attorney General Kanter and Chair Khan,

The Private Equity Stakeholder Project (PESP) is a financial watchdog organization that seeks to bring transparency and accountability to the private equity industry for the benefit of impacted communities and investors.

We appreciate this opportunity to respond to this Request for Information on Consolidation Through Serial Acquisitions and Roll-Up Strategies (the “RFI”) by the Department of Justice and the Federal Trade Commission (the “Agencies”). The publication of the RFI is timely as the private equity industry has grown dramatically in recent years. Private equity and other private funds firms had less than \$1 trillion in assets under management in 2004. They now manage more than \$13.1 trillion and are growing quickly, including in their share of the healthcare sector.<sup>1</sup>

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<sup>1</sup> “A routinely exceptional year,” McKinsey, Feb 2017.

<https://www.mckinsey.com/~media/mckinsey/industries/private%20equity%20and%20principal%20investors/our%20insights/a%20routinely%20exceptional%20year%20for%20private%20equity/mckinsey-global-private-markets-review-february-2017.pdf> ; “Private markets: A slower era,” McKinsey, February 20, 2024.  
<https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/mckinseys-private-markets-annual-review>

Serial acquisitions (or “roll-ups”) are a common strategy in the private equity industry. Private equity firms buy up multiple companies in the same industry segment and merge them under one corporate umbrella. These transactions can allow firms to take advantage of economies of scale; they can also lead to less competitive markets in the sectors in which private equity invests, ultimately harming various stakeholders. For example, a wide body of research has shown that provider consolidation in healthcare can lead to higher prices for private insurance and public healthcare programs like Medicare.<sup>2</sup>

Although the antitrust concerns presented by private equity roll-up strategies exist in multiple industries, we would like to highlight examples of consolidation in healthcare and childcare.

## I. Healthcare

### A. Wheelchair Consolidation

Private equity firms have been among the drivers of growth and consolidation in the customized wheelchair industry, also known as the CRT industry. Two private equity-owned suppliers have gobbled up competitors and achieved dominant positions in the market: Numotion, owned by AEA Investors, and National Seating & Mobility (NSM), owned by Cinven.

#### 1. Numotion

Numotion is the United States’ largest provider of mobility products such as manual and powered wheelchairs and wheelchair parts.<sup>3</sup> It is owned by AEA Investors, which acquired it in 2018 from private equity firms LLR Partners and Audax Group.<sup>4</sup>

LLR and Audax first created Numotion as a platform company in 2013 through the merger of LLR’s United Seating & Mobility with Audax’s ATG Rehab.<sup>5</sup> Since then, the combined company has acquired at least 25 other companies across the country through a series of roll-up acquisitions.<sup>6</sup>

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<sup>2</sup> Karyn Schwartz et al., “What We Know About Provider Consolidation,” KFF (blog), September 2, 2020, <https://www.kff.org/health-costs/issue-brief/what-we-know-about-provider-consolidation/>.

<sup>3</sup> Numotion website. <https://www.numotion.com/about-us>. Accessed June 2024.

<sup>4</sup> “AEA Investors LP Acquires Numotion, the Nation’s Leading Provider of Complex Rehab Technology (CRT),” Numotion, November 13, 2018, <https://numotion.com/about-us/news/aea-investors-lp-acquires-numotion-the-nation-s-l>.

<sup>5</sup> Amy Or, “ATG Rehab Merges With United Seating & Mobility,” Wall Street Journal, January 3, 2013, <https://www.wsj.com/articles/DJFLBO0020130103e913rbuuf>.

<sup>6</sup> Pitchbook profile for Numotion, accessed July 2023. <https://my.pitchbook.com/profile/56007-10/company/profile#investments>; see also, Appendix A.

Years of private equity ownership have saddled Numotion with substantial debt. AEA used approximately \$460 million in debt secured against Numotion to finance its leveraged buyout of the company in 2018.<sup>7</sup> Numotion is now considered a distressed company by credit rating agency Moody's with a high probability of default.<sup>8</sup> Moody's noted in its June 2022 rating of Numotion that the company's poor credit impact score (CIS) "reflects highly negative governance considerations which reflect the company's financial strategy and risk management resulting from ownership and control by private equity sponsors."<sup>9</sup>

Costs related to litigation may put additional financial pressure on Numotion.

In March 2023, Numotion agreed to pay \$7 million to resolve fraud claims brought by the federal government. The government alleged that Numotion hid or failed to disclose discounts from DME manufacturers to receive higher reimbursement from Medicaid programs Kentucky, Missouri, and Washington, D.C., and "prioritized its financial incentives, to the detriment of these Medicaid programs."<sup>10</sup>

In addition, personal injury lawsuits brought by Numotion's customers plague the company. A 2022 investigation found that "Numotion has been the subject of at least 30 personal injury lawsuits across 18 states since 2015."<sup>11</sup>

## 2. National Seating & Mobility

National Seating & Mobility (NSM) is owned by European private equity firm Cinven. Like Numotion, NSM has been owned by various private equity firms which have pursued aggressive growth strategies over the last decade; Cinven acquired NSM from Court Square Capital Partners

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<sup>7</sup> "Moody's Assigns B2 CFR to Acquirer of Numotion," Moody's Investor Service, October 8, 2018, [https://www.moodys.com/research/Moodys-assigns-B2-CFR-to-acquirer-of-Numotion-Rating-Action--PR\\_389907](https://www.moodys.com/research/Moodys-assigns-B2-CFR-to-acquirer-of-Numotion-Rating-Action--PR_389907).

<sup>8</sup> Moody's Investors Service, "Moody's affirms NMN Holdings III Corp.'s B3 CFR, revises outlook to stable," November 17, 2023, [https://www.moodys.com/research/Moodys-affirms-NMN-Holdings-III-Corps-B3-CFR-revises-outlook-Rating-Action--PR\\_482428](https://www.moodys.com/research/Moodys-affirms-NMN-Holdings-III-Corps-B3-CFR-revises-outlook-Rating-Action--PR_482428).

<sup>9</sup> "Moody's Downgrades NMN Holdings III Corp.'s CFR to B3, Outlook Remains Negative," Moody's Investor Service, November 11, 2022, [https://www.moodys.com/research/Moodys-downgrades-NMN-Holdings-III-Corps-CFR-to-B3-outlook-Rating-Action--PR\\_471194](https://www.moodys.com/research/Moodys-downgrades-NMN-Holdings-III-Corps-CFR-to-B3-outlook-Rating-Action--PR_471194).

<sup>10</sup> "Medical Equipment Company Pays \$7 Million to Resolve False Claims Act Allegations," United States Department of Justice, March 1, 2023, <https://www.justice.gov/usao-edky/pr/medical-equipment-company-pays-7-million-resolve-false-claims-act-allegations>.

<sup>11</sup> Paul Roberts, "Two Behemoths Dominate the Motorized Wheelchair Industry. Disabled Customers Pay the Price. – Mother Jones," Mother Jones, May 2022, <https://www.motherjones.com/politics/2022/05/motorized-wheelchairs-numotion-national-seating-mobility/>.

in 2019 for approximately \$850 million. Court Square had acquired NSM from Wellspring Capital Management in 2016,<sup>12</sup> and Wellspring first acquired NSM in 2013.<sup>13</sup>

Since Wellspring's initial buyout of NSM in 2013, NSM has acquired at least 44 other companies.<sup>14</sup>

NSM has also accrued substantial debt under private equity ownership, with a 5.8x debt to EBITDA ratio as of June 30, 2023 and a B3-PD Probability of Default Rating (PDR).<sup>15</sup> In earlier ratings of NSM, Moody's noted the company's highly negative credit impact score due to its private equity ownership.

NSM has taken cost-cutting measures to improve its liquidity, including implementing "headcount reductions."<sup>16</sup> In March 2023, NSM announced that it will outsource its billing and collections department, permanently laying off 108 workers.<sup>17</sup> (The company it chose to outsource services to is AGS Health, which is also owned by a private equity firm).<sup>18</sup> In other words, NSM's workers are bearing the cost of its private equity-imposed debt burdens.

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<sup>12</sup> Sarah Pringle, "Cinven Buys National Seating & Mobility in ~\$850 Mln Transaction," PE Hub, October 4, 2019, <https://webcache.googleusercontent.com/search?q=cache:J7wIwx8VYhQJ:https://www.pehub.com/cinven-buys-national-seating-mobility-in-850-mln-transaction/&cd=12&hl=en&ct=clnk&gl=us>.

<sup>13</sup> Wellspring Capital Management, "Wellspring Capital Management Acquires National Seating & Mobility," PR Newswire, January 2, 2013, <https://www.prnewswire.com/news-releases/wellspring-capital-management-acquires-national-seating--mobility-185419792.html>.

<sup>14</sup> Pitchbook profile for National Seating & Mobility, accessed July 2023. <https://my.pitchbook.com/profile/12250-63/company/profile#investments>; see also, Appendix B.

<sup>15</sup> "Moody's downgrades NSM Top Holdings Corp.'s CFR to B3, revises outlook to stable," Moody's Investors Service, September 22, 2023. [https://www.moodys.com/research/Moodys-downgrades-NSM-Top-Holdings-Corps-CFR-to-B3-revises-Rating-Action--PR\\_480750](https://www.moodys.com/research/Moodys-downgrades-NSM-Top-Holdings-Corps-CFR-to-B3-revises-Rating-Action--PR_480750)

<sup>16</sup> "Moody's downgrades NSM Top Holdings Corp.'s CFR to B3, revises outlook to stable," Moody's Investors Service, September 22, 2023. [https://www.moodys.com/research/Moodys-downgrades-NSM-Top-Holdings-Corps-CFR-to-B3-revises-Rating-Action--PR\\_480750](https://www.moodys.com/research/Moodys-downgrades-NSM-Top-Holdings-Corps-CFR-to-B3-revises-Rating-Action--PR_480750)

<sup>17</sup> Dave Flessner, "National Seating & Mobility to Lay off 108 Workers in Chattanooga | Chattanooga Times Free Press," Chattanooga Times Free Press, March 10, 2023, <https://www.timesfreepress.com/news/2023/mar/10/national-seating-mobility-to-lay-off-108-workers/> ; WARN letter to STATE OF TENNESSEE DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT by National Seating & Mobility, Inc. Filed March 2, 2023. WARN # 202300012. <https://www.tn.gov/content/dam/tn/workforce/documents/majorpublications/reports-02/National-Seating-Mobility-TDLWD-WARN-LETTER.pdf>

<sup>18</sup> EQT Private Equity website, current portfolio. Accessed August 2023. <https://eqtgroup.com/current-portfolio/ags-health/>.

As of June 2024, Cinven is reportedly looking to sell NSM and predicting a deal value of about \$1.5 billion. According to industry publication *PEHub*, “The company is an attractive acquisition target for a broad set of private equity groups and a few strategic buyers.”<sup>19</sup>

### ***Wheelchair Consolidation Poses Risks to Wheelchair Users***

Private equity’s consolidation of the wheelchair industry poses risk to consumers. Private equity firms seek to double or triple their investment over short time periods (4-7 years), and typically use high levels of debt leveraged against the companies they own to acquire and grow those companies. These financial practices often necessitate significant cost cutting by the PE-owned companies to achieve the firms’ high return expectations. In the wheelchair space, while the firms’ own acquisition and profit goals are key drivers, inadequate insurance reimbursement policies for wheelchair repairs further incentivize companies to prioritize profitable service lines, such as sales, while cutting spending on less profitable service lines, like technician staffing and training.

Wheelchair breakdowns and repairs are highly prevalent. Research shows that approximately 64% of wheelchairs break down in a six-month period.<sup>20</sup> The rate of wheelchair breakdowns and repairs has steadily increased over the years.<sup>21</sup>

Such incidents are not just inconvenient – they can have highly adverse and even dangerous impacts for wheelchair users. Wheelchair users can be left stranded or isolated while waiting for repairs, such as being unable to get out of bed and risking decubitus ulcers (skin breakdown). Delays can also mean having to miss appointments, work or school and pose challenges to accessing groceries or supplies. In some cases, delays can lead to injuries, hospitalizations, and even death.<sup>22</sup> In addition, repairs can be very expensive; a recent survey of wheelchair users with spinal cord injuries found that out of pocket costs to repair ranged from \$50 to \$620, with a median cost of (\$150).<sup>23</sup>

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<sup>19</sup> "Cinven interviews banks for potential sale of National Seating & Mobility, sources say," *PEHub*, June 6, 2024. <https://www.pehub.com/cinven-interviews-banks-for-potential-sale-of-national-seating-mobility-sources-say/>

<sup>20</sup> Maria Luisa Toro et al., “Type and Frequency of Reported Wheelchair Repairs and Related Adverse Consequences Among People With Spinal Cord Injury,” *Archives of Physical Medicine and Rehabilitation* 97, no. 10 (October 2016): 1753–60, <https://doi.org/10.1016/j.apmr.2016.03.032>.

<sup>21</sup> Lynn Worobey et al., “Increases in Wheelchair Breakdowns, Repairs, and Adverse Consequences for People with Traumatic Spinal Cord Injury,” *American Journal of Physical Medicine & Rehabilitation* 91, no. 6 (June 2012): 463–69, <https://doi.org/10.1097/PHM.0b013e31825ab5ec>.

<sup>22</sup> Paul Roberts, "Stranded: Repair Restrictions Immobilize Wheelchair Users," US PIRG Education Fund, May 2022. [https://pirg.org/wp-content/uploads/2022/05/USPIRGEF\\_Stranded\\_June2022.pdf](https://pirg.org/wp-content/uploads/2022/05/USPIRGEF_Stranded_June2022.pdf) Pg. 4.

<sup>23</sup> Lynn A. Worobey et al., “Factors Influencing Incidence of Wheelchair Repairs and Consequences Among Individuals with Spinal Cord Injury,” *Archives of Physical Medicine and Rehabilitation* 103, no. 4 (April 2022): 779–89, <https://doi.org/10.1016/j.apmr.2021.01.094>.

Compounding the inadequate reimbursement policy for preventative maintenance is Medicare’s policy on labor time. While labor and parts are reimbursed, technicians’ travel time – including time to meet clients at their homes, examine wheelchairs, and return them – is not reimbursed.<sup>24</sup>

Consequently, cost-cutting by private equity investors, exacerbated by Medicare and private insurance reimbursement policies, can mean reducing resources spent on those aspects of repair services that are made less profitable by reimbursement policy. For example, a former field service technician for AEA-owned Numotion told *Mother Jones* in 2022 “I think Numotion tries to run a skeleton crew to minimize costs.” He said that he was responsible for about 1,500 to 2,000 customers, which meant having as many as 10 appointments a day.<sup>25</sup>

For more information on private equity’s broader investments in the durable medical equipment (DME) industry, see our 2023 report: “[Private Equity In Durable Medical Equipment: How Private Equity Profits Off of Disabled and Chronically Ill Americans.](#)”

### 3. Dental Care

Private equity firms have increasingly been investing in the US dental industry through Dental Services Organizations (DSOs). DSOs handle the business side of dental practices, such as administrative, marketing, bookkeeping, and financial services. Private equity firms dominate the DSO market. In our 2021 report, PESP found that private equity firms owned 27 of the top 30 DSOs, accounting for 84% of practice locations affiliated with the top 30 firms.<sup>26</sup>

As of last year, eight of the top nine DSOs in the US according to [Becker’s Dental Review](#) were owned by private equity firms:<sup>27</sup>

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<sup>24</sup> Markian Hawryluk, “Despite a First-Ever ‘Right-to-Repair’ Law, There’s No Easy Fix for Wheelchair Users,” KFF Health News, June 2, 2022, <https://kffhealthnews.org/news/article/power-wheelchair-users-right-to-repair-law-no-easy-fix/>.

<sup>25</sup> Paul Roberts, “Two Behemoths Dominate the Motorized Wheelchair Industry. Disabled Customers Pay the Price. – Mother Jones,” Mother Jones, May 2022, <https://www.motherjones.com/politics/2022/05/motorized-wheelchairs-numotion-national-seating-mobility/>.

<sup>26</sup> O’Grady, Eileen. “Deceptive Marketing, Medicaid Fraud, and Unnecessary Root Canals on Babies: Private Equity Drills into the Dental Care Industry.” Private Equity Stakeholder Project, July 2021. [https://pestakeholder.org/wp-content/uploads/2021/08/PESP\\_DSO\\_July2021.pdf](https://pestakeholder.org/wp-content/uploads/2021/08/PESP_DSO_July2021.pdf).

<sup>27</sup> Becker’s Dental and DSO Review, Top 9 largest DSOs heading into 2023. [https://www.beckersdental.com/dso-dpms/39863-top-10-largest-dsos-heading-into-2023.html?utm\\_campaign=dental&utm\\_source=website&utm\\_content=top-40](https://www.beckersdental.com/dso-dpms/39863-top-10-largest-dsos-heading-into-2023.html?utm_campaign=dental&utm_source=website&utm_content=top-40).

- i. Heartland Dental (KKR)<sup>28</sup>
- ii. Aspen Dental (Leonard Green & Partners, Ares Management)<sup>29</sup>
- iii. Pacific Dental Services (not PE)<sup>30</sup>
- iv. Smile Brands (Gryphon Investors)<sup>31</sup>
- v. MB2 Dental (Charlesbank Capital Partners)<sup>32</sup>
- vi. Affordable Care (Harvest Partners)<sup>33</sup>
- vii. Dental Care Alliance (Mubadala Investment Company)<sup>34</sup>
- viii. Great Expressions Dental Centers (Roark Capital Group)<sup>35</sup>
- ix. Sonrava Health/Western Dental (New Mountain Capital)<sup>36</sup>

Private equity's growing presence in the dental industry is driven primarily by rapid consolidation through roll-ups.

In PESP's annual tracking of private equity activity deal activity in the healthcare sector, dental care had the second highest number of deals (146) in 2023 of any category PESP tracked. These deals

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<sup>28</sup> "Heartland Dental Celebrates Record Growth Year in 2022 with Continued Expansion Planned in 2023." *PR Newswire*, Heartland Dental, 1 Feb. 2023, [www.prnewswire.com/news-releases/heartland-dental-celebrates-record-growth-year-in-2022-with-continued-expansion-planned-in-2023-301735242.html](http://www.prnewswire.com/news-releases/heartland-dental-celebrates-record-growth-year-in-2022-with-continued-expansion-planned-in-2023-301735242.html).

<sup>29</sup> *Ares Management & Leonard Green Increase Ownership In Aspen Dental Management, Inc.*, Leonard Green & Partners, 13 June 2017, [www.leonardgreen.com/ares-management-leonard-green-increase-ownership-in-aspen-dental-management-inc/](http://www.leonardgreen.com/ares-management-leonard-green-increase-ownership-in-aspen-dental-management-inc/).

<sup>30</sup> Yeung, Winter, and Ryan Gilmore. "Pacific Dental Services LLC Outlook Revised To Positive On Expected Deleveraging; 'B' Ratings Affirmed." *S&P Global*, 11 Sept. 2023, [disclosure.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3053438](https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3053438).

<sup>31</sup> *Gryphon Investors Acquires Smile Brands*, Gryphon Investors, 18 Aug. 2016, [www.gryphon-inv.com/news/gryphon-investors-acquires-smile-brands/](http://www.gryphon-inv.com/news/gryphon-investors-acquires-smile-brands/).

<sup>32</sup> "Charlesbank Capital Partners Acquires Majority Interest in MB2 Dental ." *GlobeNewswire*, Charlesbank Capital Partners, 1 Feb. 2021, [www.globenewswire.com/news-release/2021/02/01/2167199/0/en/Charlesbank-Capital-Partners-Acquires-Majority-Interest-in-MB2-Dental.html](http://www.globenewswire.com/news-release/2021/02/01/2167199/0/en/Charlesbank-Capital-Partners-Acquires-Majority-Interest-in-MB2-Dental.html).

<sup>33</sup> Davis, Michael. "Affordable Care Acquired by Harvest Partners." *Dentistry IQ*, 17 June 2021, [www.dentistryiq.com/practice-management/dsos-and-corporate-dentistry/article/14205397/affordable-care-acquired-by-harvest-partners](http://www.dentistryiq.com/practice-management/dsos-and-corporate-dentistry/article/14205397/affordable-care-acquired-by-harvest-partners).

<sup>34</sup> *Mubadala Acquires Dental Care Alliance*, Mubadala, 16 Jan. 2023, [www.mubadala.com/en/news/mubadala-acquires-dental-care-alliance](http://www.mubadala.com/en/news/mubadala-acquires-dental-care-alliance).

<sup>35</sup> *Roark Acquires Great Expressions Dental Centers*, Great Expressions Dental Centers, 28 Sept. 2016, [www.greatexpressions.com/roark-acquires-great-expressions-dental-centers/](http://www.greatexpressions.com/roark-acquires-great-expressions-dental-centers/).

<sup>36</sup> *Sonrava Health*, New Mountain Capital, [www.newmountaincapital.com/portfolio/sonrava-health/](http://www.newmountaincapital.com/portfolio/sonrava-health/). Accessed 16 July 2024.

were primarily driven by five very active platform companies which collectively made 71 acquisitions: Specialized Dental Partners (owned by Quad-C Management) with 31 add-on acquisitions, U.S. Oral Surgery Management (owned by Oak Hill Capital) with 11 add-ons, Southern Orthodontic Partners (owned by Shore Capital Partners) with 10 add-ons, Smile Doctors (owned by AlInvest Partners, Linden Capital Partners, and Thomas H. Lee Partners) with nine add-ons, and Dental 365 (owned by The Jordan Company and Regal Healthcare Partners) with eight add-ons.<sup>37</sup>

So far, this trend has continued into 2024; in just the first five months of this year, Quad-C Management's dental platform Specialized Dental Partners has made at least 12 add-on acquisitions of dental practices.<sup>38</sup>

These fast-growing platform companies focus on not only general dentistry, but dental specialties, as well, such as endodontics and oral surgery.

Private equity-owned DSOs have been found to employ cost cutting tactics that can hurt patient care, including pushing medically unnecessary or expensive procedures and understaffing while attempting to maximize patient volume.<sup>39</sup> These companies also provide an avenue for private equity firms to skirt around regulations. The DSO industry appears to have been created, largely by private equity firms, to avoid regulation that prohibits investor ownership of clinical practices.

See our 2021 report for more information on private equity investments in dental care: "[Deceptive Marketing, Medicaid Fraud, and Unnecessary Root Canals on Babies: Private Equity Drills into the Dental Care Industry.](#)"

## II. Childcare and K-12 Education

Access to quality childcare and K-12 education is critical to the success of society, but providers and schools often struggle to afford high quality care for all students. Given constraints on capital, private equity funding can be an attractive option to a small private childcare center or Montessori school. Unfortunately, private equity's profit motive can interfere with or even negatively impact the quality of service that chains offer.

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<sup>37</sup> Eileen O'Grady, Mary Bugbee, Michael Fenne, "Private Equity in U.S. Healthcare: Trends in 2023 Deal Activity," Private Equity Stakeholder Project, March 6, 2024. <https://pestakeholder.org/reports/private-equity-in-u-s-healthcare-trends-in-2023-deal-activity/>

<sup>38</sup> Pitchbook profile for Specialized Dental Partners, <https://my.pitchbook.com/profile/435555-28/company/profile#investments>. Accessed June 27, 2024.

<sup>39</sup> O'Grady, Eileen. "Deceptive Marketing, Medicaid Fraud, and Unnecessary Root Canals on Babies: Private Equity Drills into the Dental Care Industry." Private Equity Stakeholder Project, July 2021. [https://pestakeholder.org/wp-content/uploads/2021/08/PESP\\_DSO\\_July2021.pdf](https://pestakeholder.org/wp-content/uploads/2021/08/PESP_DSO_July2021.pdf).



## A. Childcare

While local, state, and federal governments work to divert more funding to childcare, private equity firms see an opportunity to generate high investor returns. New York-based investment firm Lumos Capital Group published a report on the early childhood education market in October 2020. After making an argument for the social necessity of early childhood education, the report presents a financial case for investing in the sector. Lumos highlights that the \$45 billion industry “is expected to grow faster than any other education segment in the US” and is “uniquely majority funded by private sources.”<sup>40</sup>

An executive at Lumos described the sector as “highly fragmented and relatively under-teched... fruitful for innovation and investment.”<sup>41</sup> Early childhood education is already highly privatized; as of 2019, most children were cared for by relatives or in private, home-based centers. In 2019, for-profit franchises and chains operated just 4.1 percent of childcare centers.<sup>42</sup> By 2023, one study estimated that centers that are private equity-backed or owned by publicly-traded companies made up 10 percent of the market share, with a capacity for more than 750,000 children per day between them.<sup>43</sup>

The tens of thousands of educators working for five large private-equity backed childcare companies do not have union protections that are available at some nonprofit and cooperative centers.<sup>44</sup> In a sector where pay and benefits are already low, which is sometimes referred to as the early educator compensation crisis, workers face additional challenges with work schedules and job security without a union contract.<sup>45</sup>

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<sup>40</sup> “Lumos Capital Group Sector Insights: Early Childhood Education Market.” *Lumos Capital Group*, slides 6-7, October 20, 2020. <https://www.lumoscapitalgroup.com/blog/lumos-perspectives-early-childhood-education>.

<sup>41</sup> Wan, Tony. “What Investors See in a ‘Highly Fragmented and Under-Teched’ Early Childhood Education Market.” *EdSurge*, March 11, 2021. <https://www.edsurge.com/news/2021-03-11-what-investors-see-in-a-highly-fragmented-and-under-teched-early-childhood-education-market>.

<sup>42</sup> “Center-based Early Care and Education Providers in 2012 and 2019: Counts and Characteristics,” *National Survey of Early Care & Education*, 2021. [https://www.acf.hhs.gov/sites/default/files/documents/opre/cb-counts-and-characteristics-chartbook\\_508\\_2.pdf](https://www.acf.hhs.gov/sites/default/files/documents/opre/cb-counts-and-characteristics-chartbook_508_2.pdf)

<sup>43</sup> Haspel, Elliot. “Toddlers and Investors Aren’t Playmates: The Threat of Private Equity in Child Care,” *Capita*, 2023. <https://static1.squarespace.com/static/5936b0c92994cab8bfe601d4/t/640719a1497f12367db923c2/1678186913434/Toddlers+and+Investors+Arent+Playmates+Capita+Final+0307.pdf>.

<sup>44</sup> National Labor Relations Board Case Search showed no results for unions at KinderCare, Learning Care Group, Primrose Schools, Goddard Systems, or Cadence Education. <https://www.nlr.gov/search/case>.

<sup>45</sup> Dade, Annie and Caitlin McLean. “How Are States Tackling the Early Educator Compensation Crisis?” *Center for the Study of Child Care Employment*, July 12, 2022. <https://cscce.berkeley.edu/blog/how-are-states-tackling-the-early-educator-compensation-crisis/>.

### ***Cadence Education***

When Apax Partners, Altamir, and PFR Ventures acquired Cadence Education in March 2020, the company already operated over 225 locations<sup>46</sup> – the company has a long history of private equity investment featuring growth by acquisition. Since 2020, the company has received additional funding from private equity firm The Carlyle Group and grown to over 300 locations.<sup>47</sup> Two Apax executives<sup>48</sup> and one Carlyle executive<sup>49</sup> sit on the company board of directors.

Cadence Education belongs to the nonprofit Early Care and Education Consortium (along with other private equity-backed chains Endeavor Schools, KinderCare, Learning Care Group, The Learning Experience, Goddard School, Primrose School, Premier Early Childhood Education Partners, and Big Blue Marble Academy). Members of the nonprofit “are advocates for strong federal and state policies that bring quality to scale,” and the group regularly lobbies the federal government on early childhood education issues.<sup>50</sup> In its report on proposed solutions to strengthening the early care and education system published in 2021, the group rejects any model that relies mostly on public services:

“There would be significant negative unintended consequences to both small and large providers from limited private participation or a public-only delivery system, which would damage the existing early care and education landscape. Today, services in the birth-to-age-two space are almost wholly delivered by private providers, as are most programs for three- and four-year-olds. Private providers offset the high costs of serving infants and toddlers, who require lower adult-to-child supervision ratios, by serving older children at higher ratios. Any shift in Pre-K children from private to public settings would either force private providers to raise prices for birth to age two, rendering these services unaffordable for many families, or require them to close their doors due to financial strain. A poorly crafted model could collapse the infant and toddler care market and reduce optionality across all ages, which would be detrimental to working families.”<sup>51</sup>

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<sup>46</sup> Apax Partners. “Apax X to acquire Cadence Education.” [https://www.apaxglobalalpha.com/news/apax-x-to-acquire-cadence-education#:~:text=The%20Apax%20X%20Fund%20\(%E2%80%9CApax,six%20weeks%20to%2012%20years.](https://www.apaxglobalalpha.com/news/apax-x-to-acquire-cadence-education#:~:text=The%20Apax%20X%20Fund%20(%E2%80%9CApax,six%20weeks%20to%2012%20years.)

<sup>47</sup> Cadence Education. “About Us.” <https://www.cadence-education.com/about-us/>.

<sup>48</sup> Apax Partners. “Cadence Education.” <https://www.apax.com/partnerships/cadence-education/>

<sup>49</sup> The Carlyle Group. “John Pavelski.” <https://www.carlyle.com/about-carlyle/team/john-pavelski>

<sup>50</sup> Early Care & Education Consortium. “Providers.” <https://www.ececonsortium.org/about/providers/>.

<sup>51</sup> Early Care & Education Consortium. “Solutions to Achieve a More Equitable and Sustainable Early Care and Education System,” July 2021. [https://www.ececonsortium.org/wp-content/uploads/2021/10/July-2021\\_ECEC-National-Solutions-Paper\\_Final.pdf](https://www.ececonsortium.org/wp-content/uploads/2021/10/July-2021_ECEC-National-Solutions-Paper_Final.pdf).

While closing every privately-owned childcare center or home-based provider today would certainly be detrimental to the students they serve, transitioning more services to the public sector over time does not need to come with “significant negative unintended consequences.” The “existing early care and education landscape” is already in crisis, and we must imagine new ways of approaching the problem.<sup>52</sup> A 2018 study from the Center for American Progress found that more than half of US families live in childcare deserts, “areas with an insufficient supply of licensed childcare.”<sup>53</sup> The landscape needs to be overhauled completely, with a sharp increase in access for families and support for educators, not exploited for high returns.

## B. K-12 Education

### 1. Pansophic Learning and ACCEL Schools

In 2014, Ron Packard created Pansophic Learning with the support of Safanad, a private equity firm based in Dubai.<sup>54</sup> At the time, Packard was CEO of Stride (then K12 Inc), the largest for-profit charter school chain in the country. In addition to acquiring assets from K12’s higher learning division, Pansophic began acquiring early childhood education centers and K-12 charter and private schools in the US, UK, Uganda, United Arab Emirates, and Switzerland. Pansophic Learning brand ACCEL Schools is a growing private equity-owned network of charter schools in the US, with 92 schools (including 11 online schools) serving more than 32,000 students, up from 54 schools in December 2022.<sup>55</sup> Despite the fact that these schools operate with public funding, private management companies like ACCEL still avoid the transparency and accountability measures required of government operators.

ACCEL grows through acquisitions of struggling private schools. A 2022 *Washington Post* investigation into the relationship between ACCEL and an Ohio school revealed that the company makes money through real estate as well: “Global School Properties, located at the same address as ACCEL and Pansophic in Virginia, is the real estate arm of ACCEL, which allows it to

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<sup>52</sup> Cohen, Rachel. “The child care crisis just keeps getting worse,” *Vox*, September 27, 2022. <https://www.vox.com/policy-and-politics/2022/9/27/23356278/the-pandemic-child-care-inflation-crisis>.

<sup>53</sup> Center for American Progress. “America’s Child Care Deserts in 2018,” December 6, 2018. <https://www.americanprogress.org/article/americas-child-care-deserts-2018/>.

<sup>54</sup> Bryant, Jeff. “Naked Capitalism: For-Profit Charter Schools Provide an Entryway for Private Investors to Exploit Public Education.” *National Education Policy Center*, November 12, 2021. <https://nepc.colorado.edu/blog/profit-charter>.

<sup>55</sup> ACCEL Schools. <https://accelschools.com/our-schools/>; <https://web.archive.org/web/20221213145149/https://accelschools.com/our-schools/>

acquire properties and then basically rent their own buildings to themselves — with public funds — through the schools they manage.”<sup>56</sup> This is part of Safanad’s growth strategy across its portfolio; journalist Jeff Bryant found that Safanad’s acquisitions of senior living facilities are “strikingly similar to the business transactions Safanad conducted with Pansophic Learning in the charter school sector, principally, buying up financially struggling service businesses that receive large amounts of public funding in the case of the senior care sector, from Medicare and Medicaid—and that also happen to include significant holdings of real estate.”<sup>57</sup>

In 2018, ACCEL acquired Buckeye Preparatory Academy in a low-income Ohio neighborhood, changing the school’s name to Capital Collegiate Preparatory Academy (CCPA) in 2019. To lease the school buildings and land from July 2015 to June 2019, Buckeye Preparatory paid the greater of \$12,500 per month or 10.5 percent of state funding.<sup>58</sup> In 2019, ACCEL raised rent on the school to 14 percent of state funding, on top of charging CCPA a management fee of 15 percent of all revenue.<sup>59</sup>

When Buckeye became CCPA, all but two teachers left. According to former school administrators, the transition was hardest on students – classrooms did not have pencils or paper for the first two months. Even though students were behind on reading and math, ACCEL pushed for CCPA to add a seventh grade to the school. This increased the number of students and thereby increased rent and management fees and added to the school’s debt, the interest on which was paid from the school to ACCEL. The investigation into ACCEL and CCPA made clear how ACCEL could profit even if the school fails:

“In 2020, the school that served only 135 students paid ACCEL’s related real estate company \$145,006 in rent, with ACCEL projecting a rent payment of \$319,840 for the very same building in 2025. At that rate, ACCEL would recoup what it paid in six years — precisely the length of the school’s charter. If the charter failed

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<sup>56</sup> Burris, Carol. “The story of a charter school and its for-profit operators.” *Washington Post*, January 14, 2022. <https://web.archive.org/web/20220120092755/https://www.washingtonpost.com/education/2022/01/14/charter-school-for-profit/>.

<sup>57</sup> Bryant, Jeff. “Naked Capitalism: For-Profit Charter Schools Provide an Entryway for Private Investors to Exploit Public Education.” *National Education Policy Center*, November 12, 2021. <https://nepc.colorado.edu/blog/profit-charter>.

<sup>58</sup> “Charter Contract for a Community School between the Buckeye Community Hope Foundation and Buckeye Preparatory Academy.” <https://web.archive.org/web/20220818192947/https://networkforpubliceducation.org/wp-content/uploads/2022/01/Buckeye-Community-School-Contract.pdf>.

<sup>59</sup> “Lease Agreement between Global School Properties Ohio, LLC and Capital Collegiate Preparatory Academy.” <https://web.archive.org/web/20220818192948/https://networkforpubliceducation.org/wp-content/uploads/2022/01/Global-School-Properties-Fully-Executed-School-Lease.pdf>.

and closed, ACCEL would walk away with a million-dollar-plus building largely paid for by the taxpayers of Ohio.”<sup>60</sup>

## 2. Endeavor Schools

The story of Endeavor Schools nearly parallels that of Pansophic Learning, highlighting a possible trend. Ricardo Campo founded the company in 2012 by acquiring two Montessori schools near Atlanta, GA. When Leeds Equity Partners acquired the company in February 2018, Campo and Endeavor operated a total of 37 schools in 9 states.<sup>61</sup> Now, Endeavor operates more than 100 schools in 14 states — and Leeds Equity Partners already made its exit.<sup>62</sup>

Leeds Equity Partners is a private equity firm dedicated to investing in “knowledge industries,” in which it includes education, training, information services, and software. Endeavor was not the firm’s first school system investment; past investments include the Montessori LePort Schools, private K-12 Nobel Learning schools, and Ross University, which offers medical and veterinary degree programs. In January 2024, Leeds Equity acquired Big Blue Marble Academy, an operator of a variety of childcare centers, schools, and educational programs.<sup>63</sup>

Like Pansophic, Endeavor is making money by selling off school land. Freeport Equity, a real estate firm founded in 2020 that seems to exclusively invest in Endeavor, “currently owns 25 properties with Endeavor Schools as the tenant and plans on acquiring 50 properties by 2025.”<sup>64</sup>

### Conclusion

The pursuit of serial acquisitions is a standard practice of the private equity industry, and the anticompetitive consequences of such strategies can harm their target markets. As demonstrated in the realms of healthcare and childcare, the harm caused by lack of competition in “rolled-up” sectors ultimately falls on the most vulnerable among us, including patients, children, and

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<sup>60</sup> Burris, Carol. “The story of a charter school and its for-profit operators.” Washington Post, January 14, 2022. <https://web.archive.org/web/20220120092755/https://www.washingtonpost.com/education/2022/01/14/charter-school-for-profit/>.

<sup>61</sup> “Leeds Equity Partners Completes Investment in Endeavor Schools.” <https://www.prnewswire.com/news-releases/leeds-equity-partners-completes-investment-in-endeavor-schools-300601388.html#:~:text=The%20acquisition%20of%20Endeavor%20is,two%20schools%20outside%20of%20Atlanta>.

<sup>62</sup> Leeds Equity Partners. “Investments.” <https://www.leadsequity.com/investments>.

<sup>63</sup> Ibid.

<sup>64</sup> Freeport Equity. <https://freeportequity.com>.

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consumers. Therefore, it is critically important that the Agencies work to effectuate their goal of addressing and limiting serial acquisitions pursuant to their 2023 Merger Guidelines.<sup>65</sup>

If you have any questions about this RFI response, please contact PESP's Policy Director, Chris Noble, at [chris.noble@pestakeholder.org](mailto:chris.noble@pestakeholder.org).

Best,

A handwritten signature in black ink, appearing to read 'C. Noble', with a period after the first initial.

Chris Noble, Esq.  
Policy Director  
Private Equity Stakeholder Project

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<sup>65</sup> 2023 Merger Guidelines, Federal Trade Commission, Dept. of Justice, 18 Dec. 2023, pg. 23, [www.justice.gov/d9/2023-12/2023%20Merger%20Guidelines.pdf](http://www.justice.gov/d9/2023-12/2023%20Merger%20Guidelines.pdf).

**Appendix A**

<b>Company Name</b>	<b>Deal Date</b>
<a href="#"><u>Spinlife</u></a>	Jul-21
<a href="#"><u>Corlife</u></a>	Jan-21
<a href="#"><u>Wheeler's Medical Supply</u></a>	Dec-20
<a href="#"><u>BritKare (CRT Division)</u></a>	Nov-20
<a href="#"><u>Northland Rehab Supply</u></a>	Aug-20
<a href="#"><u>Monroe Wheelchair</u></a>	Feb-20
<a href="#"><u>Carr Rehab</u></a>	Nov-18
<a href="#"><u>Medsource Mobility (CRT division)</u></a>	Nov-18
<a href="#"><u>Total Respiratory &amp; Rehab (Rehab and Home Access Divisions)</u></a>	Aug-18
<a href="#"><u>Midwest Respiratory &amp; Rehab (Rehab Division)</u></a>	Jun-18
<a href="#"><u>Academy Medical Equipment</u></a>	Sep-17
<a href="#"><u>CVC Home Medical</u></a>	Aug-17
<a href="#"><u>Horn's Medical Supply</u></a>	Apr-17
<a href="#"><u>BlueDot Medical</u></a>	Dec-16
<a href="#"><u>Home Medical Equipment of Texas</u></a>	Nov-16
<a href="#"><u>Reliant Rehab Service &amp; Supply</u></a>	May-14
<a href="#"><u>Accessibility Home Medical and Rehab (Mobility Division)</u></a>	Apr-14
<a href="#"><u>Specialty Wheelchairs</u></a>	Jan-14
<a href="#"><u>Southeastern Health Plus (Rehab Division)</u></a>	Dec-13
<a href="#"><u>Barnes Healthcare Services (Custom Mobility Division)</u></a>	Oct-13
<a href="#"><u>Wheelchairs Plus</u></a>	Sep-13
<a href="#"><u>Hollywood Medical Supply (Complex rehab department)</u></a>	Sep-13
<a href="#"><u>ATS Wheelchair and Medical</u></a>	Jul-13
<a href="#"><u>Mobility Designs</u></a>	May-13
<a href="#"><u>Ultimate Mobility</u></a>	Apr-13

**Appendix B**

<b>Company Name</b>	<b>Deal Date</b>
<a href="#"><u>Comfort N Mobility</u></a>	Nov-21
<a href="#"><u>Delta Accessibility</u></a>	Oct-21
<a href="#"><u>Eco Medical Equipment</u></a>	Oct-21
<a href="#"><u>Canada Care Medical</u></a>	Sep-21
<a href="#"><u>Trustcare Home Medical Equipment</u></a>	Aug-21
<a href="#"><u>Eagle Accessibility Solutions &amp; Equipment</u></a>	Jul-21
<a href="#"><u>All-Ways Accessible</u></a>	May-21
<a href="#"><u>The Albany Lift Company</u></a>	Mar-21
<a href="#"><u>Blue Moose Elevators &amp; Stairlifts</u></a>	Mar-21
<a href="#"><u>Travis Medical</u></a>	Oct-20
<a href="#"><u>PG Surg Med</u></a>	Jul-20
<a href="#"><u>Active Mobility Products</u></a>	Jun-20
<a href="#"><u>CRT Division (Hartman Brothers Medical Equipment)</u></a>	May-20
<a href="#"><u>A Plus Medical Supply</u></a>	Apr-20
<a href="#"><u>AARO Medical Supplies</u></a>	Mar-20
<a href="#"><u>DME Shoppe</u></a>	Feb-20
<a href="#"><u>Hart Medical Design</u></a>	Dec-19
<a href="#"><u>Promise HomeWorks</u></a>	Dec-19
<a href="#"><u>Scooter Warehouse</u></a>	Jul-19
<a href="#"><u>CMC Adaptive Seating &amp; Home</u></a>	Jun-19
<a href="#"><u>Living Free Home</u></a>	May-19
<a href="#"><u>Advanced Mobility Products</u></a>	Apr-19
<a href="#"><u>Access Quip</u></a>	Mar-19
<a href="#"><u>Mobility ASAP</u></a>	Feb-19
<a href="#"><u>First Care Medical Equipment</u></a>	Jan-19
<a href="#"><u>SelfCare Home Health Products</u></a>	Jan-19
<a href="#"><u>Rehabco</u></a>	Oct-18
<a href="#"><u>Seating and Mobility Solutions</u></a>	Aug-18
<a href="#"><u>Tri County Mobility</u></a>	Aug-18
<a href="#"><u>Maximum Mobility</u></a>	Jul-18
<a href="#"><u>The Medical Store (Complex Rehab Business)</u></a>	Jun-18
<a href="#"><u>Western Rehab</u></a>	May-18
<a href="#"><u>Professional Rehab &amp; Mobility</u></a>	Apr-18



**Appendix B (cont.)**

<u>Reflection Medical</u>	Apr-18
<u>Dynamic Healthcare Services (Dauphin County Rehab Division)</u>	Sep-17
<u>Wright &amp; Filippis (Mobility Division)</u>	Aug-17
<u>Mobility Healthcare</u>	Jun-17
<u>Columbus Medical Equipment</u>	May-17
<u>Dependable Medical Equipment</u>	May-17
<u>Integrity Medical</u>	Oct-16
<u>Webb Medical Systems (Complex Rehab Division)</u>	Feb-16
<u>Hudson Seating &amp; Mobility</u>	Nov-14
<u>Rehab Health Care</u>	Apr-13