

April 10, 2025

House Finance and Policy Committee
Minnesota State Capitol, 120
75 Rev Dr Martin Luther King Jr Blvd,
St. Paul, MN 55155

H.F. 2779 Testimony – Private Equity Stakeholder Project

Dear Co-Chairs Bierman and Backer, Co-Vice Chairs Nadeau and Reyer, and Members of the Committee,

The Private Equity Stakeholder Project (PESP) is a nonprofit 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 testify in support of H.F. 2779, as we believe it would create stronger oversight of private equity and hedge fund acquisitions of healthcare companies. This bill is a crucial step in safeguarding the financial stability of Minnesota's health systems.

This bill provides an opportunity for Minnesota to demonstrate leadership in addressing the growing role of private equity in healthcare. Private equity increasingly makes up a substantial portion of acquisitions of U.S. healthcare companies as a whole, reaching an all-time high in 2021 of 515 healthcare buyouts valued at \$151 billion.¹

Private equity's consolidation of healthcare has included troubling tactics such as aggressively looting safety net hospitals,² stripping out valuable real estate,³ cutting critical but less profitable

¹ "Healthcare Private Equity Market 2021: The Year in Review" (Bain & Company, March 16, 2022), bain.com/insights/year-in-review-global-healthcare-private-equity-and-ma-report-2022/.

² O'Grady, Eileen. *How Private Equity Raided Safety Net Hospitals and Left Communities Holding the Bag*, Private Equity Stakeholder Project, Nov. 2022, pestakeholder.org/wp-content/uploads/2022/11/Prospect_Primer_Nov-2022.pdf.

³ DePillis, Lydia. *Rich Investors May Have Let a Hospital Go Bankrupt. Now, They Could Profit from the Land*, CNN, 29 July 2019, www.cnn.com/2019/07/29/economy/hahnemann-hospital-closing-philadelphia/index.html.

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services,⁴ and exploiting government funding programs⁵ designed to support and stabilize healthcare access.⁶ There has been an increase in state and federal efforts to address the negative effects of consolidation, including this bill's introduction.⁷

Private equity buyouts of healthcare companies too frequently end in bankruptcy, threatening the stability of the healthcare system. In 2024, one-fifth (21%) of healthcare bankruptcies involved private equity-owned companies. Seven out of eight (88%) of the largest (liabilities over \$500 million) bankruptcies in the healthcare industry in 2024 were at companies with a history of private equity ownership.⁸

Private Equity Stakeholder Project supports H.F. 2779. By strengthening its oversight authority over healthcare mergers, Minnesota can join the growing chorus of lawmakers that are choosing to prioritize the long-term health of its citizens over short-term profits.

Best,



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⁴ Spegele, Brian. "A City's Only Hospital Cut Services. How Locals Fought Back." *Wsj.Com*, Wall Street Journal, 11 Apr. 2021, www.wsj.com/articles/a-citys-only-hospital-cut-services-how-locals-fought-back-11618133400.

⁵ Batt, Rosemary, and Eileen Appelbaum. *Hospital Bailouts Begin — for Those Owned by Private Equity Firms*, The American Prospect, 2 Apr. 2020, prospect.org/economy/hospital-bailouts-begin-for-those-owned-by-private-equity-firms/.

⁶ Willmer, Sabrina. "A Wall Street Giant Tapped \$1.5 Billion in Federal Aid for Its Hospitals." *Bloomberg.Com*, Bloomberg, 14 Sept. 2020, www.bloomberg.com/news/articles/2020-09-14/a-wall-street-giant-tapped-1-5-billion-in-federal-aid-for-its-hospitals.

⁷ Kaye, Danielle. "States Fill Gaps in FTC Health-Care Consolidation Crackdown (1)." *Bloomberglaw.Com*, Bloomberg Law, 15 Mar. 2024, news.bloomberglaw.com/antitrust/states-fill-gaps-in-ftc-crackdown-on-health-care-consolidation.

⁸ PESP Private Equity Bankruptcy Tracker, 12 Feb, 2025. <https://pestakeholder.org/private-equity-bankruptcy/>