

July 25, 2025

Joint Committee on Health Care and Financing  
Massachusetts General Court  
225 Cabot St.,  
Beverly, MA 01915

### Testimony in Support of S. 868 – Private Equity Stakeholder Project

*Dear Chair Friedman, Chair Lawn, and Members of the Committee,*

The Private Equity Stakeholder Project (PESP) is a non-profit 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 Senate Bill 868 (S. 868). We believe it is a positive development in protecting Massachusetts' healthcare system from some of the most controversial business practices associated with private equity ownership.

Investing over \$1 trillion in the US healthcare sector over the last decade,<sup>1</sup> private equity increasingly makes up a substantial portion of acquisitions of U.S. healthcare companies. The industry reached an all-time high in 2021 of 515 healthcare buyouts valued at \$151 billion.<sup>2</sup> Private equity's growing footprint is contributing to horizontal consolidation in areas such as primary care,<sup>3</sup> emergency medicine,<sup>4</sup> eye care,<sup>5</sup>

---

<sup>1</sup> Blumenthal, David. *Private Equity's Role in Health Care*, Commonwealth Fund, 17 Nov. 2023, [www.commonwealthfund.org/publications/explainer/2023/nov/private-equity-role-health-care](https://www.commonwealthfund.org/publications/explainer/2023/nov/private-equity-role-health-care).

<sup>2</sup> "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/](https://bain.com/insights/year-in-review-global-healthcare-private-equity-and-ma-report-2022/).

<sup>3</sup> Singh, Yashaswini, et al. "Growth of Private Equity and Hospital Consolidation in Primary Care and Price Implications." *JAMA Network*, JAMA Health Forum, 17 Jan. 2025, [jamanetwork.com/journals/jama-health-forum/fullarticle/2829224](https://jamanetwork.com/journals/jama-health-forum/fullarticle/2829224). (The study found that an increasing share of primary care physicians (PCPs) are affiliated with hospitals and private equity firms, and that such affiliated PCPs on average charge higher prices for the same services relative to independent PCPs).

<sup>4</sup> Adler, Loren, et al. "Measuring Private Equity Penetration and Consolidation in Emergency Medicine and Anesthesiology." *Oxford Academic*, Health Affairs Scholar, Volume 1, Issue 1, July 2023. Published online 20 June 2023, [academic.oup.com/healthaffairsscholar/article/1/1/qxad008/7203733](https://academic.oup.com/healthaffairsscholar/article/1/1/qxad008/7203733). (The study found that, from 2009 to 2019, there were substantial increases in local market concentration in emergency medicine practices and that physician groups owned by private equity or publicly traded companies grew from 8.6% of the national emergency medicine market to 22.0%).

<sup>5</sup> Weber, Lauren. "Private Equity Sees the Billions in Eye Care as Firms Target High-Profit Procedures." *KFF Health News*, 19 Sept. 2022, [kffhealthnews.org/news/article/private-equity-ophthalmology-eye-care-high-profit-procedures/](https://kffhealthnews.org/news/article/private-equity-ophthalmology-eye-care-high-profit-procedures/).

gastroenterology,<sup>6</sup> durable medical equipment,<sup>7</sup> anesthesiology,<sup>8</sup> dental care,<sup>9</sup> fertility clinics,<sup>10</sup> methadone treatment centers,<sup>11</sup> and air ambulances.<sup>12</sup>

Private equity's consolidation of healthcare has included troubling tactics such as aggressively looting safety net hospitals,<sup>13</sup> stripping out valuable real estate,<sup>14</sup> cutting critical but less profitable services,<sup>15</sup> and exploiting government funding programs<sup>16</sup> designed to support and stabilize healthcare access.<sup>17</sup>

Additionally, 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

---

<sup>6</sup> Busam, Jonathan A., and Eric D. Shah. "The Rise of Private Equity in Gastroenterology Practices." *NCBI, Gastroenterology & Hepatology*, 19 May 2023, [pmc.ncbi.nlm.nih.gov/articles/PMC10548246/](https://pubmed.ncbi.nlm.nih.gov/articles/PMC10548246/).

<sup>7</sup> O'Grady, Eileen, and David Card. *Private Equity in Durable Medical Equipment: How Private Equity Profits Off of Disabled and Chronically Ill Americans*, PESP & NDRN, Nov. 2023, [pestakeholder.org/wp-content/uploads/2023/11/PESP\\_Report\\_DME\\_2023.pdf](https://pestakeholder.org/wp-content/uploads/2023/11/PESP_Report_DME_2023.pdf). (Explaining that the risk of fraud in private equity-owned durable medical equipment companies is evident, as such companies have paid millions of dollars in recent years to settle lawsuits alleging fraud that occurred while under private equity ownership).

<sup>8</sup> See Adler, et al., *supra* note 4. (The study also found that, from 2009 to 2019, there were substantial increases in local market concentration in anesthesiology practices and that physician groups owned by private equity or publicly traded companies grew from 3.2% of the national anesthesiology market to 18.8%).

<sup>9</sup> Timmerman, Anna M., et al. "Pushing Upmarket: Consolidation of DSOs and Secondary Private Equity Sales." *McGuireWoods*, 5 May 2023, [www.mcguirewoods.com/client-resources/alerts/2023/5/consolidation-dsos-secondary-private-equity-sales/](https://www.mcguirewoods.com/client-resources/alerts/2023/5/consolidation-dsos-secondary-private-equity-sales/).

<sup>10</sup> Stevenson, David. "Private Equity Drives Consolidation in Maturing Fertility Market." *PitchBook*, 16 Nov. 2023, [pitchbook.com/news/articles/private-equity-buyouts-fertility-consolidation](https://pitchbook.com/news/articles/private-equity-buyouts-fertility-consolidation).

<sup>11</sup> Facher, Lev. "The Methadone Clinic Monopoly: Opioid Treatment Chains Backed by Private Equity Are Fighting Calls for Reform." *STAT*, 19 Mar. 2024, [www.statnews.com/2024/03/19/methadone-clinics-opioid-addiction-private-equity/](https://www.statnews.com/2024/03/19/methadone-clinics-opioid-addiction-private-equity/).

<sup>12</sup> Stanton, Chris. "The Air-Ambulance Vultures." *NY Magazine, Intelligencer*, 20 Apr. 2022, [nymag.com/intelligencer/2022/04/how-private-equity-took-over-air-ambulances.html](https://nymag.com/intelligencer/2022/04/how-private-equity-took-over-air-ambulances.html).

<sup>13</sup> 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](https://pestakeholder.org/wp-content/uploads/2022/11/Prospect_Primer_Nov-2022.pdf).

<sup>14</sup> 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/hahnmann-hospital-closing-philadelphia/index.html](https://www.cnn.com/2019/07/29/economy/hahnmann-hospital-closing-philadelphia/index.html).

<sup>15</sup> 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](https://www.wsj.com/articles/a-citys-only-hospital-cut-services-how-locals-fought-back-11618133400).

<sup>16</sup> 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/](https://prospect.org/economy/hospital-bailouts-begin-for-those-owned-by-private-equity-firms/).

<sup>17</sup> 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](https://www.bloomberg.com/news/articles/2020-09-14/a-wall-street-giant-tapped-1-5-billion-in-federal-aid-for-its-hospitals).

million) bankruptcies in the healthcare industry in 2024 were at companies with a history of private equity ownership.<sup>18</sup>

Massachusetts has experienced its share of negative consequences related to private equity's ownership of healthcare companies:

- 2024 saw the historic bankruptcy of Steward Health Care, a multistate hospital system previously owned by Cerberus Capital Management. Particularly prominent in Massachusetts, Steward's bankruptcy was one of the largest hospital bankruptcies in decades.<sup>19</sup> In Steward's bankruptcy filing, it reported over \$9 billion in liabilities, including \$290 million in unpaid employee wages and benefits, nearly \$1 billion in unpaid bills to vendors and suppliers, and \$6.6 billion in long-term rent obligations to its landlord, Medical Properties Trust (MPT).<sup>20</sup>

In the six years leading up to Steward's bankruptcy, Steward closed six hospitals across the US, resulting in the layoffs of at least 2,650 workers and reduced access to care for the communities they served. Steward also cut important service lines, such as obstetrics, behavioral health, and cancer care. Two of the hospital closures happened in 2024 when the health system was on the eve of bankruptcy.<sup>21</sup>

- In 2021, the mental health company Community Intervention Services (CIS) [filed for bankruptcy](#) amid ongoing litigation involving its private equity owner, H.I.G. Capital. Established by H.I.G. as a platform to invest in other mental health companies, CIS acquired South Bay Mental Health Center (SBMHC), a Massachusetts-based mental health provider, in 2012.<sup>22</sup> In January 2018, Massachusetts [Attorney General Maura Healey joined a whistleblower lawsuit against SBMHC](#) that alleged that the firm fraudulently billed the state's Medicaid Program, known as MassHealth, for mental health care services provided to patients by unlicensed, unqualified, and unsupervised staff members at 17 clinics across the state.<sup>23</sup>
- 2021 also saw [Massachusetts sue private-equity-owned Aspen Dental Management](#) for deceptive practices, alleging that the company has "has cheated thousands of Massachusetts consumers through a series of bait and switch dental advertising campaigns in a variety of media, including online advertisements that collectively appeared millions of times, lining its pockets with

---

<sup>18</sup> PESP Private Equity Bankruptcy Tracker, 12 Feb, 2025. <https://pestakeholder.org/private-equity-bankruptcy/>.

<sup>19</sup> Evans, Melanie, and Andrew Scurria. "One of the Biggest Hospital Failures in Decades Raises Concerns for Patient Care." *WSJ*, May 6, 2024, sec. Business. <https://www.wsj.com/health/healthcare/one-of-the-biggest-hospital-failures-in-decades-raises-concerns-for-patient-care-e9ac2422>.

<sup>20</sup> Bugbee, Mary. *Steward Health Care's Bankruptcy: One Year Later*, PESP, 6 May 2025, [pestakeholder.org/news/steward-health-cares-bankruptcy-one-year-later/](https://pestakeholder.org/news/steward-health-cares-bankruptcy-one-year-later/).

<sup>21</sup> *Id.*

<sup>22</sup> *H.I.G. Capital's Mental Health Company Files for Bankruptcy amid Fraud Litigation*, PESP, 19 Jan. 2021, [pestakeholder.org/news/h-i-g-capitals-mental-health-company-files-for-bankruptcy-amid-fraud-litigation-2/](https://pestakeholder.org/news/h-i-g-capitals-mental-health-company-files-for-bankruptcy-amid-fraud-litigation-2/).

<sup>23</sup> *Id.*

## PRIVATE EQUITY STAKEHOLDER PROJECT

millions of dollars.”<sup>24</sup> This was the second time the state has investigated and sued Aspen for deceptive practices while under private equity ownership.

At its core, S. 868 seeks to establish guardrails that would prevent tragedies like Steward from happening in the future. By prohibiting excessive leverage, management fees, debt-funded dividends, and real estate transactions that are likely to place a provider in financial distress, this legislation is a welcome effort in addressing mismanagement of hospitals by private equity firms.

PESP reiterates its strong support for S. 868. By prohibiting certain harmful business practices by private equity firms, Massachusetts can protect its health systems from financial distress and serve as a leading example for other states.

Sincerely,



Chris Noble, Esq.  
Policy Director  
Private Equity Stakeholder Project

---

<sup>24</sup> “Ag Healey Sues Aspen Dental over Deceptive Advertising Scheme That Harmed Thousands of Massachusetts Consumers.” *Mass.Gov*, Mass. Atty. Gen., 9 Dec. 2021, [www.mass.gov/news/ag-healey-sues-aspen-dental-over-deceptive-advertising-scheme-that-harmed-thousands-of-massachusetts-consumers](https://www.mass.gov/news/ag-healey-sues-aspen-dental-over-deceptive-advertising-scheme-that-harmed-thousands-of-massachusetts-consumers).