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Intensive Care

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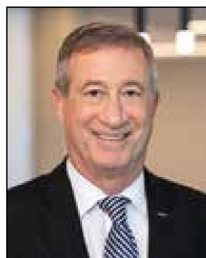

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The Role of Private Equity in Healthcare

Private-equity (PE) firms are major players in the U.S. healthcare industry, investing significant amounts in the last decade to acquire hospitals, nursing homes and physician practices. PE's participation in the nation's healthcare system has led to immense controversy over whether PE should be permitted to invest in certain segments of the healthcare industry without legislative controls.[1]

Over the last two decades, PE has invested heavily in hospitals and long-term-care facilities (LTCs, commonly referred to as "nursing homes").[2] PE firms are estimated to own approximately 8.5 percent of all private hospitals, primarily psychiatric hospitals (where they own more than 22 percent), and rehabilitation and nonspecialty acute care centers. PE firms also own somewhere between 5 and 13 percent of LTCs nationally, although a lack of transparency into ownership structures makes relying on these estimates questionable.

A small group of PE firms dominate the hospital landscape, most notably Apollo Global Management (via Lifepoint Health and Scion Health), Equity Group Investments (via Ardent Health Services) and Bain Capital (via Surgery Partners). PE firms with significant holdings in nursing homes and senior housing include Cascade Capital Group, Portopiccolo Group, Fillmore Capital Partners and Pinta Capital Partners. In an apparent effort to avoid increasing state and federal regulatory scrutiny of hospitals and LTC acquisitions, there is a growing trend of PE investment in healthcare information technology (IT), biotech and medical technology businesses.

Proponents and opponents of PE firms owning healthcare businesses make the following arguments. Defenders contend, among other things, that (1) PE firms can, and will often, implement strict management practices that streamline workflows, reduce administrative waste and increase overall profitability; (2) PE firms can provide essential funding for updated equipment, electronic health record (EHR) systems and facility improvements; and (3) by aggregating single hospitals or small LTC chains into larger platforms, PE firms can increase market power, allowing for better-negotiated rates with insurers (higher profits) and economies of scale (lower costs).[3]

In contrast, critics argue, among other things, that (1) PE firms frequently leverage the target company's own assets to secure acquisition debt, imposing unsustainable debt loads on acquired entities; (2) PE firms frequently sell the real estate (buildings and land) of acquired hospitals or LTC facilities to separate real estate investment trusts (REITs) and take most of the proceeds for themselves, leaving the hospital or LTC facilities with high lease obligations; (3) PE ownership is associated with cutting costs, specifically reducing staffing and salaries in an effort to increase profits; and (4) profits are often paid as dividends to investors rather than being reinvested in the hospital or LTC, leading to deteriorating equipment and services, or lower reserves for cash needs, leading to additional strained liquidity.

These concerns have resulted in a hot debate over the impact of PE ownership costs and patient

1 *See, e.g.*, "Private Equity in Healthcare," *AMA Journal of Ethics*, Vol. 27, No. 5:E303-391 (May 2025), journalofethics.ama-assn.org/issue/private-equity-health-care; Christopher Cai & Zirui Song, "Private Equity in Healthcare: Prevalence, Impact, and Policy Options for California and the U.S.," *Cal. Healthcare Found.* (May 2024), chcf.org/wp-content/uploads/2024/05/PrivateEquityPrevalenceImpactPolicy.pdf (unless otherwise specified, all links in this article were last visited on April 21, 2026). The authors wish to thank Amy West, an associate in Pillsbury's New York office, for her assistance in the preparation of this article.

2 LTC facilities include skilled-nursing and assisted-living facilities.

3 *See, e.g.*, Janet Gao, Yongseok Kim & Merih Sevilir, "Private Equity in the Hospital Industry," *Journal of Financial Econs.* (Sept. 1, 2025), sciencedirect.com/science/article/abs/pii/S0304405X25001151.

care. Some studies have linked PE ownership to higher charges and, in some cases, decreased quality of care in nursing homes.[4] Other studies have found that PE ownership neither adversely nor positively impacts most health outcomes.[5]

PE ownership of healthcare entities has not proven to be an antidote for needing bankruptcy assistance.[6] One study concluded that PE ownership increases bankruptcy risk from 2 to 20 percent over the 10 years following purchase.[7] In recent years, four significant bankruptcy cases of healthcare entities have been attributed to PE ownership. Those healthcare providers have followed a similar path to bankruptcy. The PE firm bought the healthcare provider using a leveraged-buyout model, with loans secured by the assets being acquired. The firm then sold the real estate on which the facilities sat, saddling the facilities with rent obligations that they could not sustain and leaving insufficient cash flow to maintain operations.

Hahnemann University Hospital

In 2018, Philadelphia's Hahnemann University Hospital, a 500-bed teaching hospital, and St. Christopher's Hospital for Children were acquired by Paladin Healthcare Capital (later associated with American Academic Health System). Paladin purchased the hospitals for $170 million, with $120 million of that amount funded by loans secured by the hospital's assets from two PE firms: Apollo Global through two investment trusts.

Immediately after the purchase, the hospital's real estate was spun off into a separate company. This divestiture was intended to separate the real estate (and its value) from the hospital's operational risks, but it also separated the hospitals from assets critical to their operations: the land and the buildings from which they operated. This structure was later described as an example of a "real estate play," where investors prioritized the value of the land over the continued operation of the healthcare facility.

Following the acquisition, the hospital experienced severe financial distress, including diminished staffing, reduced equipment and delayed maintenance. In June 2019, the hospital filed for chapter 11 and ultimately closed. The consequences were significant: Approximately 2,000 people lost their jobs, more than 500 resident doctors were displaced, and access to care — particularly for low-income patients — was significantly reduced. Not surprisingly, the bankruptcy and closure of the hospital resulted in significant publicity contrasting PE's profit-driven, short-term ownership model and the long-term needs of academic medical centers serving vulnerable populations.[8]

Steward Healthcare

In 2010, Cerberus Capital Management acquired Steward Healthcare. Cerberus expanded Steward into a large multi-state, for-profit network, then Cerberus initiated the sale of Steward hospital real estate in September 2016 to Medical Properties Trust (MPT). The initial $1.25 billion deal with MPT involved a sale-leaseback where MPT acquired the real estate for hospitals in Massachusetts and leased it back to Steward. Cerberus then continued a plan to exit its investment, concluding its full ownership transfer in 2020-21, to a physician owned for-profit group. Both Cerberus and Steward's new owners took hundreds of millions of dollars out of the Steward system.

To pay the rent, Steward instituted severe cost-cutting, which led to chronic staffing shortages, a lack of medical supplies, and infrastructure neglect that allegedly directly affected patient care and safety. Unable to finance its operations, Steward filed for chapter 11 in the U.S. Bankruptcy Court for the Southern District of Texas in 2024, with more than $9 billion in liabilities, including approximately $290 million in unpaid employee wages and benefits, $1 billion in unpaid bills to vendors and suppliers, $6.6 billion in long-term rent obligations to MPT, and $1.2 billion in funded secured debt — commencing one of the largest hospital bankruptcy cases in U.S. history. The collapse led to the accelerated sales of most of Steward's 31 hospitals across eight states, the closure of five facilities, and roughly 2,400 layoffs.

Prospect Medical Holdings

In 2010, Leonard Green & Partners (LGP) acquired Prospect Medical Holdings, then a five-hospital chain in Southern California, through a $363 million leveraged buyout. Prospect later expanded to 16 hospitals across four states: California, Pennsylvania, Connecticut and Rhode Island.

According to a U.S. Senate investigation, less than two years after the 2010 takeover, Prospect paid out $188 million in dividends to LGP and approximately $645 million in dividends and preferred stock redemptions between 2010-21, culminating in LGP's exit from the investment. In addition, Prospect took on a $1.1 billion loan in 2018, distributing a significant portion of the proceeds to its owners. In July 2019, Prospect sold the real estate of 14 hospitals and two behavioral health facilities in California, Connecticut and Pennsylvania to MPT for approximately $1.55 billion. The deal was a sale-leaseback transaction, leaving Prospect with significant long-term rent obligations.

The resulting financial strain allegedly contributed to deteriorated, understaffed facilities across the country. Following years of accumulating debt and unpaid rent, MPT entered into restructuring transactions in 2023 where MPT took on a greater than $1 billion stake in Prospect-related assets. Notwithstanding these out-of-court efforts to

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4 *See, e.g.*, Maya Brownstein, "Private Equity's Appetite for Hospitals May Put Patients at Risk," Harvard T.H. Chan School of Public Health (Dec. 16, 2024), hsph.harvard.edu/news/private-equitys-appetite-for-hospitals-may-put-patients-at-risk.

5 Marcelo Cerullo, *et al.*, "Financial Impacts and Operational Implications of Private Equity Acquisition of U.S. Hospitals," *Health Affairs* (April 2022), healthaffairs.org/doi/10.1377/hlthaff.2021.01284; Sneha Kannan, *et al.*, "Changes in Hospital Adverse Events and Patient Outcomes Associated with Private Equity Acquisition," *JAMA* (Dec. 26, 2023), jamanetwork.com/journals/jama/fullarticle/2813379.

6 *See* Zhida Siddiqi, "Divergent Views on Private Equity's Influence in Nursing Homes Amid Reports of Risky Financial Decisions and Opaque Ownership Structures," *Skilled Nursing News* (April 23, 2025), skillednursingnews.com/2025/04/divergent-views-on-private-equitys-influence-in-nursing-homes-amid-reports-of-risky-financial-decisions-and-opaque-ownership-structures.

7 *See* Amy Stulick, "Inside PE's Financial Gamemanship: PE-Owned Nursing Homes Face 10 Times Greater Bankruptcy Risk, Higher Mortality," *Skilled Nursing News* (March 10, 2026), skillednursing-news.com/2026/03/inside-pes-financial-gamesmanship-pe-owned-nursing-homes-face-10-times-greater-bankruptcy-risk-higher-mortality.

8 *See, e.g.*, Chris Pomorski, "The Death of Hahnemann Hospital," *The New Yorker* (May 31, 2021), newyorker.com/magazine/2021/06/07/the-death-of-hahnemann-hospital.

increase liquidity, Prospect filed for chapter 11 on Jan. 11, 2025, in the U.S. Bankruptcy Court for the Northern District of Texas with $2.3 billion in liabilities and with more than 100,000 creditors, including employees, vendors, pensioners and state governments. The case was resolved through the closure of some hospitals and the sales of Prospect's entire portfolio over 13 months, with recoveries for unsecured creditors being highly speculative.

Genesis Healthcare

In 2007, JER Partners and joint venturer Formation Capital acquired Genesis Healthcare, a major Pennsylvania-based nursing home operator with 42 facilities in Pennsylvania and New Jersey, for approximately $2 billion. Genesis was once the largest U.S. nursing home operator.

In 2011, JER Partners and Formation Capital sold the majority of the real estate assets (180 facilities) acquired in the 2007 deal to Healthcare REIT for $2.4 billion. At the time, a managing director of JER Partners said that "[t]he sale of Genesis's real estate assets enable[d] JER Partners to achieve our business plan objectives for this investment and distribute capital back to our investors by taking advantage of today's exceptionally strong demand for health real estate assets operated by best-in-class management teams."[9]

The sale also required the facilities to operate pursuant to a long-term, triple-net master lease. The long-term, fixed-cost rent payments, combined with industry headwinds, made the company's financial position precarious. By 2021, the accumulated pressure forced Genesis to restructure its master lease, then held by Welltower, to narrowly avoid bankruptcy.

Genesis entered chapter 11 in July 2025, burdened by more than $259 million in debt and mounting lawsuits alleging negligent care, abuse and wrongful deaths. PE firms (including JER Partners and later ReGen Healthcare) were accused of extracting value through asset-stripping and high-risk leveraged buyouts, which caused significant care declines. PE owners sold off real estate assets, forcing Genesis to pay high rent, leading to chronic financial distress and understaffing. Senators and creditors accused PE ownership of using the bankruptcy court to escape paying victims and settling wrongful-death lawsuits. Eventually, the assets were sold in a bankruptcy proceeding.[10]

Legislative Responses

These cases highlight a pattern of PE-driven financial engineering that is alleged to compromise patient care to prioritize investor profits. These cases have triggered demands for stronger accountability and regulations to protect patients from PE. In response to these concerns, the "Health Over Wealth Act" was introduced in the Senate in 2024 to establish strict financial and transparency reporting for PE-acquired health systems.[11]

On Jan. 7, 2025, Sens. Chuck Grassley (R-Iowa) and Sheldon Whitehouse (D-R.I.), in their respective capacities as Ranking Member and Chairman of the Senate Budget Committee during the 118th Congress, released a bipartisan staff report on the ways in which PE investment in healthcare has had what they alleged to be negative consequences for patients and providers.[12] The Committee focused on the PE investments in Steward and Prospect. The summary of the study alleges that PE ownership of hospitals earned investors millions, while patients suffered and hospitals experienced health and safety violations, understaffing, reduced quality of patient care and closures.[13]

At least seven states have enacted laws requiring increased scrutiny of PE transactions. For example, Massachusetts passed legislation that explicitly requires reporting for transactions involving "significant equity investors," defined as those possessing more than 10 percent of a healthcare provider, and Indiana passed legislation requiring a 90-day pre-closing notice to the state Attorney General for transactions involving PE partnerships and healthcare entities.

Some states have implemented more aggressive measures to temporarily or permanently halt certain PE activities. For example, Maine passed legislation that imposed a one-year moratorium prohibiting PE firms or REITs from acquiring or increasing ownership in hospitals, and Oregon passed legislation prohibiting nonphysician investors from owning or controlling medical practices.

Laws in several states aim to prevent financial investors from interfering with medical decision-making. For example, California prohibits PE firms from interfering with the professional judgment of physicians and dentists, and requires notice related to management services organizations often used in PE structures. Other states have considered such legislation, although they failed to pass as of April 2026.

Conclusion

Although many factors contribute to the financial difficulties facing America's healthcare system, the participation of PE is one area that is uniformly viewed with, at best, concern and at worst with disdain, and has been an issue able to unite politicians of different parties. Nonetheless, with almost 20 percent of America's gross domestic product being spent in healthcare, the participation of PE is not likely to disappear, although some legislative and regulatory limitations are inevitable. abi

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9 *See* "JER Partners to Sell the Real Estate Assets of Genesis HealthCare to Healthcare REIT, Inc. for $2.4 Billion," PR Newswire (Feb. 28, 2011), prnewswire.com/news-releases/jer-partners-to-sell-the-real-estate-assets-of-genesis-healthcare-to-health-care-reit-inc-for-24-billion-117095828.html.

10 *See* Kimberly Marselas, "Judge Approves Sale of Genesis HealthCare Assets to Bidder 101 West," *McKnight's Long-Term Care News* (Jan. 20, 2026), mcknights.com/news/breaking-judge-approves-sale-of-genesis-healthcare-assets-to-bidder-101-west-street.

11 *See* Statement of Sen. Ed Markey, markey.senate.gov/imo/media/doc/health_over_wealth_one_pager.pdf (last visited on May 6, 2026).

12 "Profits Over Patients: The Harmful Effects of Private Equity on the U.S. Healthcare System," U.S. Senate Budget Comm. (January 2025), grassley.senate.gov/imo/media/doc/profits_over_patients_budget_staff_report.pdf.

13 *See* "Private Equity in Healthcare Shown to Harm Patients, Degrade Care and Drive Hospital Closures," U.S. Senate Budget Comm. (Jan. 7, 2025), budget.senate.gov/ranking-member/newsroom/press/private-equity-in-health-care-shown-to-harm-patients-degrade-care-and-drive-hospital-closures.