RISK NAVIGATOR

Private equity: Health care ownership and liability risks

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Healthcare

MARKEL

About Markel's Risk Solution Services team

Risk Solution Services provides technical insight related to existing and potential insured risk at Markel. The team partners with our customers, claims and underwriters to educate on both current and future risk trends and supports our customers with a broad offering of risk management solutions.

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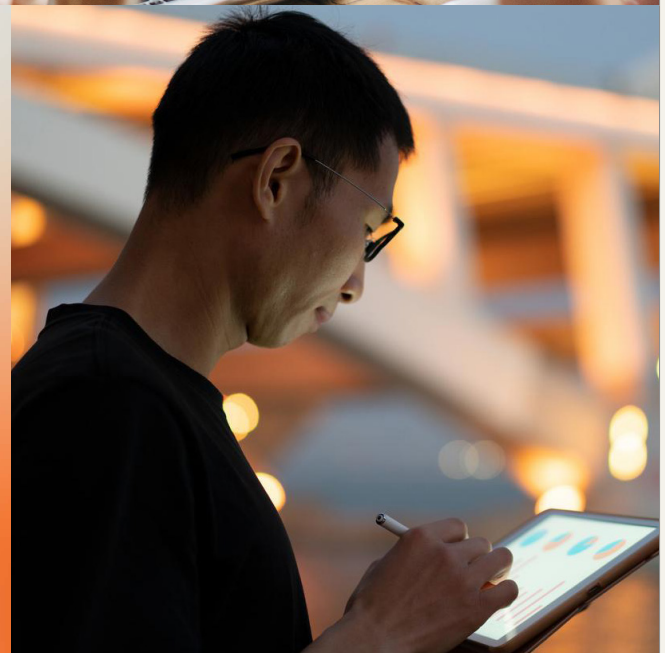

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Overview

Private equity (PE) in health care is a type of for-profit ownership by private parties which are entities that manage funds for large groups of wealthy institutions or individuals investing in health care firms. Private equity is essentially an investment strategy in which those buyers acquire health care organizations with the goal of increasing the value and reselling it for a profit with a relatively short time frame, often within 7 years. The PE model most often used is a leveraged buyout (LBO) in which the acquired entity assumes a high level of debt.[1] This inhibits the organization's budgets going forward.

Private equity in health care is not new but has become more visible in recent years. Their strategies to do so vary.[2]

The move to less expensive outpatient care, demographic pressures of the aging population causing increased demand for health care services, rapid technological/digital progress (e.g. telehealth and AI) are factors creating opportunities for PE firms. Rising supply and labor costs for all types of health care organizations are other factors.[3]

Private equity (PE) firms have made huge investments in the health care industry. 2025 marked the highest total PE investment in the health care industry at $191 billion. The categories of health care businesses receiving PE investment in 2025 included health IT, dental, outpatient care, ambulatory surgery, skilled nursing pharmacy, med tech and behavioral health.[4, 5]

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Financial pressures and long-term viability

Private equity ownership can introduce significant financial pressures that impact the long-term viability of health care organizations PE firms acquire. These may impact malpractice risk. Key concerns include:

- **Debt burden:** Private equity firms often use leveraged buyouts to acquire health care firms, saddling them with substantial debt. This increases financial risk and limits the acquired entity's ability to invest in growth and improvements and can cause drastic cost cuts, potentially impacting staffing and equipment purchases. [5, 6]
- **Short-term focus:** Private equity firms typically seek quick returns on investment (3-7 years), which can lead to short-term decision-making that undermines the health care organization's viability.[7]
- **Asset stripping:** In some cases, private equity firms may sell off valuable assets or real estate to generate immediate cash flow, leaving health care organizations with fewer resources to operate effectively.[8]
- The **PE owners**, who usually have financial backgrounds, are very unlikely to have had health care industry experience, particularly in management and operations.

There is also a potential domino effect when private equity firms are involved in healthcare as they can also acquire other the local health care organizations, such as a local EMS system, ambulance firms, rehab facilities, hospices, and others, which may create referrals to maximize profits. It also may involve mergers and acquisitions across region, even geographically diverse regions. This is known as cross-market merger.[9, 10]

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Legislative, regulatory and ethical concerns

Private equity ownership raises important ethical and regulatory concerns:

- **Transparency:** The opaque nature of private equity operations can make it difficult for regulators and the public to assess the true financial health and operational practices of hospitals and other health care organizations and businesses acquired. PE firms often deliberately acquire health care organizations through mergers and acquisitions that fall below financial thresholds that would trigger regulatory scrutiny.
- **Federal agency regulation of PE (FTC)** is thus limited and challenging since the transaction financial threshold usually falls below the trigger ($111.4M in 2023) for agency scrutiny.
- **Conflict of interest:** Profit-driven motives may conflict with ethical considerations, leading to decisions that prioritize financial gain over patient well-being. Those decisions may adversely impact malpractice risk.[10]

> On January 7, 2025, the U.S. Senate Budget Committee released a bipartisan report on its findings after a year-long investigation into private equity firms. The report was titled “Profits Over Patients: The Harmful Effects of Private Equity on the U.S. Health Care System”. The report laid out “a harrowing pattern of private equity firms prioritizing profits at the expense of patient care…” It focused on hospital acquisitions and called for greater (regulatory) oversight. The report questioned the compatibility of PE firms’ profit motive with its ownership model that “reduced services (and) compromised patient care”.[11]

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That same month, the Federal Trade Commission, Department of Justice, and the Department of Health and Human Services released a joint reported that included much negative commentary on the effects of private equity in the health care delivery system in the U.S. These included:

- Higher prices (sometimes double) and less access for patients of healthcare facilities.
- "Corporate process change", especially "forced changes in referral patterns".
- Acquisition of nursing homes and other community services that lowered the quality of services.
- Increased patient volumes needing to be seen and less time spent with patients.[12, 13]

Patient care and safety: Malpractice risk of PE

One of the primary concerns with private equity ownership is the potential compromise of patient care and safety. This can lead to cost-cutting measures that adversely affect the quality of care. This can manifest in various ways:

- **Reduction in staff:** To lower operational costs, private equity-owned hospitals may reduce staffing levels, leading to overworked staff and decreased patient-to-nurse ratios. This may potentially result in longer wait times, increased likelihood of errors, diminished patient care and increased numbers of deaths.
- **Limited resources:** Budget constraints may lead to insufficient investment in essential medical equipment, technology, and infrastructure, adversely affecting patient treatment and outcomes.
- **Profit-driven decisions:** Private equity firms may prioritize high-margin services and procedures over essential but less profitable ones, potentially limiting patient access to comprehensive care.[14, 15]

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A 2023 study found that Medicare patients at private equity-owned hospitals suffered a 25% increase in hospital-acquired complications compared to Medicare patients at hospitals not owned by private equity. These complications included a 38% increase in bloodstream infections from central lines—longer-term, surgically inserted ports through which patients can intravenously receive fluids, medications, and blood—despite 16% fewer central lines placed. Similarly, the rate of surgical site infections doubled at private equity-owned hospitals while those at the control hospitals decreased. And while falls at hospitals not owned by private equity have been trending downward—a product of a nationwide, decades-long hospital safety movement—falls at private equity-owned hospitals have remained steady, amounting to a 27% relative increase.[16]

A study published in the Annals of Internal Medicine in 2025 focused on hospital staffing changes after acquisition by private equity firms. The authors looked at Medicare data to compare 49 post-acquisition hospitals with Emergency Department visits and ICU stays impacted by reduced staffing and staff salaries in the EDs and ICUs relative to the control, numbering 293 matched hospitals. They found a significant reduction in ED salaries (18.2%) and ICU salaries (15.9%). This resulted in an increase of 7.0 deaths per10,000 visits in the EDs. No change in ICU deaths was observed by the authors.[17]

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While private equity ownership can bring financial stability and operational efficiencies to health care organizations, it also poses significant potential risks to patient care and thereby also creates a potential risk of medical malpractice litigation. Medical professional liability insurers and brokers should be aware of those risks and past patterns of ownership behavior by private equity firms and then act accordingly to underwrite, manage and minimize the exposures to PE's unique risks These include questions and research by account on key issues, including:

- The ownership model used, with a LBO creating more risk, depending on the amount of debt incurred.
- Business strategy to sell in a short time frame (3-7 years).
- Methods planned to reduce expenses and the effect on staffing and capital investments.
- Health care industry operations experience of the PE management team.
- Plans and past experience to sell organizational assets related to patient care delivery.

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