

Mr. Chair and members of the Commerce Committee:

I am writing in support of HF4206/SF439 for the 2024 legislature.

I am a practicing vitreoretinal surgeon at the University of Minnesota and St. Paul Eye Clinic, PA and I have deep concerns regarding private equities' growing influence in Minnesota's healthcare landscape over the past decade.

In 2020, my employer sold their ophthalmology practice to a private equity organization. This organization now employs over half of the vitreoretinal surgeons in the state of Minnesota. I elected to resign prior the closing of the transaction given the numerous studies that have shown that **private equity organizations put profits before patients** and engage in anti-competitive behavior. The most encompassing and impressive study to date regarding private equity's impact on healthcare costs and outcomes was published in the July 2023 issue of the BMJ, a world-famous medical journal. The meta-analysis concluded that private equities investment in healthcare is associated with increased costs to patients and payers up to 35% and significant negative effects on healthcare quality. No consistently beneficial impacts of private equity ownership were identified.

In my case, the private equity organization elected to enforce an overly broad, lengthy and punitive non-compete provision which had a harmful effect on my career, family and patients who depended on me for highly specialized eyecare. For nearly 2 years, I commuted from my home in Edina, MN to Eau Claire, WI and Aberdeen, SD to make ends meet for my family including my three children under the age of 5. Thankfully, the legislature banned the use of non-compete provisions with SF405 in 2023. Prohibiting private equity from further acquiring healthcare services is the obvious next step to help keep Minnesota patients safe from corporate greed in healthcare.

I encourage the legislators in the Minnesota State Legislature to support HF4206/SF439 and prohibit private equity from acquiring or increasing its control over health care services in Minnesota.

Sincerely,



Alexander L. Ringeisen, MD
Associate Adjunct Professor, University of Minnesota Medical School; Minneapolis, MN
Physician St. Paul Eye Clinic; Woodbury, MN
aringeisen@gmail.com (952)221-0063

To the members of the Commerce Committee
Minnesota House of Representatives

Re: HF 4206

To the Committee members:

I am writing in support of the above bill, which is designed to prevent any further investments or purchases by private equity (PE) firms or real estate investment trusts, in our healthcare organizations in the state of Minnesota.

I am a practicing primary care doctor and have been taking care of patients in this state for 15 years, after completing my residency at the University of Minnesota. In that time, we've all felt the pressures of change in healthcare, how we provide it, how we pay for it, why we seem to get so much less for our dollars than other countries, and the challenging disparities that exist in our state and elsewhere. In other parts of the country, PE firms have bought up hospitals, ER staffing groups, and specialty clinical practices in large numbers, with promises to help efficiency, add resources, and not interfere with medical decision-making. Time and again, doctors and patients have watched those promises turn into a crushing debt on the institution while resources are drained, patients suffer and doctors cannot speak up without risk of being fired.

The national media is increasingly covering the impact that private equity is having as it increases its footprint in healthcare. A recent case is that of Steward Healthcare Hospitals in Massachusetts, where several hospitals were purchased with promises of efficiency, then looted of their resources and now are on the edge of closure. There is ample proof around the country about the impacts of private equity, and the draining of money from patient care in order to enrich shareholders. That's the nature of PE - make as much money as possible in a short time from an investment and get out. It's been demonstrated time and again that caring for patients does not equate with maximizing profit.

We have a history of being a leading state in terms of providing care for more of our citizens, and allowing only non-profit HMO's in Minnesota. That changed in 2017, and as a doctor who practiced before and after that shift, I've felt the negative effect on my patients and on my work, and I don't see any indication that it's improved costs or outcomes for patients. In fact, it's notably harder for them to get the care and medications they need and for me to provide them. This is the same trend as private equity - false claims of efficiency when in fact the goal is wringing out as much money as possible, creating profit, not caring for people.

Let's learn from what's happening around the country and not allow this wave to take down our system here in Minnesota. We can lead the country away from the trend of greed and profiteering that is taking over healthcare. **We can stand up against those who answer to shareholders first and patients a distant second.** I hope you will see this bill as a chance to stand up for Minnesotans - we'll all be patients at some point, and we all deserve better.

Sincerely,
Sara Hartfeldt, MD



April 8, 2024

Chair Zack Stephenson
House Commerce Finance and Policy Committee
449 State Office Building
St. Paul, MN 55155

Dear Chair Stephenson and members:

On behalf of Minnesota Farmers Union (MFU), I write to share our organization's support for HF4206, which will prohibit private equity ownership of certain healthcare providers and companies, addressing one of the key forces consolidating our healthcare system to the detriment of patients, healthcare workers and rural communities. We are grateful for Representative Hanson's leadership on this important topic and appreciate that the committee has made time to hold an informational hearing on this important issue.

MFU is a grassroots organization that has represented Minnesota's family farmers, ranchers and rural communities since 1918. At our most recent annual convention MFU members voted to make ensuring affordable and accessible care in rural Minnesota a key priority for this year.ⁱ Members also identified curbing monopoly power and protecting competition as a critical issue. These priorities included support for measures that will strengthen existing laws or create new tools to prevent further consolidation of healthcare entities and services.

HF4206 builds off the work the legislature did last year in enacting meaningful checks on large hospital mergers by helping to address another key driver of healthcare consolidation, private equity ownership. A recent study found that large out-of-state chains, including those backed by private equity, have been rapidly acquiring Minnesota nursing homes and that a significant portion of those transactions involves selling nursing home property to real estate investment trusts.ⁱⁱ The study found that the nursing homes that were acquired performed worse on Minnesota Department of Health inspection scores and spent significantly more on management fees while cutting employee health insurance coverage and laying off workers.

Nursing homes are not the only healthcare entities impacted by the rise of private equity. In more than 13 percent of metropolitan areas nationwide, including the Twin Cities and St. Cloud, a single private equity firm owns more than half of the physician market for certain specialties.ⁱⁱⁱ In 2012 neither of those markets in Minnesota experienced that sort of private equity control, meaning that without legislation like HF4206 this issue is likely to only grow. These acquisitions are on top of the increasing wave of physician practice acquisitions by large healthcare systems, which have left the independent physician nearly extinct in Minnesota.^{iv}

While there is only one private equity-owned hospital in Minnesota, HF4206 would help ensure Minnesota's hospitals stay out of the hands of Wall Street investors. Massachusetts is currently suffering the consequences of private equity looting its hospital system. Steward Health is a major health system created by a private equity acquisition spree across multiple states. The health system is now facing significant financial challenges that have left it unable to pay its bills, resulted in selling its physician practice to a dominant healthcare corporation, and threatens the viability of

the eight hospitals it owns in Massachusetts. Meanwhile, the private equity firm that first purchased those Massachusetts hospitals recently reported having made over \$800 million on the acquisition.^v

While situations like Toys R' Us, which was driven into bankruptcy after a private equity owner saddled the company with debt, might seem unique, private equity is a challenge across the economy. Nearly one in 13 Americans now work for private equity-owned companies.^{vi} Private equity is rolling up a variety of industries including HVAC installers, lumberyards, fast food franchises and housing.^{vii} This is why the Federal Trade Commission and Department of Justice identified serial acquisitions as an important anticompetitive strategy in the new merger guidelines the agencies released last year.^{viii}

However, just like in other areas of competition policy, there is an important role for state government to play. As mentioned earlier, Minnesota's stronger oversight of large hospital and healthcare system mergers was recognition of the harm consolidation has on patients, communities, and healthcare workers. HF4206 can be another tool to help prevent monopolization of our healthcare system.

Thank you again to Representative Hanson for her leadership on this bill. We urge the committee to act on this important issue in future sessions. If you have any questions, please contact our Government Relations Director, Stu Lourey, at stu@mfu.org or (320) 232-2047 (C). Thank you for considering the needs and perspectives of Minnesota's farm families.

Sincerely,



Gary Wertish
President, Minnesota Farmers Union

ⁱ https://mfu.org/wp-content/uploads/2023/11/MFU-Special-Orders-of-Business-for-2024_11.19.23.pdf

ⁱⁱ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9196681/pdf/igac022.pdf>

ⁱⁱⁱ https://www.antitrustinstitute.org/wp-content/uploads/2023/07/AAI-UCB-EG_Private-Equity-I-Physician-Practice-Report_FINAL.pdf

^{iv} <https://minnesotareformer.com/2023/01/13/commentary-where-have-all-the-small-medical-practices-gone/>

^v <https://www.bostonglobe.com/2024/04/02/business/cerberus-capital-management-steward-health-care/>

^{vi} <https://pestakeholder.org/issues/labor-and-employees/>

^{vii} <https://www.propublica.org/article/when-private-equity-becomes-your-landlord>

^{viii} https://www.ftc.gov/system/files/ftc_gov/pdf/2024.03.05-chair-khan-remarks-at-the-private-capital-public-impact-workshop-on-private-equity-in-healthcare.pdf