

Private Equity in Minnesota's Health Care Landscape: Trends and Effects

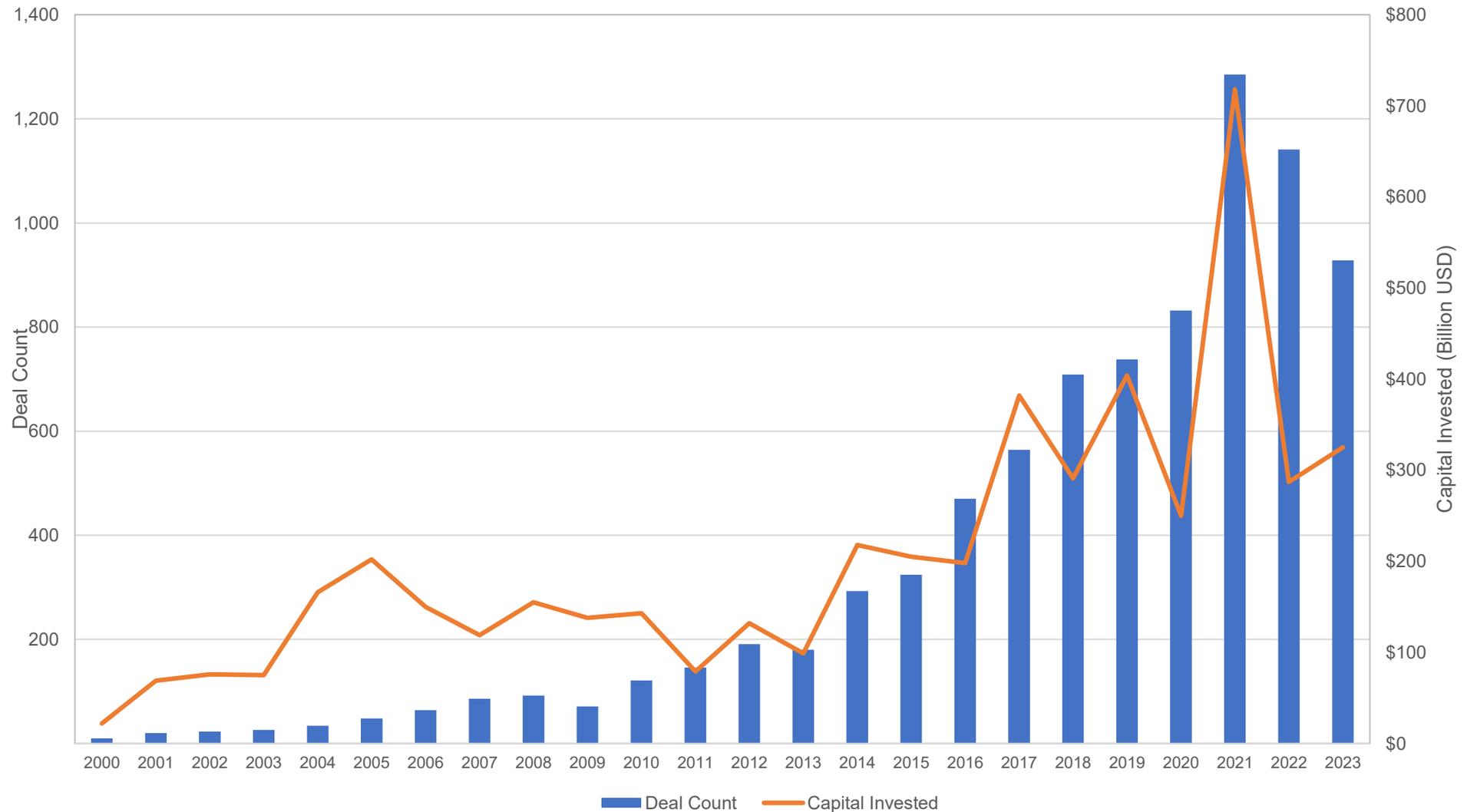
Testimony on HF. 2779
Healthcare Accountability Act

Minnesota House of Representatives

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March 2, 2026

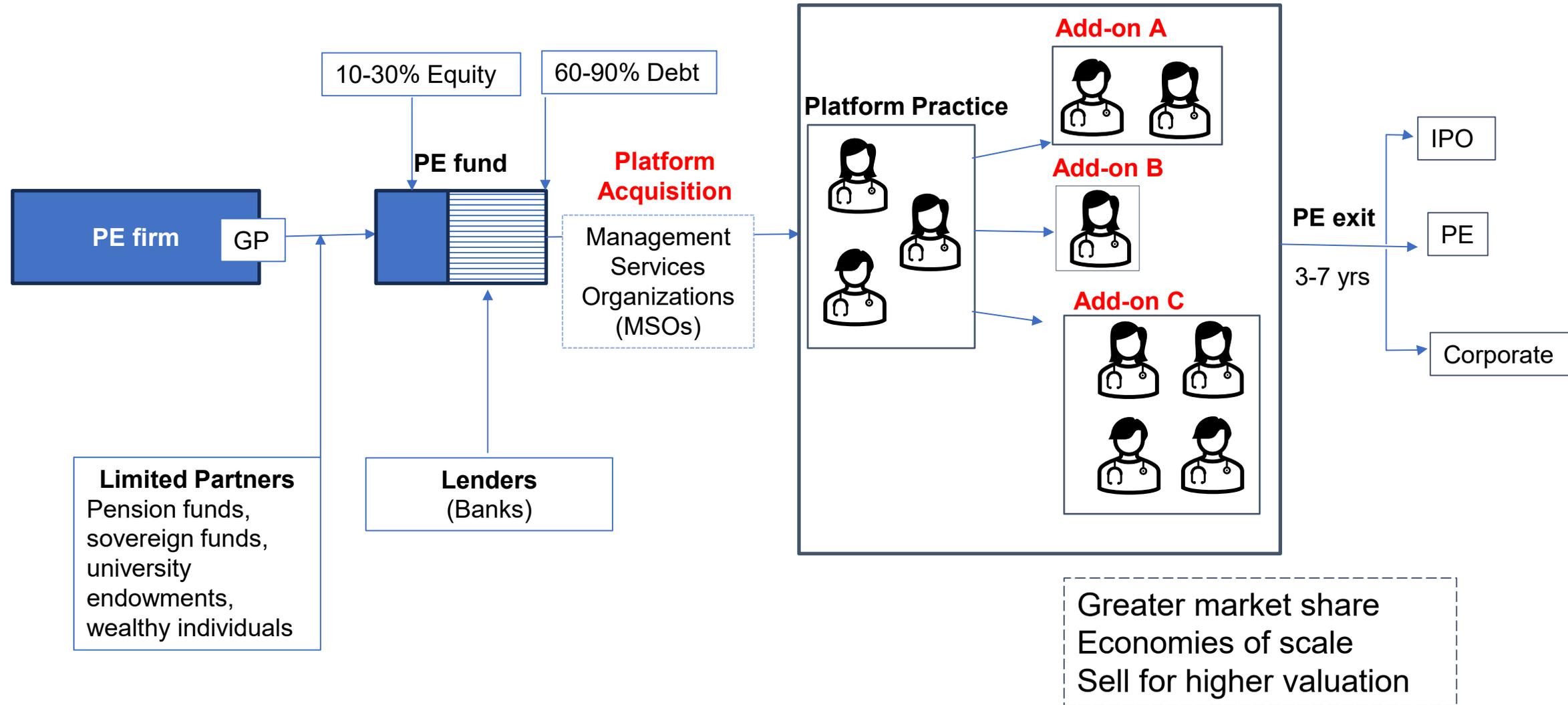
Private equity firms have invested \$1 trillion dollars in the US health care system in the last decade



How PE differs from other private, for-profit health care entities

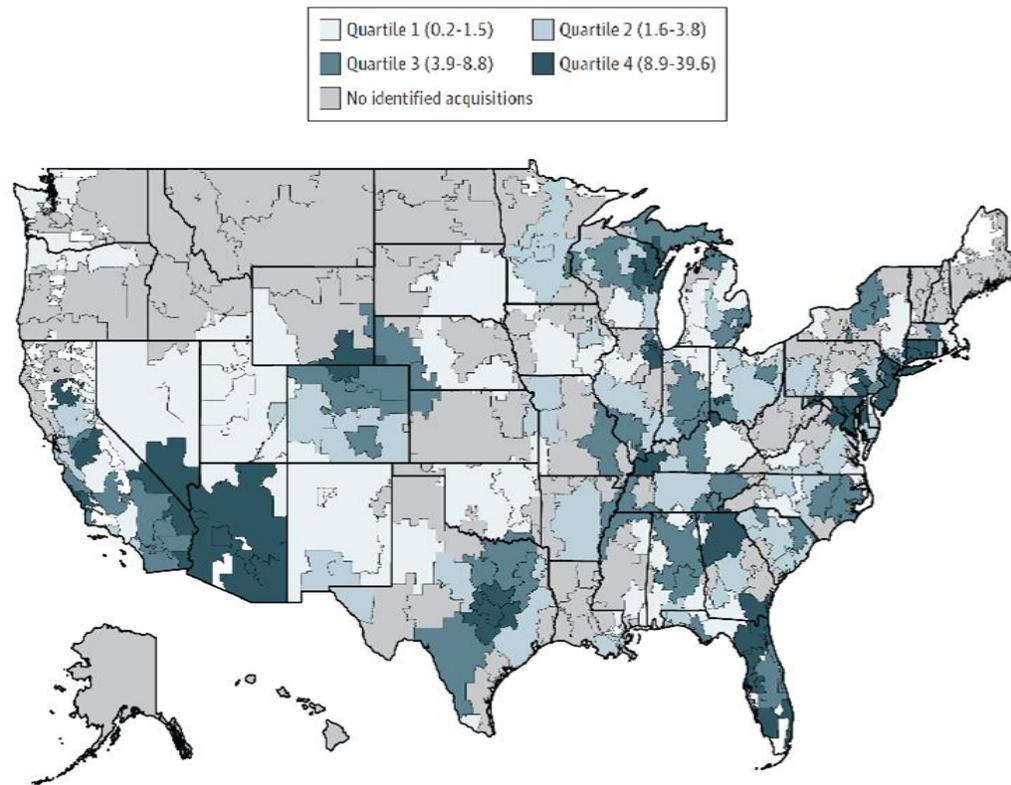
- **Incentive structure**
 - PE firms rely on substantial debt to acquire controlling stakes
 - Short investment horizon, typically 3-7 years
 - High target internal rates of return (often ~20% per year)
 - Emphasis on rapid value creation and exit rather than long-term investments
- **Limited transparency**
 - Few disclosure requirements on ownership structures, financing, or performance
 - Difficult for researchers, policymakers to identify trends and assess impacts
- **PE strategies are distinct across investment settings**
 - “Platform and add-on” consolidation in outpatient settings (common in physician practices)
 - Sale-leaseback arrangements that separate the property company (PropCo) from the clinical operating company (OpCo) (common in hospitals and nursing homes)

Classic model of private equity investment in physician practices



PE investments increase the cost of care with mixed effects on quality

Figure 1. Private Equity (PE) Penetration Across 6 Office-Based Specialties by Hospital Referral Region (HRR)

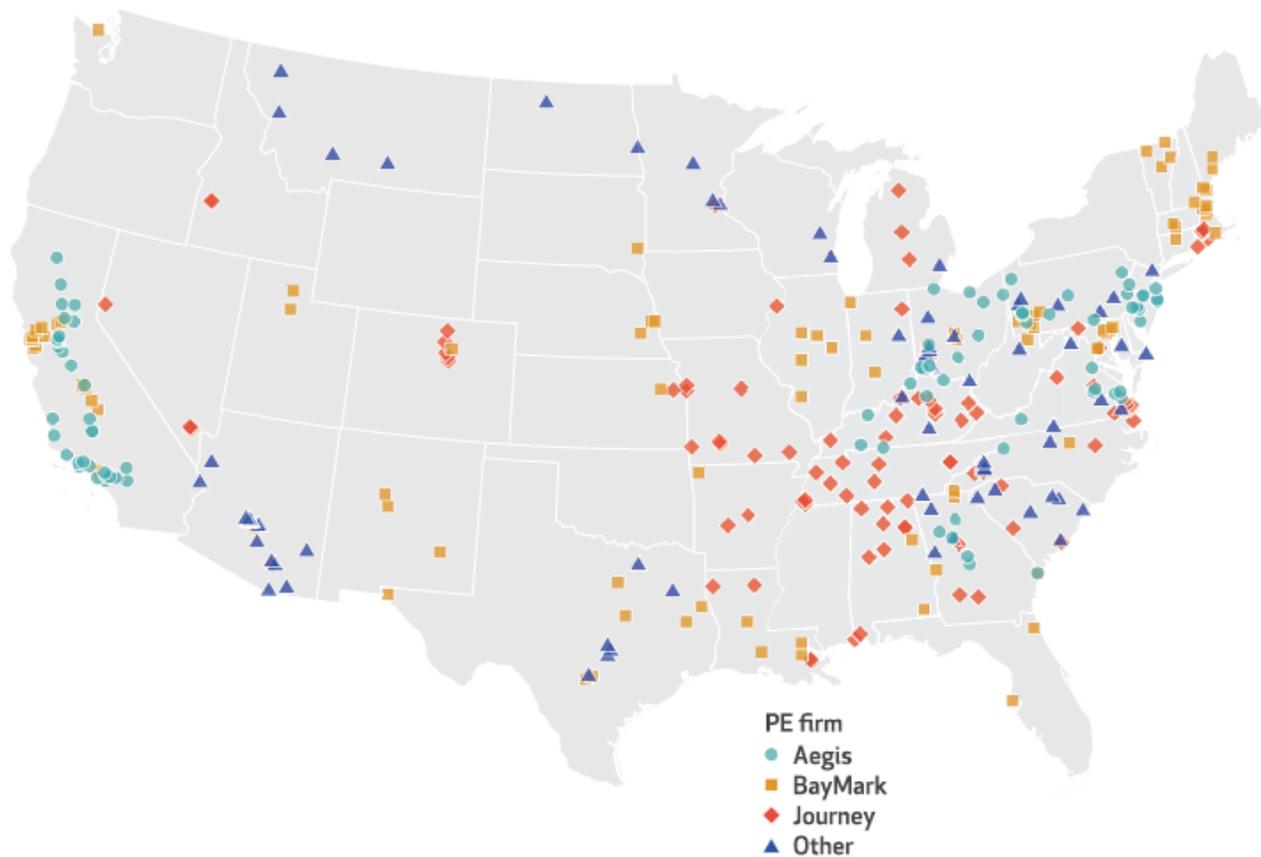


Singh Y, Zhu JM, Polsky D, Song Z (JAMA Health Forum 2022)

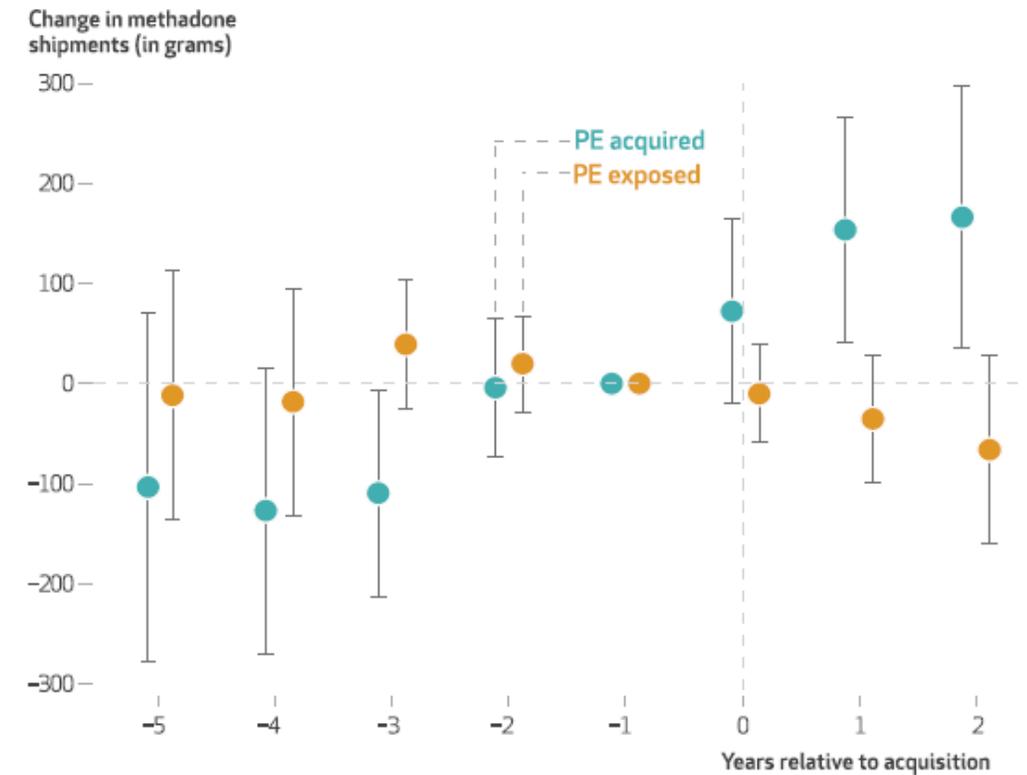
- PE investments in outpatient settings increase health care prices by 10-26% and utilization of ancillary services (Singh et al., 2022, Singh et al., 2025, La Forgia et al., 2022, Braun et al., 2021)
- PE acquisitions increase reliance on advanced practice providers; acquisitions also increase physician turnover (Singh et al., 2025, Bruch et al., 2023)
- PE acquisitions increase adverse events and mortality in hospitals and nursing homes; no change in quality in outpatient settings (Gupta et al., 2024, Kannan et al., 2024, Cerullo et al., 2022, Braun et al., 2021; Arnold et al., 2025)

In Minnesota, PE firms operate 20 percent of opioid treatment programs. National data show that PE acquisitions do not expand methadone access.

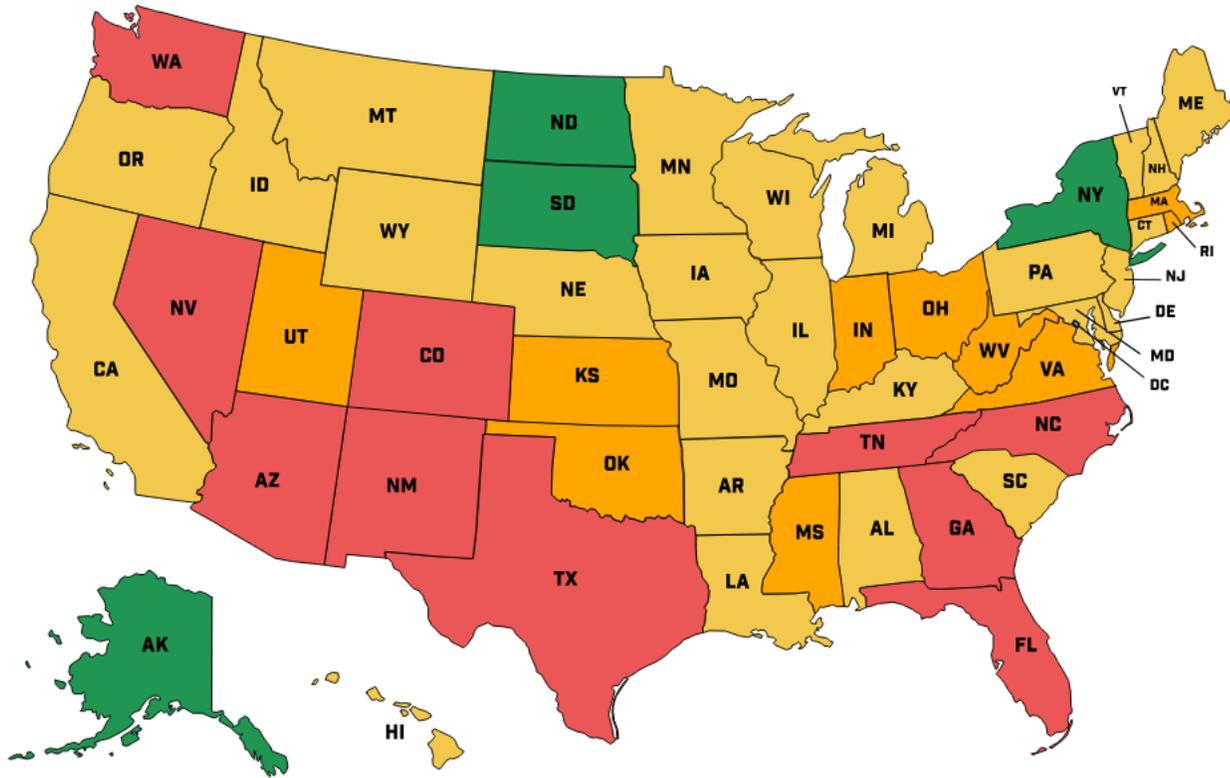
Number of PE-affiliated OTPs, 2022



Differential change in methadone supply, PE-acquired and PE-exposed OTPs relative to matched controls



Private Equity Risks in Housing, Health Care, Jobs and Pensions



PRIVATE EQUITY
STAKEHOLDER
PROJECT



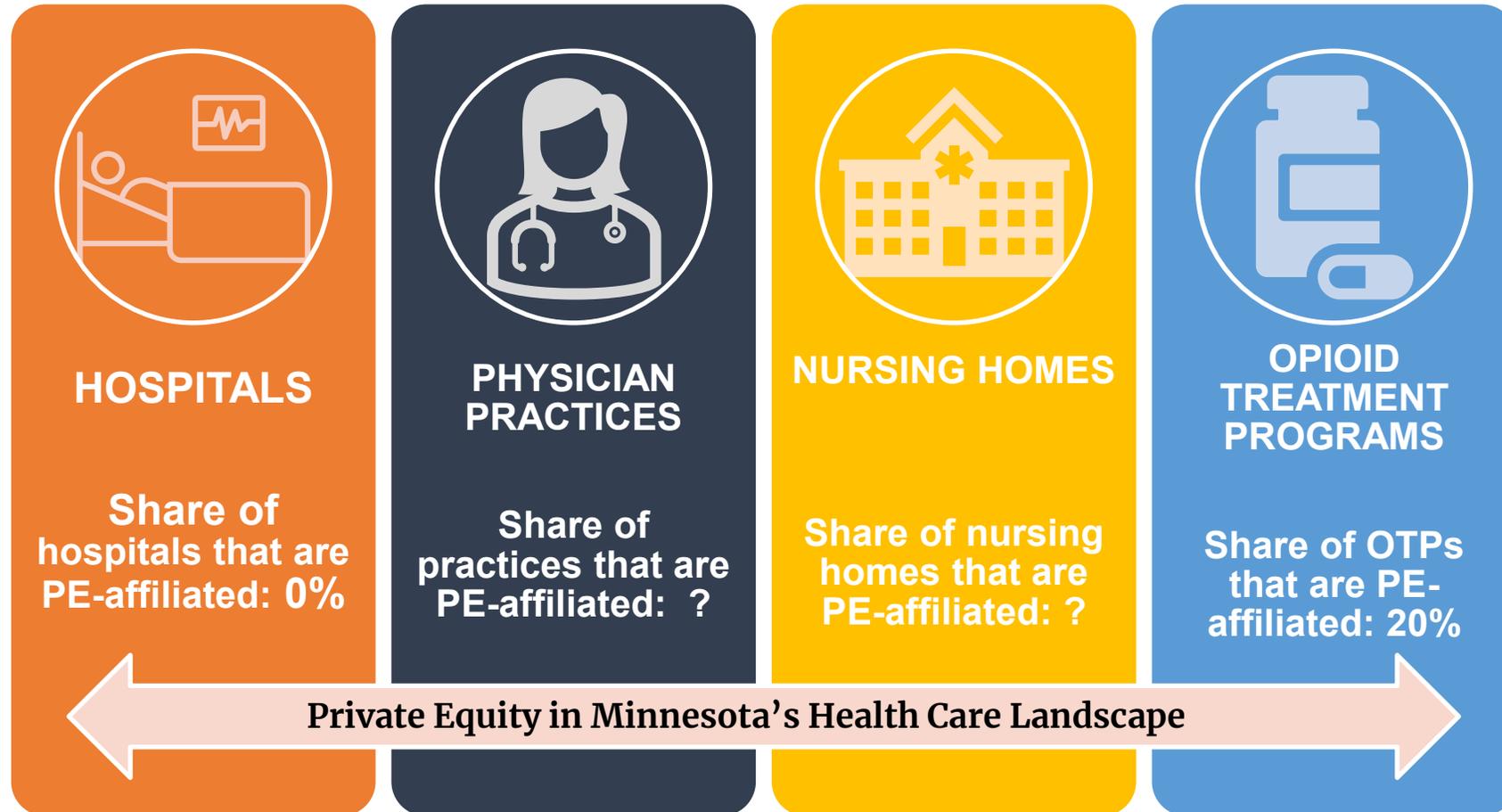
Minnesota



MEDIUM RISK

PRIVATE EQUITY RISK SCORE **46/100**

Private Equity Footprint in Minnesota's Health Care Landscape



Summary

- PE investments in health care reflect a broader trend of health care corporatization
- Growing evidence of PE acquisitions of physician practices
 - Higher prices across specialties
 - Change to service provision
 - Higher physician turnover and reliance on advanced practice providers
- PE strategy is sector specific; heterogeneity in impact across payers, patients, and workers
- State-specific evidence is limited by the lack of transparency and disclosure requirements
- Key regulatory challenge: balance need for capital investment with protections for patients and health care workers

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