Submitted Testimony on Raised H.B. No. 5319: AN ACT REQUIRING A PLAN CONCERNING PRIVATE EQUITY FIRMS ACQUIRING OR HOLDING AN OWNERSHIP INTEREST IN HEALTH CARE FACILITIES.

Distinguished Chairpersons of the Public Health Committee, Sen. Saud Anwar and Rep. Cristin McCarthy Vahey; Honorable Members of the Public Health Committee:

My name is Eric Schwaber and I am a board-certified Internal Medicine specialist living in Fairfield, CT and practicing at an independent primary care office in Milford, CT. I submit testimony to you today to express support for Raised H.B. No. 5319 as a launching point for the significant additional oversight of these firms which is essential to ensure safe, quality healthcare for the citizens of Connecticut.

Private equity firms are investment vehicles where an advisor pools money to make investments, providing active direction in order to increase value. It is important to understand that these private equity funds themselves are not registered with the SEC and as such, are not subject to regular public disclosure requirements. My experience has shown that after making sometimes lofty promises during the acquisition process that these firms quickly pivot to profit-driven tactics with potentially devastating, real-life clinical consequences for our patients and communities.

A recent and potent local example of this is Leonard Green and Partners acquisition of Prospect Medical Holdings. Prospect Medical Holdings (prior to subsequently divesting them) owned Waterbury, Manchester Memorial and Rockville General Hospitals in Connecticut which are essential providers of safety net services in Connecticut, serving some of the most sociodemographically and medically at-risk patients we treat and constituents that you serve. As outlined in a ProPublica expose, this private equity firm presented lofty promises during the acquisition process, then quickly turned to self-serving financial tactics including improper Medicare billings, illegal patient procurement schemes, and poor quality controls in order to give their executives and shareholders large pay bonuses. Over the course of ten years, the majority and minority partners of Leonard Green received $658 million in fees and dividends, taking loans to pay themselves, while reporting a $603 million cumulative loss. While profits soared and stakeholders were reassured that owned hospitals were financially stable and secure, the


story at the hospitals appears to be much different, with diminishing clinical services and significant staff layoffs. Medical supplies were scarce and ambulances were in danger of being short of fuel.

Before the acquisition of Prospect Medical Holdings, this profit-first approach was already apparent at several hospitals Leonard Green acquired in California. This led Connecticut to send a team to investigate complaints of gross negligence at these California hospitals. Somehow, executives at Leonard Green were able to convince the state that this would not be replicated here and that safeguards were in place. Unfortunately, they were wrong. These vital Connecticut hospitals who serve these at-risk populations are now struggling with mountains of debt and understaffed facilities, posing a serious threat to their ability to deliver safe and high-quality care and now requiring rescue by large health systems in the state.

This is not the only example of how private equity has eroded healthcare in CT. While this bill is a needed start to address this potentially devastating issue, it is imperative to go further in restricting and regulating private equity activity in the healthcare sector here in Connecticut. Short term profit goals have eroded the typical checks and balances and left some communities with a dearth of readily available services. Healthcare is an essential industry that literally affects every single person at some point in their life. Our duty is not to a corporation or shareholders but to our patients, and by allowing unchecked private equity ownership we are allowing our healthcare infrastructure to crumble, to our own detriment. As such, I strongly encourage you to adopt the proposed legislation to understand the scope of the issue but more importantly, to quickly and decisively act towards restricting and regulating private equity activity in the healthcare sector here in Connecticut.

Sincerely,

Eric Schwaber, MD, MBA
Primary Care Physician
Internal Medicine of Milford

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