The investor landgrab for physician practices

As consolidation among physician practices continues apace, investor-driven acquisitions have been heating up. According to a recent USC-Brookings Schaeffer Initiative for Health Policy **report**, private equity (PE) deals have dominated the acquisition frenzy. As the graphic below shows, ***there have been four distinct waves of PE-driven investment***. The first wave, beginning in the early 2000s, targeted ***hospital-based physicians***, like anesthesiologists, emergency physicians, hospitalists, and radiologists. These "hospital-based supergroups" could offer a broad range of physician support and coverage through a single group. In some markets, a single group grew to be the sole provider of key services, resulting in ***significant contracting leverage***. Investor interest then shifted to ***office-based specialties***, such as dermatology and ophthalmology, to capitalize on high-margin, cash-paying, procedures. More recently, PE firms have ***homed in on the shift of procedures from hospital to outpatient settings***, targeting gastroenterologists and orthopedic surgeons who can move volume to ambulatory surgery centers—taking a bite out of hospitals' most profitable service lines. At the same time, investors have also been backing ***risk-based primary care practices*** that manage large panels of Medicare Advantage patients, capturing cost savings from keeping patients out of the hospital.

Regardless of which specialty they're targeting, private equity's *modus operandi* is the same***: leverage scale to cut costs and increase efficiencies, boost profitable volume—and then sell for a profit***. In 2019, the **median** holding period for healthcare deals was roughly four years, but that has been declining. An important caveat for doctors looking to sell: ***PE firms are not long-term owners of practices, instead playing a roll-up function that leads to another transaction with an insurer or larger investor—often with little input from their physician "partners".***