

## The investor landgrab for physician practices

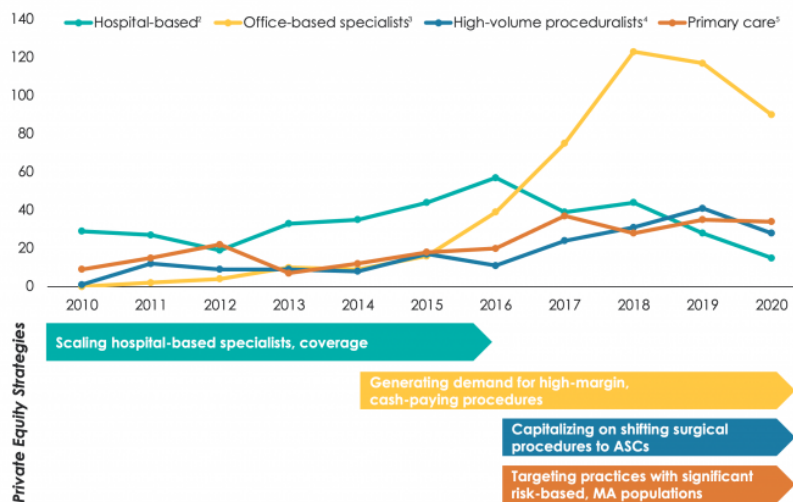
As consolidation among physician practices continues apace, investor-driven acquisitions have been heating up. According to a recent USC-Brookings Schaeffer Initiative for Health Policy [report](#), private equity (PE) deals have dominated the acquisition frenzy. As the graphic below shows, **there have 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”**.

### Evolution of Private Equity Investments in Physician Practices

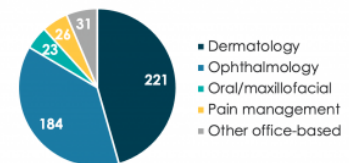
Focus on Office-Based Specialties Persists While Investment in High-Volume Proceduralists Growing

#### Number of Physician Acquisitions by Type of Practice<sup>1</sup>

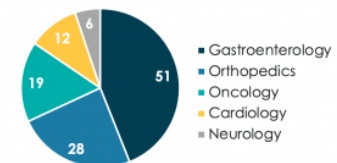


#### Breakdown of Specialty Acquisitions 2010-2020

##### Office-based specialists



##### High-volume proceduralists



1. By non-hospital investors.  
 2. Refers to anesthesiology, hospitalist, radiology, emergency medicine, and neonatology.  
 3. Refers to dermatology, ophthalmology, pain management, oral and maxillofacial surgery, and other office-based.  
 4. Refers to gastroenterology, orthopedics, oncology, cardiology, neurology, and other specialties.  
 5. Refers to traditional primary care, women’s health/fertility, multi-specialty, and pediatrics.

Source: Brown, et al. “Private Equity Investment As A Divining Rod For Market Failure: Policy Responses To Harmful Physician Practice Acquisitions.” USC-Brookings Schaeffer Initiative for Health Policy, Oct. 2021; Gist Healthcare analysis.