



September 4, 2024

Senator Bernie Sanders (I-VT)  
Chairman of the Senate Committee on Health, Education, Labor and Pensions  
428 Senate Dirksen Office Building,  
Washington, DC 20510

Senator Bill Cassidy, M.D. (R-LA)  
Ranking Member of the Senate Committee on Health, Education, Labor and Pensions  
428 Senate Dirksen Office Building,  
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Dear Members of the Senate HELP Committee,

Thank you for the opportunity to share information with the committee on the benefits of private equity investments to businesses and workers nationwide, especially in America's health care sector. The American Investment Council is the nation's leading advocacy and resource organization, providing information about the private investment industry and its contributions to the long-term growth of the U.S. economy and retirement security of American workers.

Private capital plays an essential role in supporting workers, small businesses, and communities across our nation – in every state. In 2022, the private equity industry [employed](#) 12 million workers who earned a collective \$1 trillion in wages and benefits. The average employee of U.S. private equity firms and private equity-backed companies [earned](#) \$80,000 in wages and benefits, equating to roughly \$41 per hour for a full-time worker—well-above the national average wage. Contrary to the notion that they are all behemoths, 85% of businesses funded by private equity had [fewer](#) than 500 employees in 2022. As a result of the private equity industry's success, 88% of U.S. public pension funds, serving 34 million public sector workers and retirees, have enjoyed [returns](#) that far exceed those of other asset classes. In 2023, the \$6.4 billion [Vermont State Retirement Systems](#) achieved the highest private equity return of any U.S. public pension fund, delivering an annualized return of 20.5% over 10 years.

### **Private Equity's Role in Health Care**

America's health care system has tremendous challenges – but the private equity industry is not the cause. In May, Dr. David Bernstein of the Harvard Combined Orthopaedic Residency Program at Massachusetts General Hospital and Dr. Jayakumar, an Assistant Professor and Director of Value-Based Health Care and Outcome Measurement Innovations at the University of Texas at Austin Medical School, published an [op-ed](#) examining the false claim that private equity is the root of America's health care crisis. They wrote, "With nearly 2 out of every 10 dollars in the U.S. economy spent on health, we must get to the root cause of why the current system is failing. While its

expedient to blame private equity, it fails to address the underlying flaws in the current health care incentive structure.”

Private equity has invested nearly \$1 trillion into U.S. health care since 2006. This may sound like a large amount, but the U.S. [spent](#) nearly \$3 trillion on health care in 2006 alone. Health spending has [increased](#) yearly to more than \$4.3 trillion in [2021](#). Critics also claim that private equity has consolidated hospitals and physician practices. However, even critics of private equity acknowledge that private equity [invests](#) in just 8% of all private hospitals in the United States. A new report from Pitchbook found that private equity owns less than 4% of providers by revenue, and those investments are declining.

Private equity investments are helping to improve care across America and fund lifesaving innovation. Private equity investments have funded research into deadly diseases like Alzheimer’s and Parkinson’s, expanded and renovated facilities, modernized medical records and health care data, and made other needed investments.

As the Chair of the Economics Department at DePaul University [explained](#): “Private equity can play an important role in not just fixing [the] chronic problems” in the healthcare sector—such as “high costs, chronic inefficiency, and the labyrinth patients must navigate to receive care”—but also “in delivering a paradigm shift in healthcare delivery.” Through strategic expansions, technological advancements, enhanced patient experiences, and quality care, along with managerial expertise, private equity promises to bring managerial innovation in a sector in dire need of reform.

### **Helping Rural Patients Access Critical Medical Care**

America suffers from an acute and growing rural health care crisis. From 2010 to 2021, more than 130 rural hospitals have [closed](#) nationwide, and in 2023, 65% of rural areas experienced a [shortage](#) of primary care physicians. According to a recent [analysis](#), 418 rural hospitals in the United States, approximately 20% of all such hospitals are vulnerable to closure.

Private equity brings innovative solutions and provides critical access to health care in rural and underserved communities. Private equity has [invested](#) \$15 billion in more than 250 urgent care clinics as of 2020. These investments in urgent care centers help get rural patients the care they need over shorter distances while also not overwhelming the limited number of hospitals in these areas. Physician retirements are often a key reason clinics shut down, stifling their ability to employ support staff and treat longstanding patients. However, with private equity investment, many clinics [do not close](#) and are sometimes folded into larger, private equity-backed practices that can expand access to different regions while simultaneously improving efficiencies and reducing operating costs.

Private equity investments [help](#) specialized clinics open new locations, hire more doctors and staff, and make health care services available to more patients in historically underserved communities. These specialized clinics treat specific needs, like orthopedics, radiology, dermatology, ophthalmology, and gynecology, as well as mental and behavioral health services.

Thanks to private equity investment, MedExpress was [able to open](#) new urgent care locations in rural Appalachia, where hospital closures had become more common. According to a [study](#) from West Virginia University, new MedExpress clinics were “associated with fewer short-term admissions to hospitals, fewer inpatient days, fewer emergency room visits, and a reduction in outpatient visits at hospitals.”

GoHealth Urgent Care provides critical care virtually and in-person at more than 200 care centers nationwide. Chief Growth Officer Sarah Arora [credits](#) private equity investments with helping GoHealth experience significant growth and hire quality providers and staff, “We had not a single center to speak of in 2014. And we took private equity investment at that point. And, it’s allowed us to do really two things. One is to invest in the technology and the talent ... [two] is we’ve been able to just dramatically increase access to care by delivering care where people live their lives ... that’s been a boon for us to be able to scale the organization, really without compromising quality.”

### **Financing Life-Saving and Low-Cost Treatments for Patients**

On average, it takes [10-15 years](#) and more than [\\$2.6 billion](#) to develop and bring new medicines to the market. Patients nationwide suffer from nearly 7,000 rare diseases, but only 5 percent of those have an available treatment due to these delays and barriers. In fact, only [12 percent](#) of the molecules that enter clinical trials ever receive Food and Drug Administration (FDA) approval.

Private equity helps [finance](#) drug manufacturers, especially over-the-counter and generic drug makers, that provide low-cost options to patients. Private equity firms also help pharmaceutical companies expand and become more efficient, introducing new technologies and resources that lead to better innovations at a timely rate.

Over the past ten years, private equity has invested more than \$123 billion in pharmaceutical manufacturers. These investments have [enabled](#) the development of treatments for several life-threatening conditions, such as Leukemia, Alzheimer’s, Parkinson’s, heart disease, HIV, and breast cancer, and for several debilitating conditions, including rheumatoid arthritis, diabetes, and ulcerative colitis.

Anthos Therapeutics launched in 2019 thanks to private equity investments with the express goal of creating new therapies for patients suffering from high-risk cardiovascular issues. Anthos recently [announced](#) that they had developed a new drug

that could significantly reduce the risk of blood clots, providing a safer alternative for the 12.1 million Americans expected to suffer from atrial fibrillation by 2030.

Headlands Research, a globally integrated clinical trial organization based in Portland, Oregon, partnered with private equity to modernize the clinical trial process and emphasize scientific rigor, quality data, and patient diversity from unrepresented communities. “Headlands wouldn’t be where it is right now without the benefit of private equity, both from a capital perspective, but also just the resources and knowledge to build and grow,” [said](#) Mark Blumling, CEO of Headlands Research.

In 2018, Pfizer announced it would shut down drug development for early- and mid-stage neuroscience drug development, citing expensive and time-consuming research costs. However, private equity stepped up to partner with Pfizer by forming a new company, Cerevel Therapeutics, to continue developing treatments. Bain invested \$350 million in the new company, while Pfizer provided several key researchers and science officers. According to [CNBC](#), “Its lead programs include a medicine for the symptoms of Parkinson’s disease that is likely to enter late-stage clinical testing next year, and one for epilepsy that is ready to start mid-stage studies. Other compounds target Alzheimer’s disease, schizophrenia, and addiction.”

Private equity investments provide significant funding to help advance critical vaccines, medicines, and medical technologies for patients. In 2015, Moderna [raised](#) \$450 million of Series E venture funding to hire staff, drug development experts, and scientists thanks to private equity firm Invus Group and several other investors. Earlier this year, Blackstone [announced](#) a collaboration with Moderna, in which funds managed by Blackstone Life Sciences would provide up to \$750 million to fund Moderna’s flu program.

Fertility clinics across the country are relying on private equity for financial and technological support to [improve outcomes](#) for patients. This source of capital is invested in Assisted Reproductive Technology (ART), monitoring, and other resources needed for day-to-day operations. Private growth equity funding has also led to significant partnerships with academic medical centers and has facilitated the building of clinics and expansion of services, particularly as hospital-based clinics have faced challenges that at times have led to closures.

Resident physicians and public hospital systems often lack the necessary resources to provide essential services on their own. This challenge is evident in California, where only a limited number of hospitals and academic-affiliated IVF programs exist at institutions like UCSF, Stanford, and Kaiser Northern California, among others. Many rely heavily on partnerships with privately-backed IVF practices to sustain patient care, with private equity playing a crucial role in supporting these efforts.

## **Funding Innovative Medical Devices that Improve Patients' Quality of Life**

Private equity investment also helps fund critical medical research and technological developments. Over the past decade, [more than](#) 870 medical manufacturers partnered with private equity firms to grow their footprints, innovate new products, hire industry experts, and ultimately distribute the resulting medical devices to providers and patients in need of this type of care.

Private equity has invested more than \$125 billion in medical device manufacturers [over the past decade](#). Of note, medical device manufacturers spend on average \$54 million in research and development and testing costs to bring a novel complex medical device to market. When failed devices and studies are [taken into account](#), these costs rise to \$522 million per device. Absent private equity investments, many medical device manufacturers could not provide life-changing devices to patients, devices that result in more successful surgeries and shorter, less painful recovery times.

As one example, Ev3, a medical device manufacturer based in Plymouth, Minnesota, [partnered](#) with private equity. Ev3 quickly became an important player in manufacturing stents, catheters, and other specialized medical devices. By the time Ev3 went public, its headcount had grown to 1,350 employees, creating jobs and expanding the production of critical devices for vascular surgery.

## **Giving Doctors and Nurses the Resources to Treat Patients**

Most doctors and nurses enter the medical profession because they want to care for patients. But in 2023, the average physician [spent](#) 15 hours per week on paperwork alone. Many smaller practices struggle negotiating with large health insurance companies that have more resources and manpower in claims negotiations.

Providers backed by private equity can count on support in administrative tasks like burdensome paperwork and insurance claims negotiations. Private equity-backed hospitals notably employ a higher ratio of doctors, nurses, and pharmacists compared to their non-private equity-backed counterparts, according to [research](#) from Indiana and Georgetown Universities. The same study found that private equity-backed hospitals experience improvements in operating efficiency without compromising the delivery of quality health care. Finally, the study found “no evidence of excessive closure of PE-acquired hospitals.”

Researchers at Duke University show that private equity investment at short-term acute care hospitals increased the probability of hospitals providing a wider range of services. The same study also [found](#) that private equity-backed hospitals saw greater declines in both in-hospital mortality and 30-day mortality among heart attack patients compared to non-private equity-backed hospitals. A 2021 study from researchers at the

McDonough School of Business and the Indiana School of Business [shows](#) private equity-backed hospitals have “better survival prospects and operating profitability.”

In 2021, the Medicare Payment Advisory Commission (MedPAC) released a [report](#), originally requested by the Chairman of the House Ways and Means Committee, examining the role private equity investments play in the health care sector. MedPAC reported to Congress that “rapid changes in the health care market have created an environment of uncertainty and higher expenses for independent practices. Private equity investment offers these practices ‘shelter from the storm’ by providing them with access to capital and expertise in financial management, operations and practice acquisition.”

After private equity ownership commences, physician groups have been shown to have improved clinical quality markers. For example, under private equity ownership, [Oak Street Health](#), a primary care group that serves older adults, was able to expand to 67 clinics across 10 states as of September 2020, providing care to approximately 89,500 patients. In 2020, Oak Street Health reported that it achieved “approximately 51% reduction in hospital admissions, 42% reduction in 30-day readmission rates, and 51% reduction in emergency department visits,” all while maintaining a Net Promoter Score, which measures the likelihood of patients recommending a health care provider’s services, of 90 across patients.

### **Empowering Workers and Supporting Well-Paying Jobs**

Outside of the health care sector, private equity is supporting workers through well-paying jobs and increased ownership stakes in the businesses they work. Multiple AIC members have partnered with [Ownership Works](#), a nonprofit initiative that builds employee wealth by expanding shared employee ownership of companies, enabling employees to [directly benefit](#) from the company’s success. Since its founding in 2021, Ownership Works has impacted nearly 112,000 employees nationwide, generating over \$130 million in payouts to low- and moderate-income workers.

Earlier this year, 60 Minutes featured a story about KKR portfolio company [C.H.I. Overhead Doors \(C.H.I.\)](#) after it became part of an ownership program that made all 800 of C.H.I.’s employees partial owners of the company. Employees received a [payout on equity](#) that averaged \$175,000 on top of their regular salary, as well as approximately \$9,000 in dividends since 2015.

In May, Blackstone [announced](#) it would grant ownership stakes to most employees at its portfolio companies, which would apply to all new Blackstone investments going forward. This initiative will kick off by granting ownership to roughly 18,000 employees of Copeland, a manufacturer that builds commercial heating and cooling systems. In 2021, Blackstone [announced](#) that it had reached its milestone of hiring more than 100,000 veterans, veteran spouses and caregivers have been hired across its portfolio companies.



New Mountain Capital, a New York-based investment firm, estimates that it has created [over \\$1.3 billion](#) of value for employees at portfolio companies sold since 2018. Leonard Green & Partners had over 7,500 portfolio-company employees participate in profit-sharing or similar distributions in 2021 alone, and over \$1 billion was shared with workers outside the executive suite.

### **Strengthening Public Pension Funds and Securing Retirement for Millions of Public Servants**

Pensions are a promise to first-responders, public school teachers, and every dedicated public servant who gives back to their communities. Private equity is a critical component of almost every public pension plan in the U.S., consistently delivering outsized returns and providing options for diversification during times of economic turmoil.

In 2023, private equity [delivered](#) a 15.2 percent median annualized return over a 10-year period, higher than all other asset classes including public equity, real estate, and fixed income. More than 88 percent of all public pension funds invest a portion of their portfolios in private equity, and 34 million U.S. public sector workers depend on these robust private equity returns.

Committee Chairman Bernie Sanders' (I-VT) constituents benefit the most from private equity's robust returns. The Vermont Pension Investment Commission, which represents more than 63,000 public sector workers in Vermont, [delivered](#) a 10-year annualized return of 20.48% as of 2023, the highest private equity return of any public pension fund nationwide.

In the Bayou State, Ranking Member Bill Cassidy (R-LA) represents the over 100,000 members of the Louisiana State Employees' Retirement System, which [recently announced](#) plans to expand its private equity assets to comprise up to 21% of the fund's total holdings.

Senator Ed Markey (D-MA) represents more than 300,000 Massachusetts public sector servants who benefit from the Massachusetts Pension Reserve Investment Management fund, which [delivered](#) the fourth highest private equity return of any pension fund nationwide in 2023. Sen. Ben Ray Lujan (D-MN) represents more than 128,00 public sectors workers in New Mexico who [benefitted](#) from an annualized return of 17.35% over 10 years on its private equity portfolio.

### **American Health Care Companies, Workers and Businesses Need More Private Investment**

Although private equity is not large enough to influence any sector, its investment dollars are critical to American innovation and growth – especially for small businesses

on main streets across the country. American companies, in health care and other economic sectors, need more investment from all sources. Private equity and private credit can provide the needed capital. While some may choose to use private equity as a convenient bogeyman, the committee should focus on encouraging American investment and driving innovation.

We welcome the opportunity to work with the committee and discuss productive ways to ensure that health care companies, patients and workers can benefit from productive private equity investments nationwide, not to demonize a sector that has invested billions to support quality affordable health care.

Sincerely,

/s/ Drew Maloney  
President and CEO  
American Investment Council