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States Push Back as Private Equity's Grip on U.S. Healthcare Comes Under Fire

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Private equity's (PE) aggressive expansion into America's healthcare system faces mounting resistance from state governments following the collapse of two major private equity-owned hospital networks. Lawmakers and healthcare experts are sounding alarms over declining care quality, facility closures, and opaque ownership structures.

Over the past decade, private equity firms have poured approximately \$1 trillion into acquiring hospitals, nursing homes, and medical practices across the United States. According to the non-profit watchdog organization Private Equity Stakeholder Project, 460

hospitals were PE-owned as of 2024, with physician practice ownership climbing from 816 in 2012 to nearly 5,800 by 2021. Despite this massive footprint, oversight has been limited.

That's changing. At least 13 states have introduced 26 bills aimed at tightening regulations on private equity involvement in healthcare. These efforts were spurred by high-profile bankruptcies that left patients without care and communities scrambling. In particular, the 2024 collapse of Steward Health Care, the largest private hospital failure in decades, served as a major turning point.

Steward Health Care began in 2010 when Cerberus Capital Management, a well-known private equity firm, acquired six Massachusetts hospitals for \$830 million. The firm expanded rapidly, largely with borrowed money. By the time Steward filed for bankruptcy, it was carrying \$9 billion in liabilities. Five of its hospitals have permanently shut down, and others have suspended operations. Despite mounting concerns over understaffing and unpaid bills, Cerberus reportedly collected \$800 million in dividends before walking away.

Mounting Public Pressure

“Private equity tries to get outsized returns in a short period of time,” said Chris Noble, policy director at the Private Equity Stakeholder Project. “And what we’ve seen is that this financialization of healthcare is incompatible with providing quality patient care.”

A January report from the bipartisan Senate Budget Committee backed those concerns. Titled “*The Harmful Effects of Private Equity on the U.S. Health Care System*,” it found that PE ownership often leads to reduced services, worse outcomes, and even full-scale hospital closures. The report called for more transparency and stronger regulatory oversight.

Some states aren't waiting on Washington. Maine recently enacted a moratorium on private equity takeovers in healthcare. Pennsylvania's House approved a bill giving the state attorney general the power to block any healthcare deal that might harm patients or access to services. Oregon went a step further, passing the nation's strictest law to date by banning non-physicians from owning medical practices.

Massachusetts, one of the country's most significant healthcare markets, also took bold steps. A new law there requires PE firms and real estate investment trusts (REITs) to fully

disclose their involvement and limits the kinds of complex financial maneuvers often used in these takeovers.

However, not all efforts have succeeded. In Connecticut, lawmakers failed to pass a bill that would have banned PE and REIT ownership of hospitals, despite the recent bankruptcy of Prospect Medical Holdings, owned by private equity firm Leonard Green & Partners. Prospect operated 16 hospitals across four states, including three in Connecticut.

The private equity industry, facing increasing scrutiny, is attempting to repair its image. Earlier this year, firms formed the Association for Responsible Healthcare Investment, pledging to support ethical, patient-focused investing. Drew Maloney, president of the American Investment Council, defended the sector, stating that PE provides critical funding for medical innovation and expanded access to care.

Still, many warn that the problem goes beyond just private equity. “How is corporate ownership any different?” asked Vikas Saini, president of the Lown Institute. “We have a healthcare system where profit drives decisions, no matter who’s in charge.”

As legislation spreads and public pressure builds, the future of private equity in healthcare may face a reckoning. But reforming a system built on profit will take more than just new rules. It may take a fundamental rethink of what healthcare should be.