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Serious Medical Errors Rose After Private Equity Firms Bought Hospitals

A new study shows an increase in the rate of inpatient complications, including infections and falls, though patients were no more likely to die.


By Reed Abelson and Margot Sanger-Katz

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The rate of serious medical complications increased in hospitals after they were purchased by private equity investment firms, according to a major study of the effects of such acquisitions on patient care in recent years.

The study, published in JAMA on Tuesday, found that, in the three years after a private equity fund bought a hospital, adverse events including surgical infections and bed sores rose by 25 percent among Medicare patients when compared with similar hospitals that were not bought by such investors. The researchers reported a nearly 38 percent increase in central line infections, a dangerous kind of infection that medical authorities say should never happen, and a 27 percent increase in falls by patients while staying in the hospital.

“We were not surprised there was a signal,” said Dr. Sneha Kannan, a health care researcher and physician at the division of pulmonary and critical care at Massachusetts General Hospital, who was the paper’s lead author. “I will say we were surprised at how strong it was.”

Although the researchers found a significant rise in medical errors, they also saw a slight decrease (of nearly 5 percent) in the rate of patients who died during their hospital stay. The researchers believe other changes, like a shift toward healthier patients admitted to the hospitals, could explain that decline. And by 30 days after patients were discharged, there was no significant difference in the death rates between hospitals.

Other researchers who reviewed the study said that while it didn’t provide a complete picture of private equity’s effects, it did raise important questions about the quality of care in hospitals that had been taken over by private equity owners.

"This is a big deal because it's the first piece of data that I think pretty strongly suggests that there is a quality problem when private equity takes over," said Dr. Ashish Jha, the dean of the Brown University School of Public Health, who has also studied hospital safety extensively.

Over the last two decades, private equity firms have become major players in health care, purchasing not just hospitals but also a growing number of nursing homes, physician practices and home health care companies. The firms pool money from institutional investors and individuals to form investment funds, often buying hospitals and other entities through high levels of debt, with an eye to reselling them in a few years. A separate recent study suggested the firms were consolidating physician groups in certain local markets, potentially leading to higher prices.

So far, these firms own a small share of hospitals in the United States, though the numbers are hard to measure because the transactions are not always public.

Several media reports have shown that some of the acquired hospitals have been forced to close because of financial distress, and some have come under regulatory scrutiny for quality problems. But such examples are not necessarily typical.

"The private equity industry plays an essential role in providing local hospitals with the capital they need to improve patient care, expand access and drive innovation," said Drew Maloney, the chief executive of the American Investment Council, a trade group for the industry. "This research doesn't reflect private equity's full record of strengthening health care across the country."

The industry has recently come under scrutiny. This month the Senate Budget Committee began a bipartisan investigation into private equity ownership of hospitals. And bills from several Democrats in Congress have pushed for more public reporting of private equity deals in health care, and for broader reforms on ways the firms can acquire companies and earn profits.

“They are preventable adverse events that everyone thinks shouldn’t happen in hospitals,” one analyst said. Monica Jorge for The New York Times

Several studies have examined private equity firms’ financial effects on hospitals. The new paper, which examines 51 hospitals between 2009 and 2019, provides new evidence that those changes may result in more dangerous conditions for patients. The researchers, who also include Dr. Zirui Song from Harvard and Joseph Dov Bruch from the University of Chicago, received funding from Arnold Ventures, a group that supports a wide array of health care research and has been critical of the private equity industry.

Previous research found that patients were less likely to die after visiting a private equity-backed hospital. But the researchers said they wanted to focus their study on specific measures like medical errors that more directly reflected the care in a hospital instead of patient deaths, which are more likely to be influenced by the health status of the patients entering the hospital.

The researchers examined a range of errors that Medicare tracks and that Medicare encourages hospitals to minimize. Hospitals with high levels of some of these problems — like central line infections — must pay financial penalties to the government. Though not all of the errors happened often enough to be measured with precision, and the complications occurred rarely overall, all of the eight individual measures studied in the paper worsened in the hospitals purchased by private equity funds.

Rates of these complications have generally been declining for about 15 years, as hospitals have worked to reduce them and as best practices for avoiding them have become more widespread.

"They are preventable adverse events that everyone thinks shouldn't happen in hospitals," said Dr. David Blumenthal, the former president of the Commonwealth Fund, a nonprofit health care research group, who reviewed the study.

Some private equity owners may be overly eager to cut costs, leading to a decline in the quality of care, he said. "It's about the style of investing," he said. "It's about the aggressiveness and short-time-frame profits and returns on investment that are sought." In the cases where they do not pursue this strategy, private equity can be positive, Dr. Blumenthal added: "It brings capital. It brings innovation."

The researchers said the most likely explanation for the increased errors was fewer hospital employees, an effect that has been measured in other studies of private equity. "Reductions in staffing after acquisition could explain all of these findings," Dr. Song said.

But this paper did not directly measure staffing levels in the hospitals it examined.

Dr. Song has advocated more government oversight of private equity firms in health care. But several scholars who have studied the firms said that while the new paper raises serious concerns, it still leaves some important questions unanswered for policymakers.

"This should make us lean forward and pay attention to what's happening," said Zack Cooper, a professor of public health and economics at Yale, who has examined the industry. "It shouldn't cause us to introduce wholesale policies yet."

Vivian Ho, a professor of economics at Rice, was a coauthor on a paper that documented reductions in staffing after the firms bought hospitals, including small cuts to nursing. Professor Ho noted that it's hard to be sure whether the reductions were the result of the change in leadership, or ownership by a private equity firm specifically, but she said the results were alarming enough that she was eager to see more evidence.

"I'm willing to believe that it is because of the staffing issues," she said. "You just combine that with the anecdotal reports of what is going on in some of these hospitals, and it is a consistent story."

Reed Abelson covers the business of health care, focusing on health insurance and how financial incentives affect the delivery of medical care. She has been a reporter for The Times since 1995. More about Reed Abelson

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