

NAVIGATING PRIVATE EQUITY'S GROWING ROLE IN HEALTHCARE

Balancing financial opportunity with patient-centered care

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Private equity has become one of the most influential forces reshaping healthcare today. Over the past decade, investors have invested more than \$1 trillion into physician practices, hospitals, nursing homes, and senior living facilities. For healthcare providers, this trend is impossible to ignore. It offers opportunities for growth and efficiency but also introduces risks that can directly impact patient care, workforce stability, and long-term sustainability.

Why Healthcare Attracts Private Equity

Healthcare is a uniquely attractive sector for investors. Unlike consumer-driven industries, demand for care remains steady, driven by demographic trends such as aging populations and increasing rates of chronic disease. Ownership is fragmented, cash flows are predictable, and there is a significant opportunity for consolidation. These fundamentals make healthcare appealing compared to other asset classes.

However, healthcare is not a typical investment. Every transaction has implications for patients, providers, and communities. Investors need to understand the impact their financial decisions might have on mission-driven care in today's medical landscape. The question is not only whether private equity can deliver financial returns but also whether those returns align with the long-term goal of maintaining high-quality care.

How Private Equity Works in Healthcare

Private equity firms usually follow a structured approach. They acquire a platform company, such as a physician practice group or senior living operator, and then expand it through additional acquisitions. Operations like billing, human resources, IT, and supply chain management are centralized to reduce costs and improve efficiency. Profitability is often increased through pricing strategies, cost reductions, and economies of scale.

This model can deliver operational benefits, such as streamlined services, stronger negotiations with payers, and access to growth capital. But it also involves significant tradeoffs. Reductions in staff, provider turnover, and increased regulatory scrutiny often accompany these strategies. Since most firms plan to exit within three to seven years,

healthcare managers and providers must balance short-term financial goals with the long-term mission of care.

Physician Practices: Opportunities and Risks

Private equity investment in physician practices has significantly increased over the years. Specialties such as dermatology, gastroenterology, ophthalmology, orthopedics, anesthesia, and emergency medicine are especially attractive to these firms. In areas like Pennsylvania, New Jersey, and Virginia, many physicians seek private equity partners to help alleviate burnout, address succession planning, and reduce administrative burdens.

For healthcare providers, these partnerships can offer clear benefits—centralized billing, improved recruiting, data-driven decision-making, and stronger negotiating power with payers. Yet, the risks are substantial, as pressures to boost productivity, provider retention issues, reduced clinical autonomy, and regulatory oversight can compromise care quality and harm staff morale.

Senior Living Facilities: Balancing Growth and Care

Senior living centers—including assisted living, memory care, and rehab facilities—are another major target for private equity. Aging populations in the Mid-Atlantic drive strong demand, and investors see opportunities to upgrade facilities and boost efficiency. Consequently, healthcare organizations can access capital for renovations, new technology, and expanded services.

But there are risks too. Staffing shortages, rising wages, and regulatory requirements can stretch operations thin. Over time, these pressures may impact census levels, reputation, and the ability to reinvest in care. The healthcare sector must balance operational efficiency with transparency and a steadfast commitment to quality, ensuring that residents and their families remain at the heart of decision-making.

Regulatory Challenges

As private equity activity grows, regulators have intensified their role, increasing enforcement of antitrust laws, reviewing transactions at the state level, and implementing staffing mandates and federal rules on surprise billing and price transparency. For example, in Pennsylvania, proposed legislation under the Health System Protection Act would give the Attorney General authority to block private equity deals in healthcare if they threatened access or quality of care. The act intends to protect hospitals, nursing homes, and other care facilities from what Pennsylvania Governor Josh Shapiro deems “predatory

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business practices that put profits over patients”*. These measures reflect ongoing concerns that financial strategies could undermine community health.

The Role of Financial Partners

In today’s environment, banks do more than just lend money to healthcare companies. They assist organizations in understanding financial risks and making strategic decisions. A trusted banking partner can provide tailored advice on managing debt, planning cash flow, and building long-term financial stability.

Whether your organization is independent, system-affiliated, or backed by private equity, trusted financial advisors can help align capital strategies with the goal of patient-centered care. Their role extends beyond funding growth—they aim to support sustainability and positive patient outcomes.

Looking Forward

A key question for the healthcare industry is whether current transactions are structured to support future care delivery. Private equity can accelerate innovation, expand access, and improve operations, but it also raises concerns about whether short-term financial gains can coexist with the mission of providing high-quality patient care.

Investments can bring new resources and improvements, yet they also risk prioritizing profits over care. The challenge is to align financial decisions with organizational growth, so providers and patients benefit from lasting stability and consistently high-quality care.

*<https://www.pa.gov/governor/newsroom/2025-press-releases/gov-shapiro-plan-protect-pa-health-care-private-equity-wake-of-c>

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