

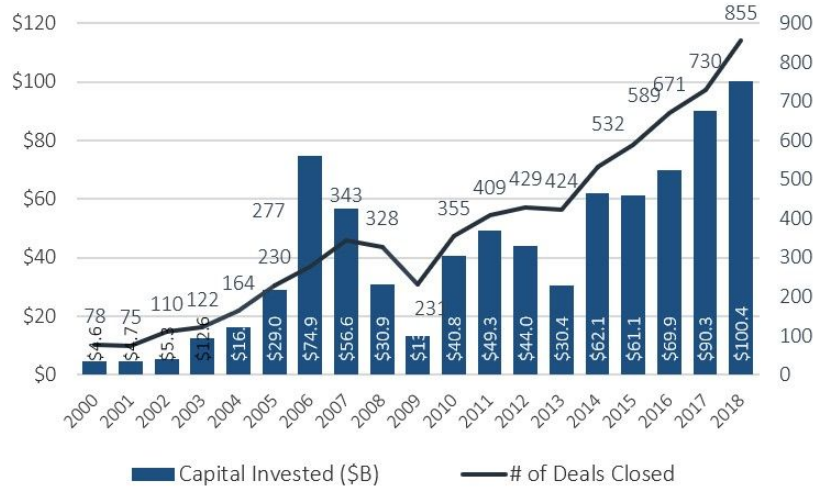
Equipping Vermont's Healthcare System to Handle Private Equity

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Total PE investment in healthcare has skyrocketed in the past 20 years



Source: Appelbaum and Batt 2020.

Vermont



MEDIUM RISK

PRIVATE EQUITY RISK SCORE

46/100

[Private Equity Risk Index, 2025](#)



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“Everything became monetized. They pushed me to see more patients and paid me less – it wasn't about care anymore, it was all about money.”

– VT Physician with PE experience in Another State

“Private equity can move so fast to bring capital and resources to states where the need is great... and when we put in the right mechanisms, private equity can come in and can solve those issues”

– Managing Partner at PE Healthcare Firm



PE Effects on Quality of Care—conflicting evidence from the literature

NEGATIVE

25.4%
Rise in
Hospital
Acquired
conditions*

27.3% increase
in falls &
37.7% increase
in central
line-associated
bloodstream
infections*

Up to **11%**
increase in
nursing
home
mortality**

POSITIVE

Higher quality scores on
acute myocardial infarction (AMI,
'heart attack') and pneumonia
relative to a control***

Lower inpatient and 30-day
mortality rates for AMI
patients.****



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*[\(Kannan et al., 2023\)](#) **[\(Gupta et al., 2021\)](#) ***[\(Bruch et al., 2020\)](#) ****[\(Borsa et al., 2023\)](#)

Effects of PE on Price of Care

Hospitals had a...

\$407 increase in
total charge per
inpatient day*

In 578 practices across
dermatology, gastroenterology,
and ophthalmology...

**Average increase of
\$71** per insurance
claim**



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*[\(Bruch et al., 2020\)](#) **[\(Singh et al., 2022\)](#)

Effects of PE on Financial Practices

Consolidation*

- Builds regional monopolies
- Pushing out independent providers
- Increasing healthcare prices

Increase in Expenditures**

- Focus on short-term profit and cost-cutting

Economies of scale***

- combining multiple practices & increasing network specialists

Rich Investors Stripped Millions From a Hospital Chain and Want to Leave It Behind. A Tiny State Stands in Their Way.

Private equity firm Leonard Green and other investors extracted \$645 million from Prospect Medical before announcing a deal to sell it and leave it with \$1.3 billion in financial obligations. Four states approved it — but Rhode Island is holding out.

by Peter Elkind, Feb. 4, 2021, 1:22 p.m. EST

[ProPublica, 2021](#)

U.S. Prospect Medical Holdings files for bankruptcy after owners took hundreds of millions in payouts

By Michael Kaplan

Updated on: January 12, 2025 / 3:37 PM EST / CBS News



[CBS News, 2025](#)



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*(Gondi and Song, 2019) **(Gupta et al., 2021) *** (O'Donnell et al., 2020)

Key Legislation

California's SB.351

- **Section 1191(a)(1)**
 - Prohibition on Interference with Clinical Judgment (CPOM)
- **Section 1191(a)(2)**
 - Ban on Management Control
- **Section 1191(d)**
 - Void Contract Clauses (Noncompetes & Gag Clauses)
- **Section 1191(e)**
 - Attorney General Enforcement Authority
- **Section 1190(a)(1) and (b)(1)**
 - Definitions of Private Equity Group & Hedge Fund



Massachusetts' H.5159

Section 24 amending Section 13(a) of Chapter 6D

- Requires **notice and review** of ownership/control changes, especially if they may impact market share or costs
- Requires ownership disclosure, post-transaction monitoring, and cost/market impact reviews

Section 42 amending Section 9 of Chapter 12C

- Expands financial and ownership disclosure requirements for provider organizations, especially those involving private equity, REITs, and MSOs.
- **Does not address or void non-compete or gag clauses** — unlike CA SB 351.



Key aspects of H.71

- **Corporate Practice of Medicine (CPOM) Legislation**
- **Limit** debt levels and financing arrangements used by PE-owned healthcare entities
- **Prohibit** restrictive contracts by banning nondisclosure agreements, gag clauses, and non-compete agreements
- **Strengthening** whistleblower protections
- **Transparency**



H.71, what could be stronger...

1. **Strengthen Subchapter 3 of H.71 to model SB.351**
 - Limit exposure of Management Service Organizations (MSOs)
2. Implement a **standardized risk assessment** to screen private equity acquisitions **modeled by H.5159** and implemented by the GMCB who can then forward concerns to state Attorney General





- **“In addition to it being among the top 10 states for the share of nursing homes controlled by private equity ...”***
- **“...Vermont is among the 10 states with the largest average number of substantiated complaints at private equity-controlled nursing homes compared to the average for all nursing homes in the state”***

-Vermont currently has no CPOM legislation



The Key Take Away...

**In some instances Private Equity can
equate to positive impacts *with the
appropriate guide rails***

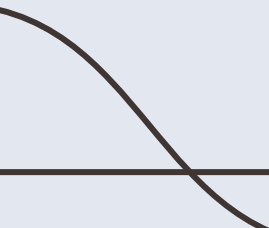


Special thanks to...

Professor Jessica Holmes

Sam Peisch

Anonymous Interviewees



Appendix

Project Bibliography

Comparable Legislative Language Handout