Testimony in Support of H.583

To: Members of the Vermont House Committee on Health Care
Members of the Vermont Senate Committee on Health and Welfare

Dear Committee Members,

I am writing to express my strong support for H.583 and to urge both the House Committee on Health Care and the Senate Committee on Health and Welfare to advance this legislation. At a time when health care costs have reached crisis proportions in Vermont, this bill provides an important opportunity to stem the export of taxpayer and ratepayer dollars to private equity investors whose financial strategies often undermine the stability of health care delivery.

Vermont's health system is particularly vulnerable to these pressures. Our state relies heavily on small, rural hospitals and independent practices that operate on thin margins and serve a high proportion of Medicare and Medicaid patients. Financial extraction through private equity ownership threatens the stability of these essential community providers.

A substantial body of evidence demonstrates that for-profit ownership of health care facilities is associated with higher costs and, in some cases, worse patient outcomes compared with nonprofit ownership[1-3]. Private equity ownership represents a more aggressive form of this model, typically prioritizing short-term financial returns over long-term system sustainability and patient care[4].

Two financial practices commonly employed by private equity firms illustrate these concerns.

First, leveraged buyouts allow investors to acquire health care facilities using predominantly borrowed funds. While the acquisition itself is not inherently problematic, the resulting debt is frequently placed on the acquired facility rather than borne by the investors[5]. This saddles the institution with significant financial obligations unrelated to patient care or operational needs, diverting resources toward debt servicing and investor returns.

Second, sale-leaseback transactions extract value from health care facilities by selling the underlying real estate and requiring the facility to lease it back[6]. Although this generates immediate cash for investors, it creates long-term rent obligations that can substantially increase operating costs. In effect, these arrangements convert owned assets into ongoing liabilities, further weakening financial stability.

These financial pressures are not abstract. To meet new debt and rent obligations, facilities may be forced to reduce staffing, accelerate patient throughput, substitute less-trained personnel for more highly trained clinicians, eliminate less profitable services, or increase prices[7]. In rural states like Vermont, such changes can mean the loss of essential services or even facility closure.

If the legislature is not prepared to prohibit private equity ownership outright, it should at minimum restrict the most harmful financial practices associated with it. Specifically, the legislature should prohibit leveraged buyouts in which acquisition debt is transferred to the health care facility itself, and it should prohibit sale-leaseback arrangements that impose substantial long-term financial burdens on essential health infrastructure.

I understand that some physicians have expressed reluctance to give up an option for selling physician practices, but I believe that most physicians are not aware of the predatory practices described in this letter. Furthermore, .this concern applies only to lucrative subspecialty practices in wealthy communities, and has little relevance to most Vermont physicians.

I respectfully urge both committees to support H.583 and to protect Vermont's health care system from financial practices that prioritize investor returns over patient care.

Respectfully submitted,
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References

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