Study finds private equity expanding to mental health facilities

May 1 2024, by Erik Robinson

Credit: CC0 Public Domain

Private equity firms now account for as much as a quarter of practices providing behavioral health services in some states, according to a new study by researchers from Oregon Health & Science University, the

University of Pennsylvania and Yale University.

The finding, published today in the journal *JAMA Psychiatry*, appears to reflect a growing trend across medicine as private equity firms acquire medical practices with an eye toward maximizing profits. The new study is a notable development for an area of medicine once thought to have scant profit margins.

"At this point, there is no stone left unturned by private equity investors," said lead author Jane Zhu, M.D., associate professor of medicine (general internal medicine and geriatrics) in the OHSU School of Medicine.

The interest among private equity investors likely reflects improved insurance coverage and reimbursement rates for behavioral health services nationwide in recent years, along with growing demand, Zhu said. Traditionally, many private practices have been relatively small, with only one or two practitioners. Acquiring multiple practices may enable private equity firms to gain operational and administrative efficiencies with increased market power to negotiate commercial insurer reimbursement rates.

"It all comes down to what kind of care they're providing," Zhu said. "If these firms are expanding to increase access for people who otherwise wouldn't be able to receive behavioral health treatment, that could be positive."

Researchers used financial databases to identify behavioral health practices acquired by private equity investors between Jan. 1, 2012, and July 31, 2023.

They found 642 mental health clinics and 1,152 clinics treating substance use disorders that had undergone private equity acquisition over that period, as of last year, constituting 6.2% of all mental health facilities and 7.1% of addiction treatment facilities nationwide. In Colorado, Texas and North Carolina, the proportion of private equity-owned practices accounted for roughly a quarter of all facilities providing mental health treatment.

"Private equity ownership of outpatient behavioral health clinics is very, very high in some states," Zhu said. "Given those high rates of penetration, it points to behavioral health as an area that needs attention from policymakers."

In some cases, the researchers found clinics that had expanded since acquisition.

The study did not characterize the impact on cost, quality or access for patients, but prior research in 2022 and last year has found price increases with mixed effects on quality following private equity acquisition of health care facilities. The typical investment period for private equity investors is three to seven years.

"Given persistent workforce shortages and access gaps, it is yet unclear how PE's short investment timeframe and distinct business model could intersect with a national behavioral health crisis," the researchers write.

In addition to Zhu, co-authors include Emmanuel Greenberg, M.P.H., of OHSU; Marissa King, Ph.D., professor of health care management at the Wharton School of the University of Pennsylvania; and Susan Busch, Ph.D., professor in the Yale School of Public Health.

More information: Jane M. Zhu et al, Geographic Penetration of Private Equity Ownership in Outpatient and Residential Behavioral

Health, *JAMA Psychiatry* (2024). DOI: 10.1001/jamapsychiatry.2024.0825

Provided by Oregon Health & Science University