

Private equity acquisition of physician practices discussed

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(HealthDay)—The phenomenon of private equity acquisition of

physician practices is discussed in an Ideas and Opinions piece published online Jan. 8 in the *Annals of Internal Medicine*.

Lawrence P. Casalino, M.D., Ph.D., from Weill Cornell Medicine and the New York Presbyterian Hospital in New York City, and colleagues write about the acquisition of physician practices by private equity firms based on a review of the literature and interviews with 21 knowledgeable individuals.

The authors note that private equity firms typically take 60 to 80 percent ownership of medical practices. Physician owners typically receive market rate salaries after the acquisition but cede all or most additional revenue. Firms do not seek 100 percent ownership as they want [physician](#) owners to share growth objectives for the [practice](#). The aim is to sell practices within three to seven years. Private equity firms focus on specialties with high potential for additional income, including dermatology, ophthalmology, urology, and gastroenterology. The rapidly changing health care environment has made physicians more interested in selling their practices. In addition, independent practices are finding it increasingly difficult to recruit physicians; these purchases can offer safety in a rapidly changing environment. According to critics, private equity firms have an incentive to increase profitability, possibly at the expense of patient care. Private equity firms claim to provide practices with more autonomy than if they were acquired by a hospital or insurer.

"The current environment is accelerating the disappearance of independent practices and the corporatization of medicine," the authors write.

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