Prodigy*Insights*
Industry news you can use

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When Private Equity is a Public Enemy

Congress takes aim at privately held jail services companies that profit big on the backs of inmates, families, and taxpayers.

It turns out you *don't* always get what you pay for. At least that's what members of Congress charge in a series of damning letters sent to five private equity firms that own jail services companies. The quintet—HIG Capital, American Securities, Blue Mountain Capital Management, Apax Partners, and Platinum Equity—are accused of leveraging their market power to create monopoly pricing and a collusive landscape. Left in their wake are inmates, families, and taxpayers who shoulder the crushing costs of poor-quality service.

Customer Disservice

Penned by U.S. Senator Elizabeth Warren and Representatives Mark Pocan and Alexandria Ocasio-Cortez, the letters underscore private equity's role in diminishing the quality of essential jail services, including telecommunications, commissary, food, and healthcare. They claim that by consolidating service providers and creating a few market titans, private equity firms pave the way for companies to drive up prices to unconscionable rates, putting the incarcerated population, loved ones, and taxpayers at their mercy. In fact, reports show that taxpayers lined the pockets of privately held jail services companies to the tune of $40 billion last year[1].

Key to turning a hefty profit? The economies of scale. For privately held food services providers that means buying cheap ingredients and deliberately serving nutritionally deficient—and even contaminated—meals, often causing foodborne illness. In the healthcare sector, providers skimp on both quality and accessibility. In fact, despite being sued for medical malpractice and neglect nearly 300 times per year since 2015, two of the industry's largest privately held healthcare companies continue to serve correctional facilities nationwide -- and earn over $2 billion a year in the process.

The Cost of Connection

Congress raised particular concern over the ubiquity of private equity in correctional communications. They noted that three telecom behemoths control nearly 80% of the market. The result? Sky-high rates of up to $25 for a 15-minute call[2]. Lawmakers argue the exorbitant costs make sustained communication with loved ones impossible, citing studies that prove regular contact with the outside world improves inmate wellbeing, fosters successful re-entry, and reduces recidivism.

With the pandemic forcing suspension of onsite visitation, thousands of inmates and their family members rely on costly video visits facilitated by the same private equity backed vendors. Unsurprisingly, their experience is often marred by dropped calls, frozen screens, and spotty connection with no refunds or customer support in sight. Inmates nationwide are being denied meaningful communication with loved ones, while family members and taxpayers eat the cost of subpar technology.

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Prodigy Solutions: the David among industry Goliaths

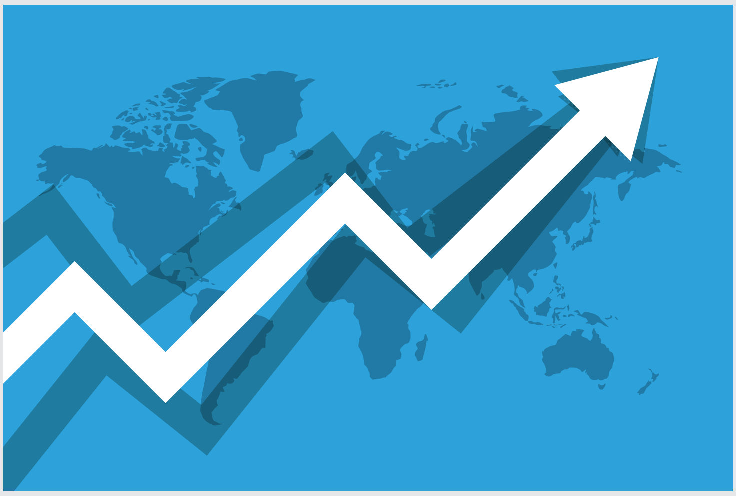
As private equity's mercenary role in jail services is exposed, one company has emerged as the industry's clear protagonist. Prodigy Solutions Inc., an inmate communications and commissary provider headquartered in South Jersey, is owned by three industry veterans with a "customer first" approach to business. It seems unlikely that a small, service-oriented company with no ties to Wall Street can compete in an autocratic field of giants. Try telling that to Prodigy co-founder and CEO, Brian Hartman.

"Some companies think the only way to succeed is to put profit above humanity," Hartman says. "We started this company—three entrepreneurs and 80+ years of combined experience—with a goal of developing the best technology on the market and delivering the most reliable, affordable, and user-friendly products to our customers," he explains.

Hartman remains steadfast in Prodigy's commitment to customer support, drawing a key distinction from privately held competitors. "Our customers are the most important stakeholders. Whether they want a new feature to make their job easier, or they're having an issue with any part of our system, we *want* to hear about it. We *want* to address it." he says in earnest. In fact, Hartman makes it practice to field service calls directly and help inmates and their families navigate technical challenges.

The Model for Change

Prodigy's three-man leadership team affirms the company has no plans to explore outside ownership. And why should they? Their "people over profit" strategy has resulted in exponential growth—including international foothold in Australia—since the company's founding nearly six years ago. But Hartman isn't surprised. "Our focus on technology and service proves you can grow a business without sacrificing people in the process," he remarks.



With a philosophy like that, it's safe to say Prodigy won't be receiving letters from Congress any time soon.

1. Clarke, Matthew; Prison Legal News; Feb. 2020
2. Requarth, Tim; "How Private Equity Is Turning Public Prisons Into Big Profits" The Nation; April 2019

For more information or to schedule a demo, please contact Prodigy Solutions at **sales@prodigytel.com**