The rise and fall of private equity

DIRK M. ELSTON, MD

NO CONFLICT OF INTEREST

Private equity

- When the stock market is unstable, investors look for stable investments
- Medical practices (lab, GI, urology, dermatology)

Private equity

- Did it change practice?
  - Sometimes (some urology practices increased biopsies with no increase in # of cancers diagnosed)
- Did it change culture?
  - Sometimes (focus on financial return)

Are they all alike?

- If you’ve seen one, you’ve seen one
- Will they aquire and then turn around and sell for profit?
  - Sometimes

Have they been controversial?

- Allegations that AAD censored an article
- Jane Grant-Kels, MD
  - Senior author of the controversial PE article in JAAD
  - Deputy Editor of JAAD and AAD VP at the same time
  - Involved in all conversations and decisions

When there are allegations of factual errors in an article

- **90 day window for corrections until article must be retracted from Pubmed**
- **Can be resubmitted later**

Have they been controversial?

- Some of the authors notified the journal they were being sued for errors of fact, advised by attorney not to return the galley proofs . . .

Correspondence

- **In response to request to submit corrected galley proofs in a timely fashion**

- **From:** Konda,Sailesh <sailesh.konda@dermatology.med.ufl.edu>
Sent: Tuesday, October 23, 2018 7:45 PM

- The UF General Counsel specifically asked me to not re-submit the article at this time.

Correspondence

- **From:** Grant-Kels,Jane M. grant@uchc.edu (Senior author, JAAD Deputy Editor, AAD VP)

- I agree with Dirk
- This is even more of a reason to get this reposted with edits.

Correspondence

- I believe I will have to hold off on sending revised manuscript at this time. General Counsel for **** Dermatology, has reached out to UF General Counsel regarding alleged defamatory statements.

Thanks,
- Sailesh

- Thank you. Ensuring that all statements are accurate and supported will make the article very difficult for opponents to pick apart.
- Dirk

NYT article

- Jane Grant-Kels, MD
  - Senior author of the controversial PE article in JAAD
  - Deputy Editor of JAAD and AAD VP at the same time
  - **Says it was the worst year of her life**

Now that the dust has settled, what's the status of PE in Derm?

- Published data: Mixed bag
- Sales peaked well before COVID and then declined

Pooled data
Dermatol Surg. 2022 Mar 1;48(3):339-343

- Significant PE growth in the 2010s.
- PE ownership was associated with
  - higher levels of nonphysician providers relative to physicians
  - lower staffing levels
  - lower levels of medical supplies on hand
  - higher profits

Health Aff (Millwood). 2021 May;40(5):727-735

- By 2017 1 in 11 dermatologists practiced in a PE-owned practice
- Employed 4 APPs for every 10 dermatologists compared with 3/10
- Acquisitions targeted at larger practices that saw more commercially insured
- There was no significant impact on use of biopsies, lesion destruction, or Mohs surgery.

JAMA Dermatol. 2022 Apr 1;158(4):395-403.

- Trends in Debt Valuations of Private Equity-Backed Dermatology Groups Before and During the COVID-19 Pandemic.
- The amortized cost of the loans ranged from a low of $1.7 million to a high of $100 million
- Debt valuations of some suggest a lower probability that their loans will be repaid in full. This could be a signal that some DPEGs are not performing well financially.

BMJ. 2023 Jul 19;382:e075244. doi: 10.1136/bmj-2023-075244.

Evaluating trends in private equity ownership and impacts on health outcomes, costs, and quality: systematic review.

- 8 countries
- Nursing homes were the most commonly studied healthcare setting (n=17), followed by hospitals and dermatology settings (n=9 each
- PE ownership was most consistently associated with increases in costs to patients or payers.
- In some instances, PE ownership was associated with reduced nurse staffing levels or a shift towards lower nursing skill mix

What my former graduates tell me

- Some work in practices acquired by PE and say nothing really changed
- Some left because they felt culture changed
- Some sold again for profit
- Some retained

What published data tells us

- The trend of purchases declining
- Some bought at over-valued prices during the "craze"
- Economy stabilizing overall
- Investors have many other options and like to avoid risk

Bottom line

- Most physicians go into medicine because of altruistic motives
- Most want to take care of their patients and be paid fairly for the work they do
- Administrative and regulatory burdens lead to physician burn-out
- Physicians are trending towards larger groups and employment
- The economy has ups and downs
- Investors respond to those trends

Bottom line

- Dermatology is a wonderful and unique specialty
- We get to practice it every day
- What a tremendous privilege!
- Life is good