

MEMORANDUM

TO: Commissioners

FROM: Ben Steffen
Executive Director

SUBJ: Reports to the Legislature on Private Equity, Vertical Integration, and Market Concentration

DATE: January 10, 2025

The Maryland General Assembly passed legislation in 2024, Ch. 378 (SB 1182/HB 1388), directing the Maryland Health Care Commission to study, in consultation with relevant stakeholders, the evolving role of private sector acquisitions in the Maryland health care economy. The uncodified language states as follows:

SECTION 2. AND BE IT FURTHER ENACTED, That:

(a) The Maryland Health Care Commission shall contract with a private consultant to study, in consultation with relevant stakeholders:

- (1) the effect of private equity firms on the health care market in the State, including:*
 - (i) the impact on the State's ability to meet the goals and objectives of the Total Cost of Care Model; and*
 - (ii) the impact on efforts to address health disparities and social determinants of health;*
- (2) the payer mix for physician practices and groups with private equity ownership;*
- (3) the impact of hospital consolidations on physician practices;*
- (4) the acquisition of physician practices; and*
- (5) the impact on the ability of nonprofit hospitals and health systems to maintain access to care, including the ability to hire and retain physicians.*

I decided that breaking the reporting requirements into two separate projects was the most expedient approach to completing the work given that Maryland procurement regulations limit small procurements to \$100,000. The first project focusing on private equity investments, primarily in physician practices was awarded to the School of Public Health (SCH) at Brown University. Dr. Yashaswini Singh and Erin Fuse Brown, Esq., both faculty members the SCH at Brown, will present their findings and policy options at the January meeting. For the second project on Maryland health systems and health payers' vertical integration and hospital and payer market concentration, MHCC signed an interagency agreement with the Hilltop Institute at the University of Maryland Baltimore County to complete a study. An interagency agreement is the equivalent to a contract when the parties are all part of Maryland government. Dr. Morgan Henderson will serve as the principal investigator for the study. He will provide an overview of that study at the February meeting with the final report due in September of 2025.

Feel free to contact me with any questions.