

Congress of the United States  
House of Representatives  
Washington, DC 20515

June 5, 2024

Federal Trade Commission  
600 Pennsylvania Avenue NW  
Washington, DC 20580

Department of Justice  
950 Pennsylvania Avenue NW  
Washington, DC 20530

Department of Health and Human Services  
200 Independence Avenue SW  
Washington DC 20201

Re: Docket No. ATR 102, Request for Information on Consolidation in Health Care Markets

Dear Chair Khan, Assistant Attorney General Kanter, and Secretary Becerra:

Thank you for this comment opportunity. Private equity ownership of health care providers, and consolidation in the health care system, have harmed communities all over the country. From roll ups of local physician practices to large hospital mergers, consolidation and the corporatization of medicine has been bad for patients, doctors, nurses, and vulnerable communities. Over the past six years, multiple hospitals in my district and in the Philadelphia region have closed due to mismanagement and profit-taking by private equity firms. I will detail those closures in this comment. I strongly support your coordinated efforts to improve competition in health care, and I look forward to further engaging with you on policies and enforcement actions to protect the quality and affordability of health care in America.

### Crozer Health

Prospect Medical Holdings bought the non-profit Crozer Health system in 2016, promising to invest in the system and improve quality of care. However, over the past eight years, Prospect laid off nearly 2000 health care workers, mismanaged the system's four hospitals, loaded Crozer with an unsustainable amount of debt, and sold off the system's real estate in a controversial sale-leaseback agreement with Medical Properties Trust.<sup>1</sup> By 2022, Prospect closed two of Crozer's hospitals, closed multiple inpatient units at the two remaining hospitals, and lost certification for Crozer's general surgery residency program. The two closed hospitals were key providers of maternal, trauma, and emergency room care. These closures exacerbated already challenged practice areas in the region, severely restricted access to care, and left the over

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<sup>1</sup> Coleman-Lochner, L., & Church, S. (2023, September 12). Private Equity Is No Longer a Reliable Last Resort for Troubled Hospitals. Bloomberg.com. <https://www.bloomberg.com/news/articles/2023-09-12/troubled-pennsylvania-hospital-reveals-failure-of-private-equity-deals>

500,000 residents of Delaware County with only one trauma center and limited options for maternal and obstetric care.

These closures are the direct consequence of specific decisions by Prospect and its former controlling owner Leonard Green & Partners. Despite Prospect's promises to invest in Crozer, its strategy has been to use debt issuances and sale-leaseback agreements to turn Crozer's assets and future revenue into cash, which it then returned to fund owners.<sup>2</sup> Then, to improve Crozer's balance sheet, Prospect closed hospitals, cut back on services, and laid off workers. Prospect stopped paying for fuel and repairs to Crozer's ambulance fleet, leading to the repossession of two of ambulances and leaving large parts of Delaware County without ambulance services.<sup>3</sup> Prospect cut back on purchases of necessary medical supplies, medications, and vendors for its remaining hospitals.<sup>4</sup> Pharmacists have had to distribute prescriptions in Ziploc bags and unpaid vendors have stopped providing services. These cutbacks have had material negative effects on patient care.

As I write, Prospect has five months to find a non-profit buyer for the Crozer Health system. The sale is part of an agreement between Prospect, Crozer's former non-profit owner, and the Pennsylvania Attorney General. While I support this agreement and I am hopeful that a capable buyer can be found, whoever acquires Crozer will face a difficult task. The buyer will inherit a mangled hospital system, substantial debt, and \$35 million in annual rental payments. The buyer will likely need to re-hire hundreds of medical professionals in a difficult job market and invest significant funds to reopen the closed hospitals. It will take years for Crozer to financially recover from Prospect's ownership.

### Hahnemann University Hospital

Hahnemann University Hospital was one of Philadelphia's most important hospitals, serving as the city's main safety-net hospital and as one of the nation's largest teaching hospitals. In 2018, Hahnemann was purchased by American Academic Health System, a hospital management company owned by private equity firm Paladin Healthcare Capital. Joel Freedman, owner of both Paladin and American Academic, promised the hospital's workers and the local community to bring investment to Hahnemann and right the hospital's long-standing financial difficulties. In the following years, Freedman's operation of the hospital displayed little understanding of how a hospital functions.<sup>5</sup> By June 2019, Hahnemann Hospital closed, and American Academic filed for bankruptcy. To be clear, Hahnemann's closure was caused in part by larger, long-standing

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<sup>2</sup> Bugbee, M. (2023, November 8). Prospect safety net hospitals continue to struggle under the legacy of Leonard Green's past ownership. Private Equity Stakeholder Project. <https://pestakeholder.org/news/prospect-safety-net-hospitals-continue-to-struggle-under-the-legacy-of-leonard-greens-past-ownership/>

<sup>3</sup> Cooper, K. (2023, March 14). Prospect, Crozer Health struggling to pay vendors for vital hospital services. WHYY; NPR. <https://whyy.org/articles/pa-delaware-county-prospect-crozer-health-unpaid-bills/#:~:text=A%20local%20car%20dealership%20seized>

<sup>4</sup> Vollers, A. C. (2024, January 18). "Shell game": When private equity comes to town, hospitals can see cutbacks, closures. Pennsylvania Capital-Star. <https://penncapital-star.com/health-care/shell-game-when-private-equity-comes-to-town-hospitals-can-see-cutbacks-closures/>

<sup>5</sup> Pomorski, C. (2021, May 28). The Death of Hahnemann Hospital. The New Yorker. <https://www.newyorker.com/magazine/2021/06/07/the-death-of-hahnemann-hospital>

problems in our health care system. Its sale to American Academic drastically hastened this process.

The COVID-19 pandemic began just months after Hahnemann's closure. As the Philadelphia region's hospitals struggled during the early months of the pandemic, Hahnemann's facilities and nearly 500 beds were vacant. Freedman offered to lease the hospital to the City of Philadelphia for roughly \$1 million a month and rejected the city's proposed plan to pay a nominal fee, including upkeep and expenses, in favor of his more expensive offer.<sup>6</sup> The city could not afford the proposed amount and walked away from the deal. For the length of the pandemic, as cases surged and thousands of people died each day from the coronavirus, Hahnemann remained closed.

The closure of Hahnemann caused widespread disruption to the city's health care system right before the pandemic hit. Over 2,000 jobs were lost. Over 500 residents and fellows were displaced, forced to complete training elsewhere.<sup>7</sup> Hahnemann served a predominantly Black and low-income population, and its doctors and nurses were known for their welcoming and culturally informed care.<sup>8</sup> The closure left thousands of patients, many with complex cases, on their own to find treatment elsewhere. While the city's remaining hospitals absorbed many of Hahnemann's patients, the closure likely led to a harmful interruption in care for many more.

### Recommendations

I applaud your collective efforts to address the harms caused by private equity ownership of health care providers. This request for information, in addition to the Task Force on Health Care Monopolies and Collusion, is a promising intergovernmental effort to tackle the problem. I strongly support the updated Merger Guidelines, and the proposed changes to the Premerger Notification and Report Form, to improve reporting on prior acquisitions to address roll-ups and other acquisition strategies used by private equity. And I commend HHS for its efforts to collect and publish ownership data for Federally Qualified Health Centers and Rural Health Clinics.

More generally, the entire health care industry deserves enhanced scrutiny for compliance with our competition laws. Providers, insurers, pharmacy benefit managers, drug manufacturers, and makers of durable medical equipment all exhibit concerning levels of concentration and anticompetitive conduct. This concentration is bad for patients and health care workers and poses severe risks to the integrity and efficient use of taxpayer funds from Medicare and Medicaid. To aid in this enforcement, HHS should use its existing authorities to collect and publish additional ownership and financial data about health care facilities and providers.

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<sup>6</sup> Kenney, J. (2020, March 26). Philadelphia ends negotiations with Hahnemann Hospital for expanded COVID-19 facility. FOX 29 Philadelphia. <https://www.fox29.com/news/philadelphia-ends-negotiations-with-hahnemann-hospital-for-expanded-covid-19-facility>

<sup>7</sup> Cavallo, J., Albright, B., & Forman, H. P. (2020, March 26). How coronavirus costs may close more hospitals | Expert Opinion. The Philadelphia Inquirer. <https://www.inquirer.com/health/coronavirus/coronavirus-healthcare-costs-hospitals-closures-hahnemann-20200326.html>

<sup>8</sup> Brubaker, H. (2020, June 20). The loss of Hahnemann resonates a year later as COVID-19 and Black Lives Matter protests roil Philadelphia. The Philadelphia Inquirer. <https://www.inquirer.com/business/health/hahnemann-closure-resonates-black-lives-matter-covid-19-pandemic-20200620.html>

Additionally, in mergers involving a private equity buyer of a health care provider, the DOJ and FTC should consider long-term financial viability as a potential anticompetitive concern. Crozer Health and Hahnemann Hospital are two examples of a larger trend seen all over the country. Last year set a record for private equity-owned health care-related bankruptcies.<sup>9</sup> A private equity acquisition of a provider in an uncompetitive local market may raise competition concerns if the buyer's management strategy threatens the provider's solvency.

Finally, as you continue to study and investigate health care markets, please engage Congress to address any gaps between identified problems and solutions. My colleagues and I are eager to work with you on legislation to provide additional resources or authorities to protect patients and preserve the availability of quality, affordable care.

Sincerely,



Mary Gay Scanlon  
Member of Congress

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<sup>9</sup> Coleman-Lochner, L. (2024, April 17). PE-Owned Health Care Saw Bankruptcy Surge as Playbook Failed. Bloomberg. <https://www.bloomberg.com/news/articles/2024-04-17/pe-owned-health-care-saw-surge-in-2023-bankruptcies-report-says>