

## Press Release 16/2025

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### Private ownership boosts hospital performance

New research by the Halle Institute for Economic Research (IWH) and ESMT Berlin shows that private equity (PE) acquisitions lead to substantial operational efficiency gains in hospitals, challenging common public concerns. The study reveals that hospitals acquired by PE firms significantly reduce costs and administrative staff without increasing closure rates or harming patient care.

The paper “Private Equity in the Hospital Industry” is co-authored by Merih Sevilir (Halle Institute and ESMT), Janet Gao (McDonough School of Business, Georgetown), and Yongseok Kim (Freeman School of Business, Tulane). Drawing on data from more than 1,200 hospital acquisitions in the United States between 2001 and 2018, the researchers provide the most comprehensive analysis to date of how PE ownership affects hospital survival, employment, pricing, and patient outcomes.

The study finds that hospitals acquired by PE firms do not experience higher closure rates. Instead, they demonstrate improved operational profitability while sustaining essential medical staff levels over the long term. Cost-cutting efforts are largely concentrated in administrative roles, especially at hospitals that were formerly non-profit institutions. In these hospitals, the number of administrative staff declined by 33% over the long term. This highlights how private equity drives restructuring in sectors historically insulated from investor oversight and market pressures.

“Our study shows that private equity firms do not dismantle hospitals, as is often feared. Instead, they streamline administrative structures while protecting core medical staff and services. This nuanced approach boosts efficiency without compromising patient care,” said Merih Sevilir, head of the Department of Laws, Regulations, and Factor Markets at the Halle Institute and professor of finance at ESMT. Drawing on proprietary insurance claims data, the research finds no evidence of increased inpatient prices or a shift toward treating younger, wealthier, or healthier patients. It also detects no changes in patient demographics or health outcomes, such as mortality or readmission rates. The only notable negative impact is a decline in patient satisfaction, potentially linked to reductions in administrative staff who support non-clinical services.

Overall, the findings suggest that private equity involvement can act as a catalyst for improving efficiency in healthcare without sacrificing medical quality, particularly through the reduction of excess administrative costs in nonprofit hospitals and the introduction of more effective operational oversight.

The study has been accepted for publication in the Journal of Financial Economics, a peer-reviewed academic journal publishing theoretical and empirical research in financial economics.

no press embargo

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The Halle Institute for Economic Research (IWH) – Member of the Leibniz Association was founded in 1992. With its four research departments – Financial Markets; Laws, Regulations and Factor Markets; Macroeconomics; Structural Change and Productivity –, IWH conducts economic research and provides economic policy recommendations, which are founded on evidence-based research. With the IWH's guiding theme "From Transition to European Integration", the institute's research concentrates on the determinants of economic growth processes with a focus on efficient capital allocation in a national and European context. Particular areas of interest for the institute are macroeconomic dynamics and stability, microeconomic innovation processes, productivity and labour markets, the dynamics of structural adjustment processes, financial stability and growth and the role of financial markets for the real economy.

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