

Does Private Equity Investment in Healthcare Benefit Patients? Evidence from Nursing Homes^{*}

Atul Gupta, Sabrina T. Howell, Constantine Yannelis, and Abhinav Gupta[†]

This version: September, 2020

Abstract

Private equity investment in healthcare has increased dramatically in recent years. This paper uses administrative patient-level data to study how private equity buyouts affect the quality of care in nursing homes. We use a within-facility instrumental variables strategy to address both non-random targeting of nursing homes and non-random selection of patients into nursing homes. At the patient level, we find that private equity ownership causes worse health outcomes, including higher mortality rates, while increasing costs to patients and taxpayers. At the nursing home level, a decline in staffing per patient and nursing home quality of care appear to explain the deterioration of health outcomes.

^{*}We are grateful to Abby Alpert, Pierre Azoulay, Liran Einav, Matthew Grennan, Arpit Gupta, Jarrad Harford, Arthur Robin Williams, and participants at the UBC Winter Finance Conference and Whistler Junior Health Economics Summit for their comments and suggestions. Jun Wong and Sarah Schutz provided excellent research assistance. We thank Christianna Williams of Abt Associates for insights into CMS quality measures, and Liz Liberman for industry information. Funding from the Wharton Dean's Research Fund (Gupta) and the Fama Miller Center at the University of Chicago (Yannelis) is greatly appreciated. All remaining errors are our own.

[†]Wharton School, University of Pennsylvania, NYU Stern & NBER, Chicago Booth & NBER, and NYU Stern. Emails: atulgup@wharton.upenn.edu, sabrina.howell@nyu.edu, constantine.yannelis@chicagobooth.edu, agupta4@stern.nyu.edu.