Could Joint Ventures Be the Solution to Private Equity Concerns in Healthcare?

Private equity's increasing involvement in healthcare has been a topic of fierce debate [(1)]. On one hand, private equity (PE) brings capital and operational expertise to busy healthcare providers. On the other, a growing body of research raises concerns about its impact on care quality and patient outcomes. A recent JAMA (The Journal of the American Medical Association) study [(2)] highlighted that patient satisfaction scores often decline after PE acquisitions, suggesting that financial priorities may undermine quality of care.

Could joint ventures between PE and not-for-profit health systems present a hybrid solution—one that aligns financial sustainability with patient-centered care?

How Joint Ventures Work

Joint ventures between PE-backed operators and hospitals aim to combine complementary strengths. PE provides the capital and operational know-how to modernize facilities and improve efficiency, while health systems contribute clinical expertise, patient networks, payer contracts, and a mission-driven focus on community health. Thoughtful collaborations could potentially address both financial challenges and quality concerns.

Examples of successful joint ventures abound. GoHealth Urgent Care, for instance, has partnered with systems like Northwell Health and Inova Health to expand urgent care services. These partnerships leverage GoHealth's expertise in scaling operations while integrating the trusted local presence of their health system partners. Similarly, Texas Health Resources and Surgical Care Affiliates have grown a network of ambulatory surgery centers (ASCs), improving patient access and reducing wait times.

Addressing Criticisms

Critics argue that private equity's drive for quick financial returns can lead to cost-cutting measures that harm patients. The JAMA study's findings suggest that private equity acquisitions are associated with measurable increases in negative patient-reported experiences, including staff responsiveness and overall quality ratings. Furthermore, recent U.S. Senate investigations [(3)] have uncovered concerning examples of financial mismanagement under PE ownership, such as underinvestment in facility upkeep and staffing, which contributed to safety incidents, broken promises, and ultimately hospital closures.

Joint ventures, however, may be able to mitigate these risks by retaining the health system's influence over patient care. For example, health systems can ensure that mission commitments and quality metrics remain central to operational strategies. Clear governance frameworks, joint oversight committees, and regular audits can help align PE's financial goals with the health system's mission.

Challenges and Opportunities

While promising, joint ventures are not without challenges. Misaligned priorities, governance conflicts, and cost pressures can jeopardize the success of these alliances. Additionally, the JAMA findings of declining patient satisfaction highlight the need for thorough, quality-focused oversight.

Healthcare challenges often boil down to differences of prioritization regarding the allocation of scarce resources in the face of high demand. Joint ventures can be one of many tools—together with innovations such as telemedicine, AI, workforce optimization, and value-based care models—that help extend precious human and capital resources. When planned and executed thoughtfully, these partnerships can help providers achieve financial sustainability without compromising care quality.

As healthcare evolves, joint ventures offer a pathway to balance financial viability with patient-centered care. By integrating PE's capital and efficiency with health systems' community focus, these partnerships could redefine how healthcare organizations collaborate, paving the way for a more sustainable future.

(1). Modern Healthcare
(2). The Journal of the American Medical Association
(3). Grassley