

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our Subscriber Agreement and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.

<https://www.wsj.com/articles/ftc-probes-market-power-of-one-of-countrys-biggest-anesthesia-providers-11664644401>

◆ **WSJ NEWS EXCLUSIVE** HEALTH

FTC Probes Market Power of One of Country's Biggest Anesthesia Providers

Federal antitrust enforcer is investigating U.S. Anesthesia Partners, a private-equity-owned company that has built a large presence in Texas, Colorado and Florida



By *Dave Michaels* [Follow](#)

Oct. 1, 2022 1:13 pm ET

WASHINGTON—The Federal Trade Commission is investigating one of the country's largest anesthesiology providers, U.S. Anesthesia Partners, over whether it has amassed too much power in some regional markets through acquisitions, according to people familiar with the matter.

USAP has 4,500 anesthesia providers in nine states, including Texas, Colorado and Florida. The company, founded in 2012 by private-equity firm Welsh, Carson, Anderson & Stowe, has grown by acquiring smaller anesthesiology groups and rolling them up into a consolidated entity that manages hospital contracts, billing, insurance agreements and other functions.

Tony Good, a spokesman for USAP, confirmed the FTC's investigation and said it was a "relatively common" inquiry related to competition in healthcare.

"Specifically, the FTC's focus seems to be on USAP's acquisition history," Mr. Good said. "We have grown successfully over the past decade and we are serving patients across multiple states and providing them with high-quality care."

The company is cooperating with the inquiry, he said, adding that the FTC probe isn't focused on "irregularities in billing or patient care."

The investigation, which began more than a year ago, according to people familiar with the matter, is an example of stricter government scrutiny of private equity's involvement in the healthcare industry under FTC

Chairwoman Lina Khan. Ms. Khan has criticized what she calls private equity's focus on short-term profits, which she said "can incentivize practices that may reduce quality of care, increase costs for patients and payers, and generate appalling patient outcomes."

USAP has battled with insurers such as UnitedHealth Group Inc. over its payment rates. Two years ago, the company left UnitedHealth's network and sued the insurer in Colorado and Texas state courts, alleging the insurer took unlawful steps to force it out of UnitedHealth's network and hurt its relationship with hospitals and physicians. The two sides later reached an agreement for USAP to be a part of UnitedHealth's network, and USAP dropped the lawsuit. UnitedHealth said at the time that USAP sought payments that were "almost double the median rate we pay other anesthesiology groups."

In 2019, USAP was the largest provider of anesthesiology services to Medicare beneficiaries in the Houston and Denver markets, according to research by Loren Adler of the USC-Brookings Schaeffer Initiative for Health Policy. USAP then controlled about 35% of the anesthesiology market in Texas and 30% in Colorado, according to Mr. Adler.

Mr. Good of USAP disputed those estimates but declined to provide the company's market share.

Private-equity firms have acquired specialty healthcare providers because their work is often high-volume and high-margin, and smaller groups can be combined to form larger networks that have more leverage with hospitals and insurers. The anesthesiology industry's profit margin was estimated at 12.5% in 2021, down from 14% before the pandemic, which reduced elective surgeries, according to data provider IBISWorld.

Private-equity-owned providers represented about 15% of the Medicare market for anesthesia nationally in 2019, Mr. Adler said. Anesthesiology was the most common type of medical-specialty practice acquired by private-equity firms from 2013 to 2016, according to researchers at Oregon Health & Science University, the University of Pennsylvania and Johns Hopkins University.

Welsh Carson, a private-equity firm with offices in New York and San Francisco, manages roughly \$15 billion in assets and invests in companies focused on technology and healthcare, according to regulatory disclosures. Welsh Carson joined with Greater Houston Anesthesiology in 2013 to form USAP. USAP's owners also include Boston private-equity firm Berkshire Partners and Singapore sovereign-wealth fund GIC Pte. Ltd. The company's 1,500 anesthesiologists also own part of the company.

Berkshire declined to comment, and GIC didn't respond to a request for comment.

Prices paid for anesthesiology increased by 26% after outpatient healthcare facilities, including hospitals, switched to practices owned by private-equity firms, according to a paper published in February by researchers from Columbia University and Weill Cornell Medical College in the Journal of the American Medical Association.

As large, private-equity-backed anesthesia groups gain more market share in a region, they tend to have success negotiating higher prices, according to Ambar La Forgia, a professor at Columbia and one of the paper's authors.

“USAP has a very strong presence in Texas,” Dr. La Forgia said. “So the more facilities they have in Texas, the more they learn about that specific negotiation environment with the insurers there, and the more leverage they gain because now they can really dominate the network.”

Mr. Good said the anesthesia market is highly competitive and that insurers want USAP to be in-network because it provides quality care and has good patient outcomes.

USAP and other large private-equity-backed physician-staffing firms, including Envision Healthcare Corp., owned by KKR & Co., and TeamHealth Holdings Inc., owned by Blackstone Inc., previously lobbied on the issue of surprise medical bills, or large bills that patients received after treatment by physicians who were out-of-network with their insurance company. Some physician groups have used surprise billing as a negotiating tactic, hoping to get patients to complain to their employers, who in turn would push insurers to accept the reimbursement rates the providers were seeking.

The No Surprises Act, which sought to protect patients from receiving significant medical bills when they are unwittingly treated by an out-of-network doctor, lab or other type of provider, passed Congress in December 2020. The law took effect at the beginning of 2022.

USAP didn’t use surprise billing to gain leverage over insurance companies, Mr. Good said. The company lobbied on the federal legislation to ensure it created a fair process for resolving disputes between physicians and insurance companies, he said.

—*Laura Cooper and Miriam Gottfried contributed to this article.*

Write to Dave Michaels at dave.michaels@wsj.com

Corrections & Amplifications

Insurers paid more for anesthesiology services after outpatient healthcare facilities switched to practices owned by private-equity firms, according to a paper published in February. An earlier version of this article incorrectly said that outpatient healthcare facilities were the payors. (Corrected on Oct. 1)