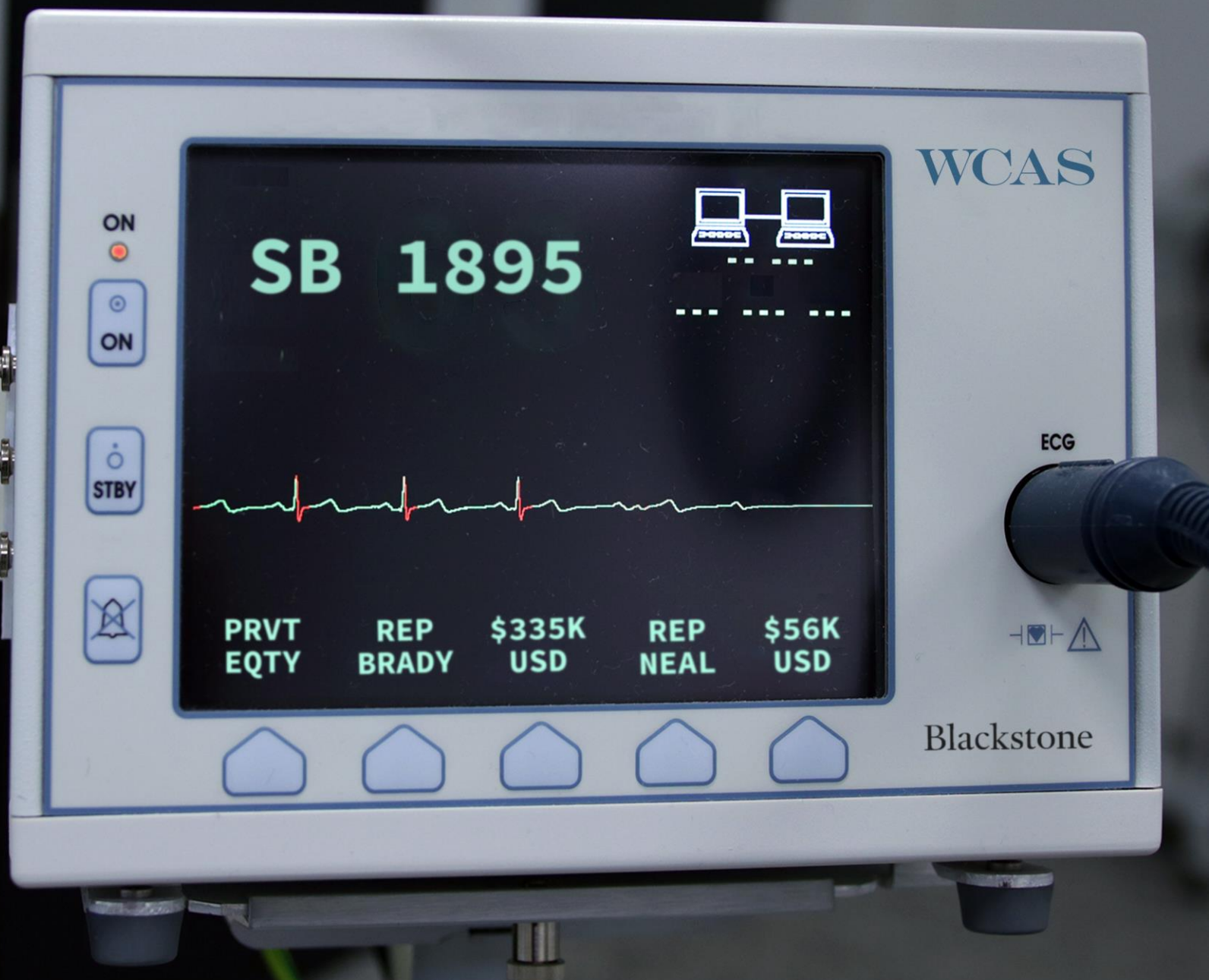


Private Equity's Investment



How Private Equity Firms Flooded the Campaign Coffers of Two Powerful House Members Who Torpedoed Surprise Billing Legislation

March 2020

Acknowledgements

This report was written by Mike Tanglis, Research Director for Public Citizen's Congress Watch division. The report was edited by Congress Watch Research Director Taylor Lincoln and Eagan Kemp, Health Care Policy Advocate for Congress Watch.

About Public Citizen

Public Citizen is a national non-profit organization with more than 500,000 members and supporters. We represent consumer interests through lobbying, litigation, administrative advocacy, research, and public education on a broad range of issues including consumer rights in the marketplace, product safety, financial regulation, worker safety, safe and affordable health care, campaign finance reform and government ethics, fair trade, climate change, and corporate and government accountability.



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Introduction

One in five patients get a surprise medical bill after visiting the emergency room, a recent study found.¹ A surprise medical bill occurs when patients with insurance receive an out-of-network charge through no fault of their own and, often, despite their best efforts to remain in-network.

Even if an individual visits an in-network hospital, the emergency room's physicians may not be in-network. Other common situations that result in a surprise bill include when patients receive treatment at an in-network hospital, but their tissue samples are sent to an out-of-network pathologist or if they are cared for by an out-of-network anesthesiologist while undergoing surgery.

Hospitals are increasingly hiring third-party physician staffing companies to staff their emergency rooms, anesthesiology departments and pathology departments. Many of these third-party companies have private equity investors, who are more interested in squeezing as much money as possible out of our fragmented health care system than caring for patients or protecting patients' interests.

The private equity firms and physician groups who profit from surprise bills have joined together to either block legislative proposals that would protect patients from surprise bills or shape legislation into a version that is as friendly as possible to private equity investors.

They are engaged in a two-tiered strategy to slow down the momentum for reform.

First, the outside game. They have saturated the airwaves with television commercials painting a dystopian future for our hospitals and our social safety net if certain surprise billing legislation passes.

Second, the inside game. They are deluging key lawmakers with campaign contributions to try to convince the lawmakers to do their bidding.

One solution to surprise medical bills, which is supported by Public Citizen, would require that the provider be paid the median in-network rate, or benchmarked rate, for the out-of-network service that resulted in a surprise bill. Another proposal would require that the provider and insurer go to arbitration to decide on a payment amount. Private equity and the physician groups officially support an arbitration approach, which would impose far fewer restraints on them.

Two of the private equity firms at the center of the debate over surprise billing are Welsh, Carson, Anderson & Stowe (WCAS) and Blackstone. The two firms have made major contributions to Rep. Richard Neal (D-Mass) and Rep. Kevin Brady (R-Texas), the chair and ranking member of the powerful House Ways and Means Committee.

This report focuses on the explosion in contributions to Neal and Brady from the private equity firms' employees and from employees and PACs of the health care companies in which they are invested.

¹ Christopher Garmon and Benjamin Chartock, *One In Five Inpatient Emergency Department Cases May Lead To Surprise Bills*, HEALTH AFFAIRS (Jan. 2017), <http://bit.ly/2uuHZDo>.

The contribution strategy appears to have been successful. Of the four congressional committees that have produced legislation to address surprise billing, the House Ways and Means Committee's proposal is the most friendly to the private equity industry, as it focuses solely on the arbitration approach.² Neal and Brady have also taken other steps that hurt, more than helped, any potential surprise billing fix.³

Key Findings

Private equity firms WCAS and Blackstone own or invest in companies that are spending millions of dollars trying to shape or kill surprise billing legislation.⁴

WCAS is an investor in three companies that have lobbied on surprise billing: US Anesthesia Partners, US Acute Care Solutions and Emerus. Two of these companies helped fund a front group, Physicians for Fair Coverage, that has spent more than \$1 million on advertisements against surprise billing legislation.⁵

Blackstone owns TeamHealth, a physician-staffing firm that funds a front group called Doctor-Patient Unity, which spent \$28 million during the summer in 2019 on advertisements to block legislation to end surprise billing.⁶

The ads from the two front groups imply that legislation implementing a benchmarking approach to address surprise billing would result in a doomsday scenario in which our safety net will be destroyed and hospitals will be empty shells unable to help patients.

Employees at both WCAS and Blackstone also contribute millions of dollars to elected officials, as do the employees and the PACs of the companies the private equity firms have invested in.

We cataloged all campaign contributions from these entities to the campaign committees and leadership PACs of Rep. Richard Neal (D-Mass.) and Rep. Kevin Brady (R-Texas), the chairman and ranking minority member of the House Ways and Means Committee. They are the two individuals most responsible for the Ways and Means Committee's private equity friendly legislation.

We found, among other things:

² Karen Pollitz, Matthew Rae, Gary Claxton, Cynthia Cox and Larry Levitt, *An Examination of Surprise Medical Bills and Proposals to Protect Consumers From Them*, PETERSON-KFF (Feb. 10, 2020), <http://bit.ly/2v0NIGN>.

³ Paul McLeod, *A Deal To End Surprise Medical Billing Was Tanked At The Last Minute*, BUZZFEED NEWS (Dec. 19, 2019), <http://bit.ly/2TaNVtr>.

⁴ Margot Sanger-Katz, Julie Creswell and Reed Abelson, *Mystery Solved: Private-Equity-Backed Firms Are Behind Ad Blitz on 'Surprise Billing'*, THE NEW YORK TIMES (Sept. 13, 2019), <https://nyti.ms/39ZH7Wj>, *Doctors Argue Plans To Remedy Surprise Medical Bills Will 'Shred' The Safety Net*, POLITIFACT (Aug. 7, 2019), <http://bit.ly/32kwFpS> and Rachel Bluth and Emmarie Huettman, *Investors' Deep-Pocket Push To Defend Surprise Medical Bills*, KAISER HEALTH NEWS (Sept. 21, 2019), <http://bit.ly/32kBlfq>.

⁵ *Doctors Argue Plans To Remedy Surprise Medical Bills Will 'Shred' The Safety Net*, POLITIFACT (Aug. 7, 2019), <http://bit.ly/32kwFpS>.

⁶ Margot Sanger-Katz, Julie Creswell and Reed Abelson, *Mystery Solved: Private-Equity-Backed Firms Are Behind Ad Blitz on 'Surprise Billing'*, THE NEW YORK TIMES (Sept. 13, 2019), <https://nyti.ms/39ZH7Wj>.

Employees of Blackstone, WCAS and Three of Its Health Care Portfolio Companies, Have Contributed \$335,400 to Brady and \$55,800 To Neal

Employees of WCAS and Blackstone, along with the employees and PACs of three of WCAS's health care portfolio companies (US Anesthesia Partners, US Acute Care Solutions and Emerus), have contributed \$335,400 to the campaign committees and leadership PACs of Rep. Kevin Brady, according to data from the Federal Election Commission. They have contributed another \$55,800 to Rep. Richard Neal.⁷

Neal and Brady have risen to the leadership of the Ways and Means Committee in the past five years, during which time surprise billing has risen as an issue. A wide variety of special interests with issues before the Ways & Means Committee have increased contributions to Neal and Brady as they have assumed leadership positions on the committee. But the two have seen a particularly dramatic spike in contributions from health care interests with a stake in surprise billing.

Neal and Brady are not new to Congress. Neal has been in Congress for more than 30 years, Brady more than 20. But, 95 percent of the money that WCAS and Blackstone interests have contributed to the two politicians was contributed since 2015.

WCAS and Blackstone Entities Have Contributed \$335,400 to Brady

Nearly all of the money that WCAS and related donors have given Brady has come since he was named chair of the House Ways and Means committee in 2015.

WCAS Contributions to Brady

- WCAS employees and the PACs and employees of its health care portfolio companies have given \$280,300 to Brady over his 23-year career, \$262,200 of which came after he was named chairman of the House Ways and Means Committee in 2015.
- Donors from WCAS entities increased their giving to Brady from \$11,700 in the 2014 election cycle to \$120,450 in 2016 election cycle, when Brady was named House Ways and Means chair. That's an increase of 929 percent.
- Focusing solely on WCAS (not its health care portfolio companies), its employees have contributed \$111,200 in total to Brady during his career.
- After contributing just \$1,000 during the 2014 election cycle, WCAS employees contributed \$34,700 to Brady in the 2016 election cycle after he became House Ways and Means chair.

⁷ These totals include a small number of contributions from employee spouses as well.

- In just the first half of the 2020 cycle, WCAS employees contributed \$45,000 to Brady, the most he has received from WCAS employees in any full election cycle of his career. Brady reported that he received all the money on the same day, March 18, 2019.
- WCAS employees who also sit on the boards of three WCAS health care portfolio companies have given Brady \$38,500.
- Employees and PACs of three WCAS health care portfolio companies have given Brady \$169,100 in his career. These donors increased their giving to Brady from \$10,700 in the 2014 election cycle to \$85,750 in the 2016 election cycle, when Brady was named House Ways and Means chair, an increase of 701 percent. The bulk of these contributions came from US Anesthesia Partners. Anesthesiologists' services are among the most likely to result in a surprise bill.⁸
- Employees and the PAC of US Anesthesia Partners have contributed \$102,900 to Brady during his career. In February 2017, 66 different employees of the company and its PAC contributed to Brady, combining to give \$62,500.
- In some cases, the contributions from US Anesthesia Partners employees occurred within days of contributions from WCAS employees. In February 2017, for example, when Brady received contributions from 66 employees of US Anesthesia Partners, he also received \$13,800 from six WCAS employees.

Blackstone Contributions to Brady

- Blackstone employees have contributed \$55,100 to Brady over his career, all of which was contributed after Brady became chair of the House Ways and Means Committee in November 2015.
- During the 2018 election cycle, Brady received \$30,300 in combined contributions from 12 Blackstone employees, including Blackstone CEO and Co-Founder Steve Schwarzman, CFO Michael Chae and Global Head of Tactical Opportunities David Blitzer.
- Steve Schwarzman and his wife are together responsible for 60 percent, or \$32,800, of all of contributions from Blackstone employees to Brady.

WCAS and Blackstone Employees Have Contributed \$55,800 to Neal

WCAS and Blackstone employees have contributed \$55,800 to Neal over his 31-year career. But it wasn't until recently that he began to receive large sums of money from these private equity firm employees.

⁸ Christopher Garmon and Benjamin Chartock, *One In Five Inpatient Emergency Department Cases May Lead To Surprise Bills*, HEALTH AFFAIRS (Jan. 2017), <http://bit.ly/2uuHZD0>.

Blackstone Contributions to Neal

- Blackstone employees have contributed \$42,100 to Neal during his career, almost three quarters of which, \$30,800, came in a single month, September 2019.
- In early October 2019, Neal reported receiving \$2,800 from a Blackstone's Neil Simpkins, a senior managing director in Blackstone's private equity unit. Simpkins led the acquisitions of multiple health care focused companies including the physician staffing company TeamHealth and currently serves as a director at TeamHealth.
- Less than two months after Blackstone employees contributed \$30,800 to Neal, House and Senate negotiators closed in on a deal, supported by the White House, that would have used the benchmark rate to address surprise medical bills costing up to \$750, a proposal disliked by the private equity firms.⁹

Then Neal and Brady announced that they had arrived at their own compromise. They issued a vague outline of a plan that would have included no benchmarking of prices and relied entirely on arbitration, the approach favored by private equity firms.

According to those involved in negotiating House-Senate deal, Neal and Brady's outline ended all hope of the deal's passage in 2019.¹⁰

WCAS Contributions to Neal

WCAS employees have contributed \$13,700 to Neal over his career. Almost all the contributions were made on May 10, 2017, when 10 WCAS employees gave Neal a combined \$11,700. All 10 of those donors have given to Brady. The donors included three WCAS employees serving as board members of US Anesthesia Partners, US Acute Care Solutions and Emerus.

⁹ Paul McLeod, *A Deal To End Surprise Medical Billing Was Tanked At The Last Minute*, BUZZFEED NEWS (Dec. 19, 2019), <http://bit.ly/2TaNVtr>.

¹⁰ *Id.*

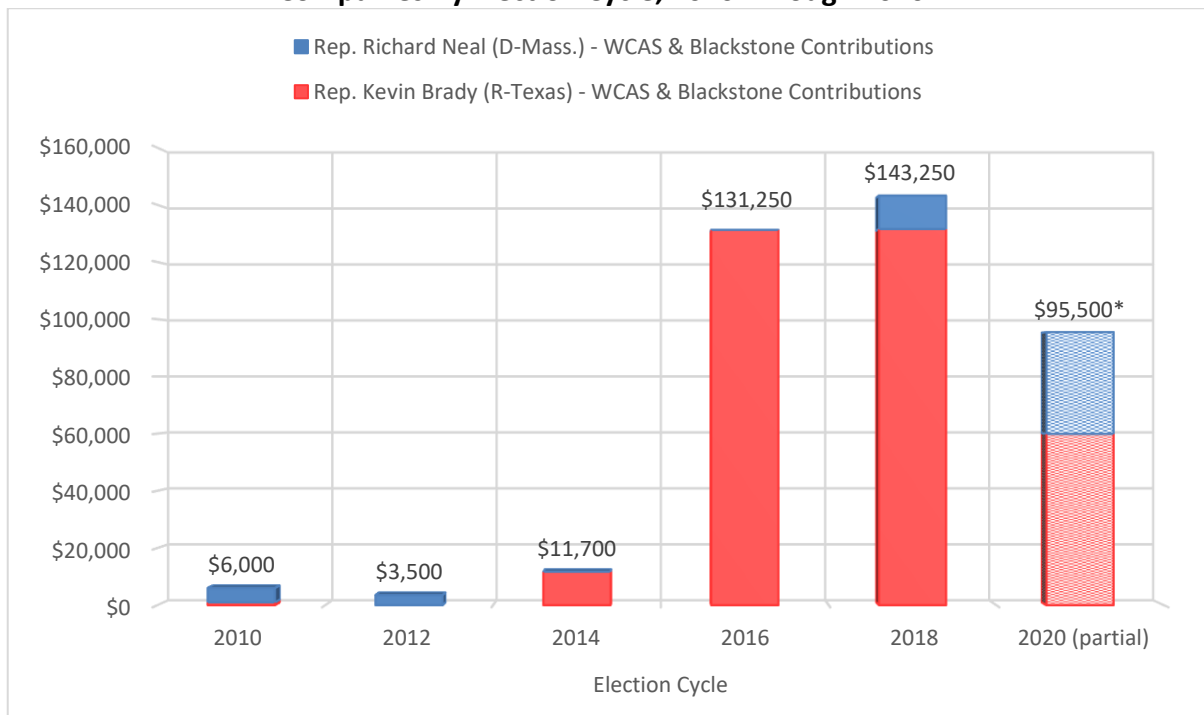
I. Blackstone, WCAS and Its Three Health Care Portfolio Companies Have Contributed \$335,400 to Rep. Kevin Brady and \$55,800 Rep. Richard Neal

Throughout his career, House Ways and Means Committee Chairman Richard Neal (D-Mass.) has received \$55,800 from the employees of two private equity firms with a lot of money at stake in the surprise billing debate: Welsh, Carson, Anderson & Stowe (WCAS) and Blackstone.

House Ways and Means Ranking Member Kevin Brady (R-Texas) has received \$335,400 from WCAS and Blackstone employees. This total consists of contributions from the private equity firms' employees and the employees and political action committees of three health care companies in which WCAS is invested that have a lot at stake in any potential surprise billing legislation.

So far in the 2020 election cycle, Brady and Neal have received a combined \$95,500 from people and entities connected to these private equity firms. During the 2018 election cycle, the total was \$143,250, down slightly from the 2016 cycle when they received a combined \$131,250. [Figure 1]

Figure 1 – Contributions to Brady and Neal From Blackstone, WCAS and Its Portfolio Companies By Election Cycle, 2010 Through 2020*



* The 2020 election cycle data is partial and includes contributions through Dec. 31, 2019 only.

Neal has been in Congress more than 30 years and Brady more than 20. But it wasn't until recently that they became favorites of WCAS and Blackstone. In fact, 95 percent of the combined \$391,200 the two politicians have received from these firms and their health care portfolio companies came during the last two-and-a-half election cycles.

Since the 2010 election cycle, the first time either received a contribution from one of the firm employees, employees from each firm have contributed to Brady and Neal. [Table 1]

Table 1 – Contributions to Brady and Neal From WCAS and Blackstone Employees, Employees and PACs of US Anesthesia Partners, US Acute Care Solutions and Emerus, By Firm, Election Cycles 2010 Though 2020*

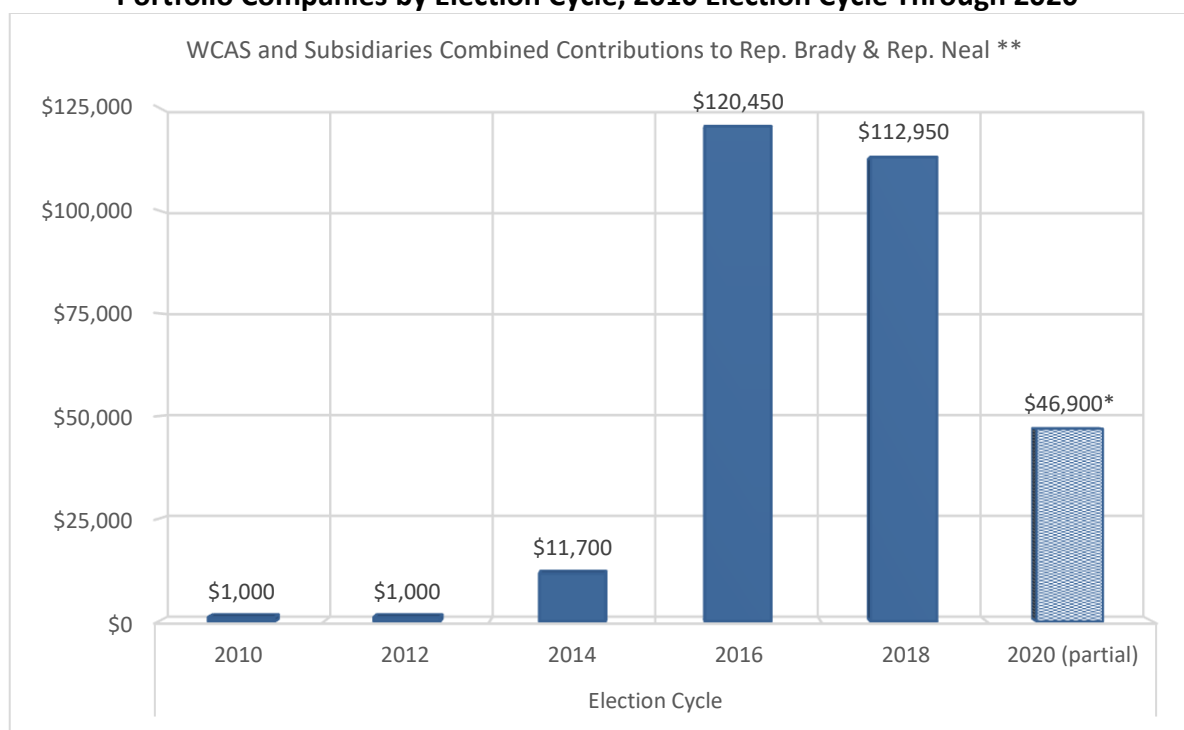
Representative	Blackstone	WCAS (Includes three portfolio companies) **	Total
Rep. Kevin Brady (R-Texas)	\$55,100	\$280,300	\$335,400
Rep. Richard Neal (D-Mass.)	\$42,100	\$13,700	\$55,800
Total 2010 through 2020*	\$97,200	\$294,000	\$391,200

* The 2020 election cycle data is partial and includes contributions through Dec. 31, 2019 only.

** Includes contributions from employees and the PACs of US Anesthesia Partners, US Acute Care Solutions and Emerus.

WCAS employees and employees and PACs of its three health care portfolio companies – US Anesthesia Partners, US Acute Care Solutions and Emerus – contributed a combined total of \$11,700 during the 2014 election cycle to Brady and Neal. During the 2016 cycle, that number shot up to \$120,450, all of which went to Brady. [Figure 2]

Figure 2 – Contributions to Brady and Neal From Employees of WCAS and Its Health Care Portfolio Companies by Election Cycle, 2010 Election Cycle Through 2020*

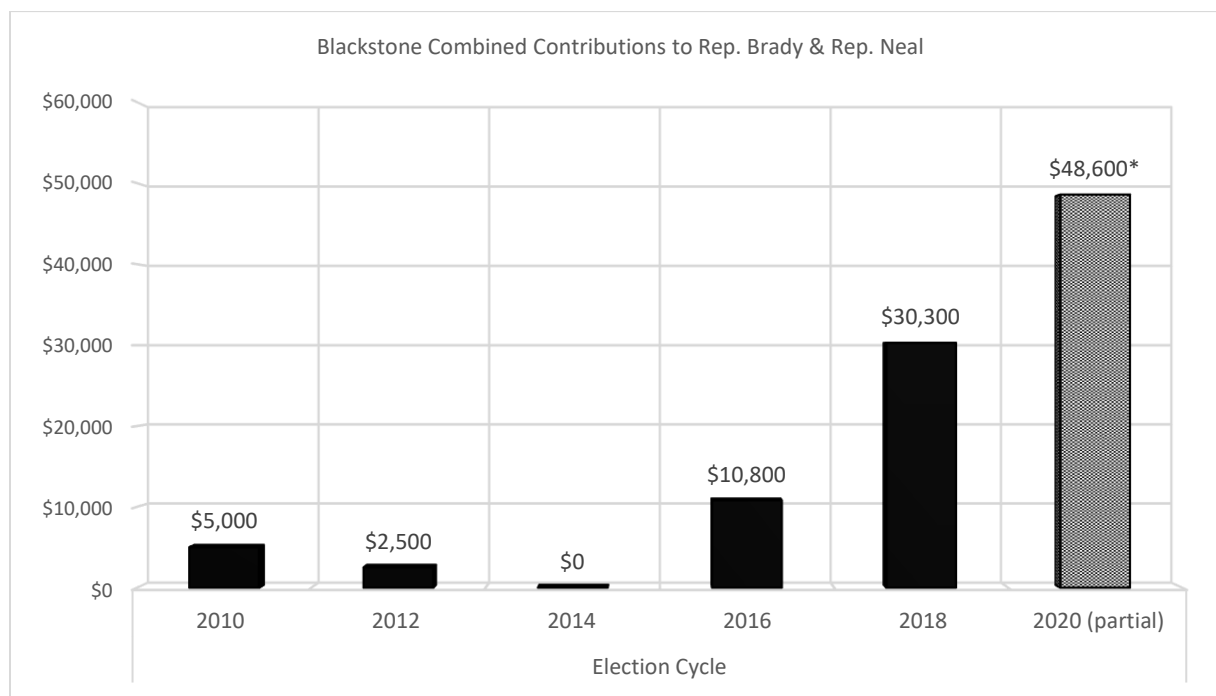


* The 2020 election cycle data is partial and includes contributions through Dec. 31, 2019 only.

** Includes contributions from employees and the PACs of US Anesthesia Partners, US Acute Care Solutions and Emerus.

Contributions from Blackstone employees to Brady and Neal in the first half of the 2020 election cycle exceeded those of any other entire election cycle. Blackstone employees have so far contributed a combined \$48,600 to the two elected officials. [Figure 3]

Figure 3 – Contributions to Brady and Neal From Employees of Blackstone, 2010 Election Cycle Through 2020*



* The 2020 election cycle data is partial and includes contributions through Dec. 31, 2019 only.

It's not as though WCAS and Blackstone employees only recently began contributing to political candidates, either. As far back as 2008, Blackstone employees have contributed millions of dollars to politicians in both parties per election cycle, according to the Center for Responsive Politics.¹¹ WCAS employees have contributed hundreds of thousands of dollars each cycle since the 2004 cycle.¹²

One likely reason for the explosion in contributions from the two private equity firms to Brady and Neal may be the promotion of each representative to chair of House Ways and Means. Brady took over as chair in 2015 only to relinquish it to Neal in 2019 after Democrats took the House in the 2018 election.

When Brady took over, he saw a huge spike in contributions from one of these private equity firm (WCAS). After Neal took over, contributions from the other private equity firm (Blackstone) began to pour into his coffers.

¹¹ Contribution Totals, *Blackstone Group*, OPENSECRETS, <http://bit.ly/2upnQhS>.

¹² Contribution Totals, *Welsh, Carson et al*, OPENSECRETS, <http://bit.ly/2HNxk9X>.

II. WCAS and Blackstone Contributed \$335,400 to Brady

A recent study found that in 2017, Texans who visited the emergency room received a surprise medical bill a stunning 38 percent of the time, the highest rate of any state in the nation.¹³ Some Texans now enjoy some protections against surprise medical bills, but not all. The Texas state legislature passed a bill in 2019 centered around arbitration, but the law only covers state-regulated insurance plans.¹⁴

On November 4, 2015, Brady was chosen to succeed former Rep. Paul Ryan (R-Wis.) as chair of the House Ways and Means Committee.¹⁵ Brady's status of coming from a state with rampant surprise billing and chairing one of the most powerful House committees made him a target of firms seeking to keep surprise bills flowing.

Brady has received a combined \$335,400 from WCAS employees, the employees and PACs of WCAS's three surprise billing portfolio companies, and Blackstone employees over his career. This includes \$280,300 combined from the WCAS-affiliated donors and \$55,100 from Blackstone employees.

The three WCAS companies with a lot at stake in the surprise billing fight are US Anesthesia Partners, US Acute Care Solutions and Emerus. US Anesthesia Partners and US Acute Care Solutions are physician staffing companies¹⁶ that hospitals contract with to provide anesthesiologists or emergency room physicians. Emerus operates many hospitals around the country.¹⁷

US Anesthesia Partners and US Acute Care Solutions, along with health care companies owned by other private equity firms, are part of the coalition called "Physicians for Fair Coverage"¹⁸ which advocates against a benchmark rate as a solution to surprise billing.¹⁹

Physicians for Fair Coverage spent \$1.2 million airing a commercial beginning in July 2019 claiming that legislation pending in Congress would mean "seniors, children and Americans who rely on Medicaid would be hurt," and would "shred the safety net," according to *Kaiser Health News*.²⁰

¹³ Karen Pollitz, Matthew Rae, Gary Claxton, Cynthia Cox and Larry Levitt, *An Examination of Surprise Medical Bills and Proposals to Protect Consumers From Them*, PETERSON-KFF (Feb. 10, 2020), <http://bit.ly/2v0NIGN>.

¹⁴ Edgar Walters, *What You Need to Know about Texas' New Surprise Medical Billing Law*, THE TEXAS TRIBUNE (Jan. 2, 2020), <http://bit.ly/38kAIUh>.

¹⁵ Jake Sherman, *Brady Chosen to Replace Ryan as Head of Ways and Means Panel*, POLITICO (Nov. 4, 2015), <https://politi.co/2Tci8lz>.

¹⁶ Rachel Bluth and Emmarie Huetteman, *Investors' Deep-Pocket Push To Defend Surprise Medical Bills*, KAISER HEALTH NEWS (Sept. 21, 2019), <http://bit.ly/32kBlfq>.

¹⁷ Locations, EMERUS, <http://bit.ly/3c4itWA>.

¹⁸ Rachel Bluth and Emmarie Huetteman, *Investors' Deep-Pocket Push To Defend Surprise Medical Bills*, KAISER HEALTH NEWS (Sept. 21, 2019), <http://bit.ly/32kBlfq>.

¹⁹ Press Release, *Following Today's Markup, PFC Acknowledges Step in the Right Direction and will Continue to Work with Lawmakers to Better Protect Patients in Bid to End Surprise Billing*, PHYSICIANS FOR FAIR COVERAGE (July 17, 2019), <http://bit.ly/38Wj5LS>.

²⁰ *Doctors Argue Plans To Remedy Surprise Medical Bills Will 'Shred' The Safety Net*, POLITIFACT (Aug. 7, 2019), <http://bit.ly/32kwFpS>.

Emerus has lobbied on surprise billing along the same lines as the other two WCAS companies 2019. All three hired the same lobbying firm.²¹ The three companies are all intertwined in the surprise medical billing system.

In February 2019 the *Houston Chronicle* reported on a surprise medical billing case that included both Emerus and US Acute Care Services.²² After a one-year old child got a cut on his temple, the child's mother brought him to Baptist Emergency Hospital in San Antonio, Texas, a hospital operated by WCAS's Emerus. After being assured by hospital staff that Baptist was in her insurance network, she got her son help in the emergency room.²³

Weeks later, the mother was shocked when she received a \$1,200 bill from US Acute Care Solutions. She found out that while WCAS's Emerus-operated hospital was in-network, the Baptist Emergency physician who treated her son at the hospital was contracted from US Acute Care Solutions, which was not in her network. US Acute Care Services also is owned by WCAS.²⁴

WCAS's Brady Investment: \$280,300

WCAS employees have contributed \$111,200 to Brady over his career. Employees and the PACs of WCAS's US Anesthesia Partners, US Acute Care Solutions and Emerus have contributed another \$169,100, bringing the grand total to \$280,300.

Brady first entered Congress in 1997.²⁵ But 95 percent of money Brady has received from these entities was during the past two-and-a-half election cycles.

During the election cycle prior becoming House Ways and Means chair, 2014, Brady received just a combined \$11,700 in contributions from employees of WCAS and its health care portfolio companies. During the next election cycle, 2016, the cycle in which Brady became chair, Brady received \$120,450, a 929 percent increase from 2014.

Employees of WCAS Have Contributed \$111,200 to Brady

Prior to the 2016 cycle, Brady had received only a few contributions over the years from employees of the private equity firm WCAS. But that all changed during the 2016 cycle, when WCAS employees contributed \$34,700 to Brady. All the contributions were reported as having been received in April and May 2016, about six months after Brady took over as chair of Ways and Means.

²¹ Lincoln Policy Group on Behalf of Emerus Holdings, Inc., *Q4 Lobbying Report*, THE US SENATE LOBBYING DISCLOSURE ACT DATABASE (Jan. 21, 2019), <http://bit.ly/2v422ca>, Lincoln Policy Group on Behalf of U.S. Anesthesia Partners, Inc., *Q4 Lobbying Report*, THE US SENATE LOBBYING DISCLOSURE ACT DATABASE (Jan. 21, 2019), <http://bit.ly/380fFqh> and Lincoln Policy Group on Behalf of US Acute Care Solutions, *Q4 Lobbying Report*, THE US SENATE LOBBYING DISCLOSURE ACT DATABASE (Jan. 21, 2019), <http://bit.ly/2uuODtk>.

²² Jenny Deam, *Decade of Promises Fails to Halt Surprise Medical Bills Crushing Thousands of Texans*, HOUSTON CHRONICLE (Feb. 27, 2019), <http://bit.ly/3a6EKRP>.

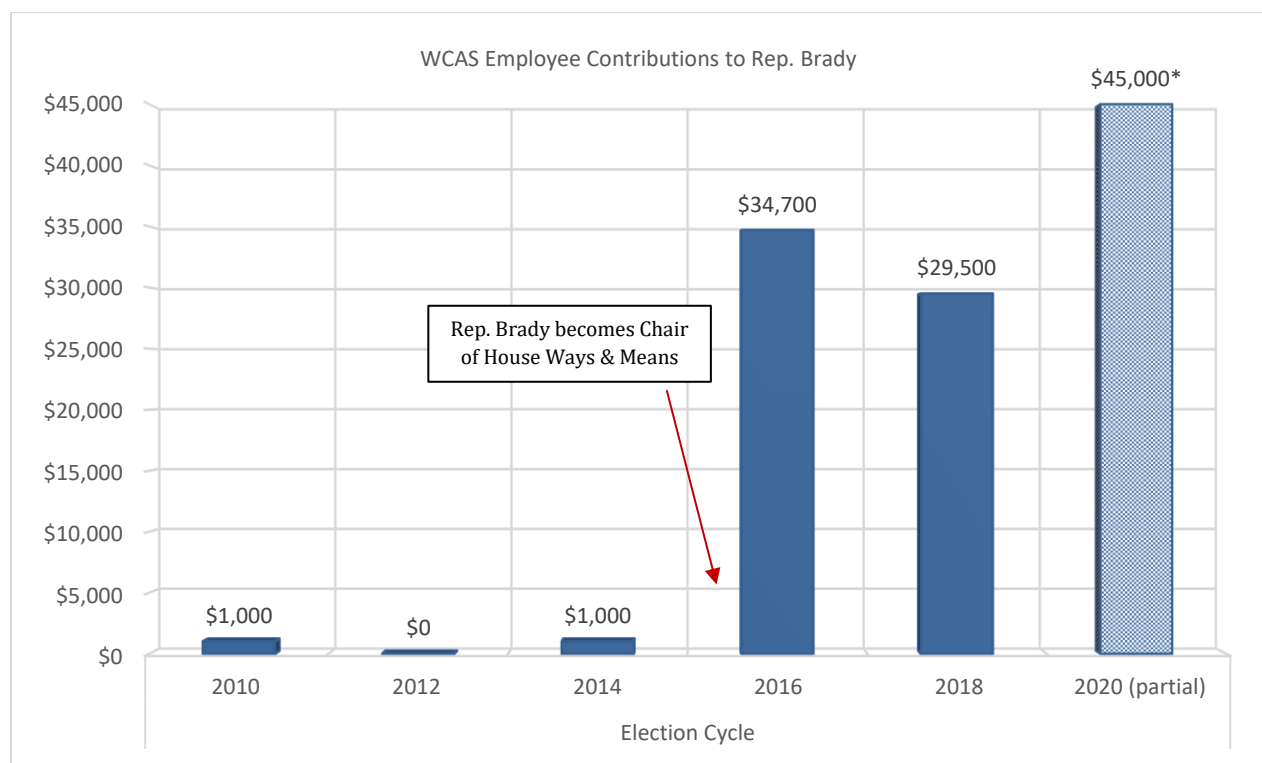
²³ *Id.*

²⁴ *Id.*

²⁵ Kevin Brady (*Texas*), BALLOTPEdia, <http://bit.ly/380glfi>.

During the 2020 cycle thus far, WCAS employees have already contributed \$45,000 to Brady, the most they have given during any full election cycle of his career. Brady reported receiving all \$45,000 on the same day, March 18, 2019. [Figure 4]

Figure 4 – Contributions to Brady From Employees of WCAS by Election Cycle, 2010 Election Cycle Through 2020*



* The 2020 election cycle data is partial and includes contributions through Dec. 31, 2019 only.

There were 10 WCAS employees responsible for the first flood of contributions to Brady, which occurred during the 2016 cycle. Only one had contributed to Brady prior to that.

Most of the 2016 cycle contributors have also contributed to Brady in the two cycles since. The contributors include WCAS Founder and General Partner Russell Carson, President and Managing Partner Anthony J. de Nicola and three partners – Thomas Scully, Brian Regan and Scott Mackesy – who also serve on the boards of the WCAS portfolio companies covered in this analysis.

Scully, a former administration of the Center for Medicare and Medicaid Services, currently sits on the board of Emerus.²⁶ Regan sits on the board of US Anesthesia Partners and US Acute Care Solutions.²⁷ And Scott Mackesy sits on the board of both Emerus and US Anesthesia Partners.²⁸

²⁶ Thomas A. Scully, Welsh, Carson, Anderson & Stowe, <http://bit.ly/2PiFWcQ>.

²⁷ Brian T. Regan, Welsh, Carson, Anderson & Stowe, <http://bit.ly/2STlqS0>.

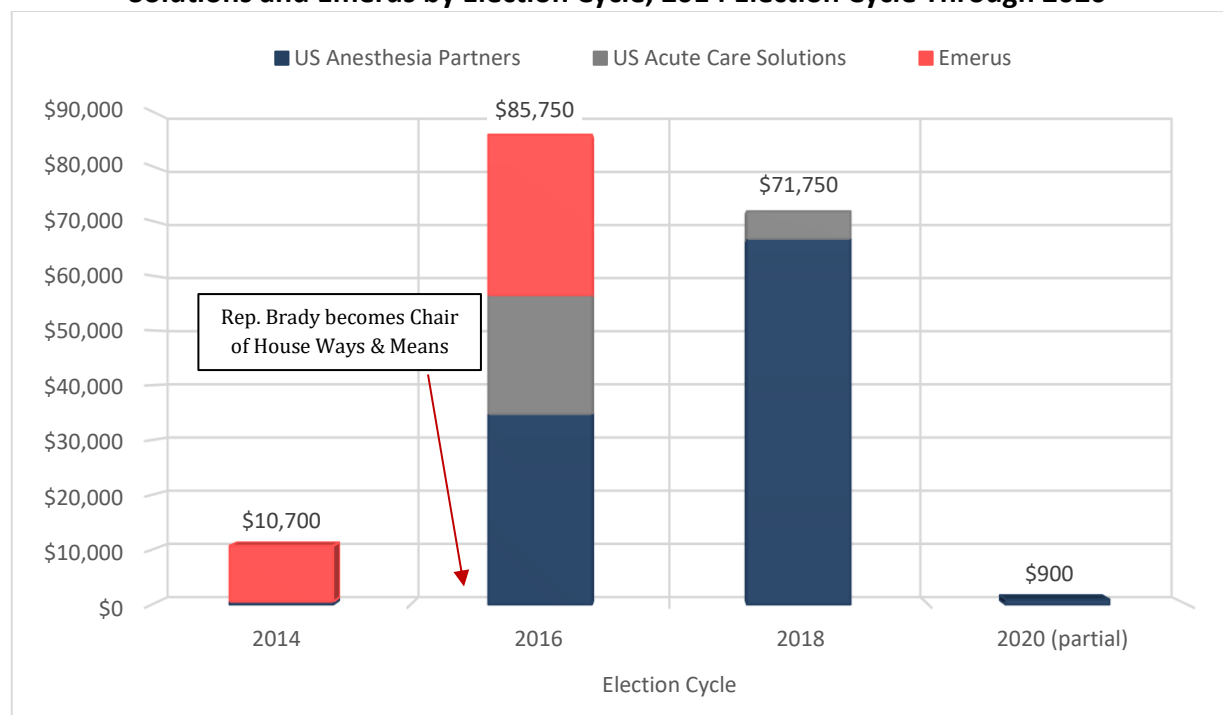
²⁸ D. Scott Mackesy, Welsh, Carson, Anderson & Stowe, <http://bit.ly/2HT4rIu>.

Scully, Regan and Mackesy have contributed a combined \$38,500 to Brady over his career, one third of the total he has received from WCAS employees.

WCAS Portfolio Companies US Anesthesia Partners, US Acute Care Solutions and Emerus Have Contributed \$169,100 to Brady

Employees and the PACs of US Anesthesia Partners, US Acute Care Solutions and Emerus have given a combined \$169,100 to Brady over his career. They gave Brady \$85,750 during the 2016 cycle, a 701 percent increase from the \$10,700 they gave him in the 2014 cycle. [Figure 5]

Figure 5 – Contributions to Brady From Employees of US Anesthesia Partners, US Acute Care Solutions and Emerus by Election Cycle, 2014 Election Cycle Through 2020*



* The 2020 election cycle data is partial and includes contributions through Dec. 31, 2019 only.

As was the case with WCAS employee contributions, the spike in contributions from the three WCAS portfolio companies came shortly after Brady was named chair of House Ways and Means.

WCAS announced the formation of US Acute Care Solutions in October 2015.²⁹ US Acute Care's employees contributed \$21,700 to Brady during the 2016 cycle. WCAS announced its investment in Emerus in September 2015³⁰ and Emerus's employees contributed \$29,300 to Brady during the 2016

²⁹ Founding Partner, *Welsh, Carson, Anderson & Stowe*, US ACUTE CARE SOLUTIONS, <http://bit.ly/2Pmva57>.

³⁰ Press Release, *Emerus Announces Investment By Welsh, Carson, Anderson & Stowe*, EMERUS (Sept. 1, 2015), <http://bit.ly/3c0CkpD>.

cycle. WCAS has been invested in US Anesthesia Partners since 2012.³¹ Its employees contributed \$34,750 to Brady during the 2016 cycle.

After the 2016 cycle, the windfall of contributions to Brady from US Acute Care Solutions and Emerus did not continue. But the contributions from employees of US Anesthesia Partners did, nearly doubling from \$34,750 during the 2016 cycle to \$66,750 during the 2018 cycle.

A February 2020 *Health Affairs* study found that seeing an anesthesiologist during elective or non-urgent visit was more likely to result in a surprise bill than other medical services.³² In other words, some anesthesiologists have a lot to lose if surprise billing is stopped.

Employees of US Anesthesia Partners (most of whom are physicians) have given \$102,900 to Brady over his career. This accounts for 61 percent of the total contributions from the three WCAS health care portfolio companies included in this analysis.

The number of employees working for US Anesthesia Partners who have contributed to Brady is striking.³³

The contributions from the anesthesiologist came in large groups, often reported as being received on the same day or some month, indicating a possible fundraiser. For example, in February 2017 Brady reported that he received \$52,500 from US Anesthesia Partners employees and another \$10,000 from the company's political action committee. The employee contributions came from 66 different people.

During that same month, February 2017, Brady also reported receiving \$13,800 from six WCAS employees, including a \$5,400 contribution from current WCAS President and Managing Partner Anthony J. de Nicola and a \$2,900 contribution from WCAS Health Care Groups' Managing Partner – and US Anesthesia Partners board member – Scott Mackesy.

Blackstone's Brady Investment: \$55,100

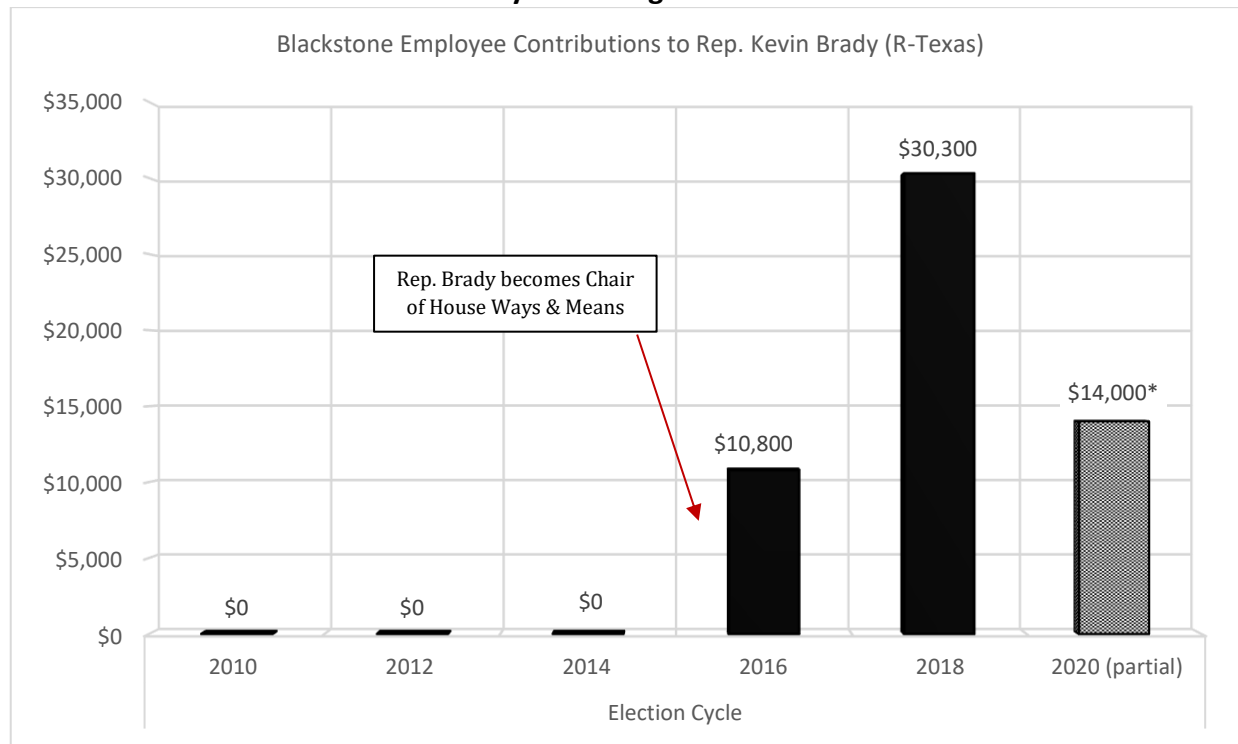
Throughout the course of his career, Blackstone employees have contributed \$55,100 to Brady, all of which was given after Brady became chair of the House Ways and Means Committee in November 2015. [Figure 6]

³¹ Press Release, Welsh, Carson, Anderson & Stowe and Healthcare Industry Veterans Announce Formation of U.S. Anesthesia Partners, Inc., WELSH, CARSON, ANDERSON & STOWE (Nov. 19, 2012), <http://bit.ly/3apUfo1>.

³² Elena Renken, *Study: 1 In 5 Patients Gets A Surprise Medical Bill After Surgery*, NPR (Feb. 11, 2020), <https://n.pr/2HPWlzF> and Christopher Garmon and Benjamin Chartock, *One In Five Inpatient Emergency Department Cases May Lead To Surprise Bills*, HEALTH AFFAIRS (Jan. 2017), <http://bit.ly/2uuHZDo>.

³³ Locations, US ANESTHESIA PARTNERS, <http://bit.ly/2vXvoZQ>.

Figure 6 – Contributions to Brady from Blackstone Employees, By Election Cycle, 2010 Election Cycle Through 2020*



* The 2020 election cycle data is partial and includes contributions through Dec. 31, 2019 only

The first contributions Brady ever received from Blackstone employees, were given in 2016 by Blackstone CEO Steve Schwarzman³⁴ and his wife. The Schwarzmans together are responsible for 60 percent, or \$32,800, of all of Blackstone's contributions to Brady.

During the 2018 cycle, during which Brady took in \$30,300 from Blackstone employees, he received contributions from the Schwarzmans and 12 other Blackstone employees, including CFO Michael Chae and Global Head of Tactical Opportunities David Blitzer.

During the 2020 cycle thus far, the Schwarzmans have contributed \$5,600 each to Brady. Ed Huang, a senior managing director of Blackstone's private equity unit,³⁵ contributed \$2,800.³⁶

³⁴ Our People, *Stephen A. Schwarzman*, BLACKSTONE, <http://bit.ly/2TejYZk> and Contributions to Brady for Congress and Making America Prosperous PAC, Employer "Blackstone," Federal Election Commission database search, FEDERAL ELECTION COMMISSION, <http://bit.ly/38XDRKS>.

³⁵ Our People, *Ed Huang*, BLACKSTONE, <http://bit.ly/2ur14q1>.

³⁶ Contributions to Brady for Congress and Making America Prosperous PAC, Employer "Blackstone," Federal Election Commission database search, FEDERAL ELECTION COMMISSION, <http://bit.ly/38XDRKS>.

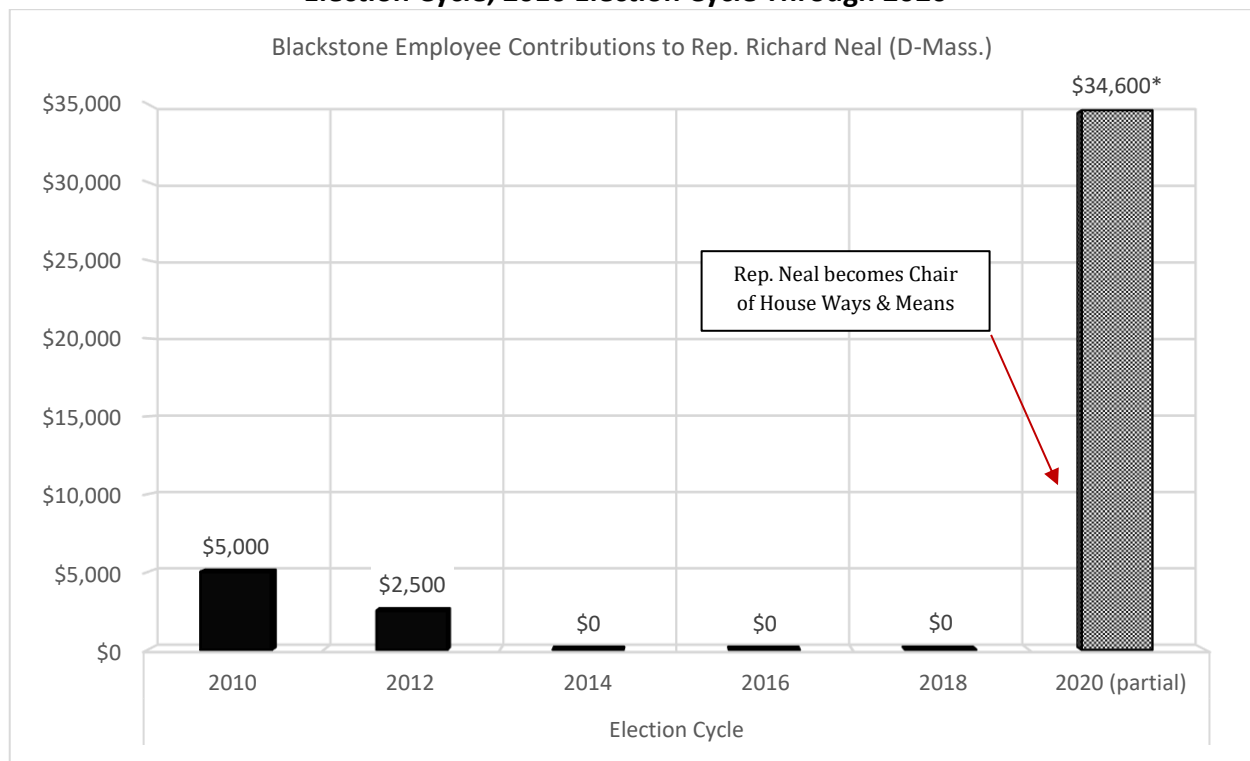
III. WCAS and Blackstone Employees Have Contributed \$55,800 to Neal

WCAS and Blackstone employees have given \$55,800 to Neal over his 31-year career. They contributed the majority of this money in a single month, September 2019, less than two months before Neal released a proposal that many blame for derailing surprise billing reform legislation that had bipartisan and bicameral support.³⁷

Blackstone's Neal Investment: \$42,100

Neal took over as chair of the House Ways and Means Committee in January 2019. Blackstone employees have subsequently given him \$34,600, accounting for 82 percent of the money that the firm's employees have given Neal over his entire career. Prior to the surge in donations from Blackstone employees in 2019, none of the firm's employees had contributed to him since the 2012 election cycle. [Figure 7]

Figure 7 – Contributions to Rep. Richard Neal (D-Mass.) From Blackstone Employees By Election Cycle, 2010 Election Cycle Through 2020*



* The 2020 election cycle data is partial and includes contributions through Dec. 31, 2019 only

³⁷ Paul McLeod, *A Deal To End Surprise Medical Billing Was Tanked At The Last Minute*, BUZZFEED NEWS (Dec. 19, 2019), <http://bit.ly/2TaNVtr>.

Blackstone is strongly connected to surprise billing through its ownership of the physician staffing company TeamHealth, which it purchased in 2016 for \$6.1 billion.³⁸

TeamHealth is opposed to any type of surprise billing solution that involves benchmarking rates. The company supports H.R. 3502,³⁹ an arbitration focused approach to surprise medical bills that would cost the government “double digit billions” over 10 years, according to the Congressional Budget Office (CBO). In contrast, the four other pieces of surprise billing legislation reviewed by the CBO were estimated to save the government anywhere from \$18 billion to \$25 billion over a decade.⁴⁰

From July 2019 through Sept. 2019, Doctor Patient Unity, a group funded by TeamHealth and another private equity physician staffing firm, spent \$28 million on deceptive ads attacking the idea of using benchmarking rates in legislation to end surprise billing.⁴¹

The ad shows a patient being rushed to the hospital in an ambulance only to arrive to a completely empty hospital. “Government rate setting,” private equity’s way of describing a benchmarked rate, the ad warns, would lead desolate hospitals where no one could receive care.⁴²

As Blackstone’s TeamHealth Funded Advertisements Against Surprise Billing Legislation, Blackstone Employees Poured Money into Neal’s Re-Election Campaign

Shortly after Doctor Patient Unity flooded the airways with \$28 million in advertisements warning of a benchmark rate fueled dystopian nightmare in our hospitals,⁴³ Blackstone employees poured money into Neal’s re-election campaign.

Almost all of the Blackstone employees’ contributions to Neal were given in a single month, September 2019, when seven Blackstone employees gave \$30,800. The seven contributors included multiple partners in the company’s private equity unit as well as employees working specifically on Blackstone’s health care portfolio companies.

Only one of the seven September 2019 contributors, Blackstone President and CEO Johnathan Gray, had previously contributed to Neal. Neal’s congressional career began in 1989.⁴⁴

³⁸ Margot Sanger-Katz, Julie Creswell and Reed Abelson, *Mystery Solved: Private-Equity-Backed Firms Are Behind Ad Blitz on ‘Surprise Billing’*, THE NEW YORK TIMES (Sept. 13, 2019), <https://nyti.ms/39ZH7Wj>.

³⁹ Situational Analysis, *TeamHealth Supports a Comprehensive Solution*, TEAMHEALTH, <http://bit.ly/3c9TZuX>.

⁴⁰ Karen Pollitz, Matthew Rae, Gary Claxton, Cynthia Cox and Larry Levitt, *An Examination of Surprise Medical Bills and Proposals to Protect Consumers From Them*, PETERSON-KFF (Feb. 10, 2020), <http://bit.ly/2v0NIGN>.

⁴¹ Margot Sanger-Katz, Julie Creswell and Reed Abelson, *Mystery Solved: Private-Equity-Backed Firms Are Behind Ad Blitz on ‘Surprise Billing’*, THE NEW YORK TIMES (Sept. 13, 2019), <https://nyti.ms/39ZH7Wj>.

⁴² *Id.*

⁴³ *Id.*

⁴⁴ Rep. Richard E. Neal, *Total Raised*, OPENSECRETS, <http://bit.ly/3977gmh>.

Neal's September windfall was supplemented in early October with one more Blackstone employee contribution: On Oct. 2, 2019, Neal reported receiving \$2,800 from a Blackstone's Neil Simpkins, a senior managing director in Blackstone's private equity unit.⁴⁵

According to his biography, Simpkins "led the acquisitions" of multiple health care focused companies including TeamHealth. Simpkins currently serves as a Director at TeamHealth.⁴⁶

Less Than Two Months After Receiving The September Contribution Windfall, Neal Blew Up A Surprise Billing Compromise Hated by Private Equity

In the months after Blackstone employees deluged Neal with contributions, House and Senate negotiators closed in on a deal on surprise billing legislation.

Then Neal stepped in.

The tentative bipartisan compromise was brokered between the House Energy and Commerce Committee and the Senate Health Committee and reportedly had the support of the White House.⁴⁷ It would have required insurance companies to pay providers the average in-network rate for surprise bills of \$750 or less. Anything more than that would go to arbitration.⁴⁸ The compromise was widely believed to be the last chance to pass surprise billing legislation before the end of the new year.

Private equity firms vehemently oppose any deal that includes benchmarking rates.

On Dec. 11, 2019, Neal's House Ways and Means Committee announced a deal between Neal and Brady on surprise billing.⁴⁹ The deal was short on details and included just a vague, one-page outline of what the surprise billing legislation would look like.

The outline did indicate that benchmarking was not included and that the legislation would rely entirely on arbitration. In other words, it represented everything that the private equity industry wanted.

The effect of the outline was clear: it ended any hope of a deal on surprise medical billing before the end of the year, likely kicking the issue to spring 2020 at the earliest. Politicians on both sides of the aisle placed all the blame on Neal.⁵⁰

⁴⁵ Our People, *Neil Simpkins*, BLACKSTONE, <http://bit.ly/2Tei0Jr>.

⁴⁶ *Id.*

⁴⁷ Paul McLeod, *A Deal To End Surprise Medical Billing Was Tanked At The Last Minute*, BUZZFEED NEWS (Dec. 19, 2019), <http://bit.ly/2TaNVtr>.

⁴⁸ *Id.*

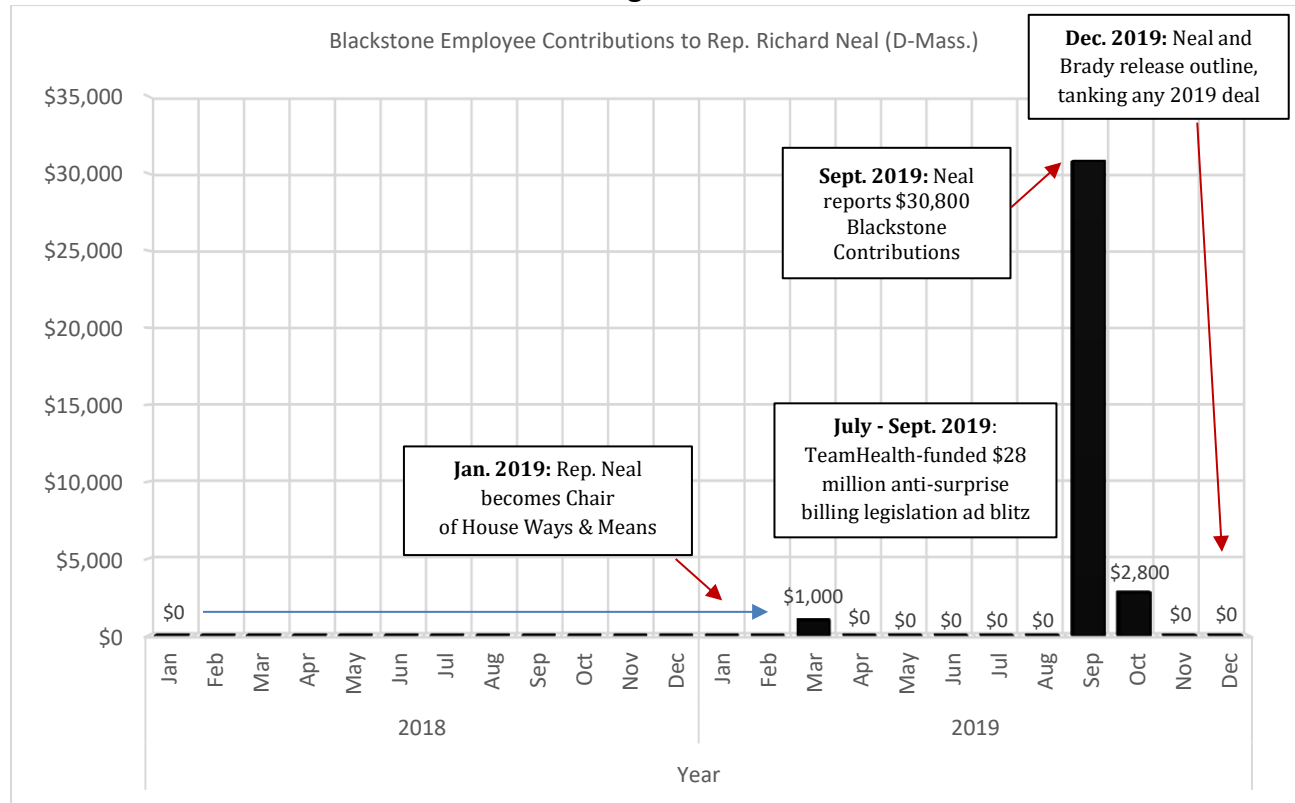
⁴⁹ Press Release, *Neal and Brady Announce Agreement on Surprise Billing*, HOUSE WAYS AND MEANS COMMITTEE (Dec. 11, 2019), <http://bit.ly/3c8V0Du>.

⁵⁰ Paul McLeod, *A Deal To End Surprise Medical Billing Was Tanked At The Last Minute*, BUZZFEED NEWS (Dec. 19, 2019), <http://bit.ly/2TaNVtr>.

“That came out of the blue at the end,” Rep. Greg Walden (R-Ore.), ranking member of the House Energy and Commerce Committee, the committee that reached the compromise deal, told *Buzzfeed News*. “When something like that happens, it gives others the excuse to go, ‘Oh look, they’re not ready.’”⁵¹

All of this occurred less than two months after Blackstone employees showered Neal with campaign contributions. [Figure 8]

Figure 8 – Contributions to Neal From Blackstone Employees, By Month and Year, 2018 Through 2019



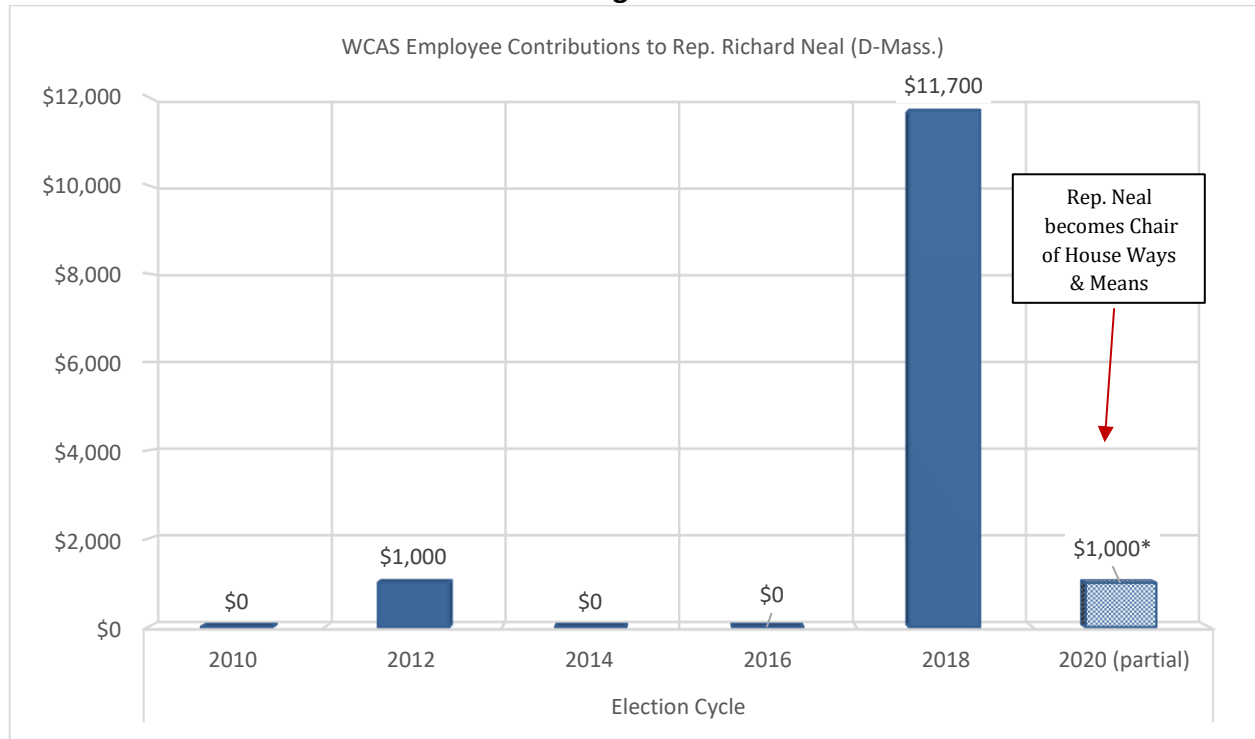
⁵¹ Paul McLeod, *A Deal To End Surprise Medical Billing Was Tanked At The Last Minute*, BUZZFEED NEWS (Dec. 19, 2019), <http://bit.ly/2TaNVtr>.

WCAS's Neal Investment: \$13,700

WCAS Employees have given Neal \$13,700.

Almost all of Neal's WCAS contributions were reported as received on the same day, May 10, 2017, when Neal received \$11,700 in total from 10 WCAS employees. [Figure 9]

Figure 9 – Contributions to Neal From WCAS Employees By Election Cycle, 2010 Election Cycle Through 2020*



* The 2020 election cycle data is partial and includes contributions through Dec. 31, 2019 only.

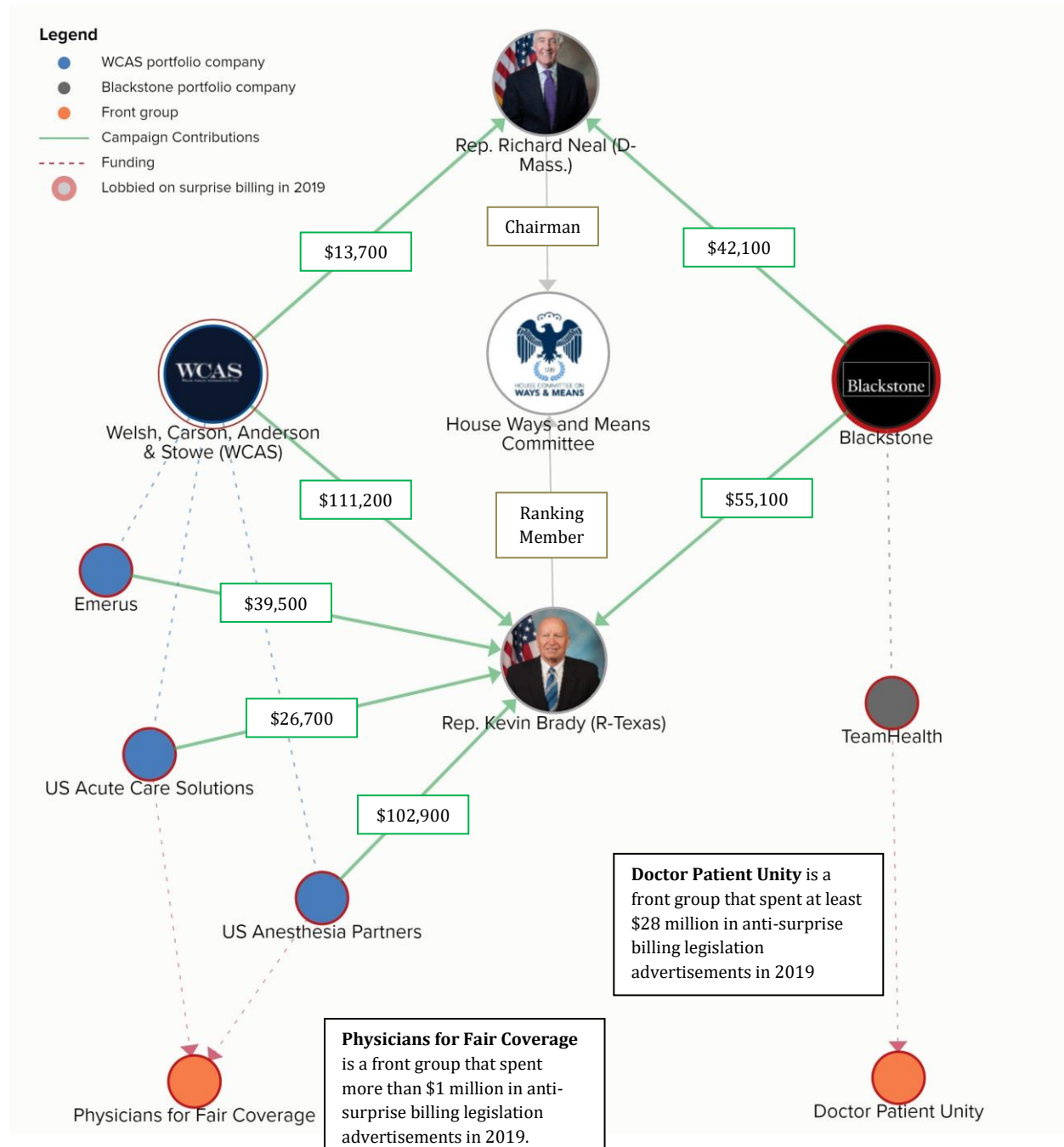
All 10 of the WCAS employees that contributed to Neal on May 10, 2017, have also contributed to Brady.

Neal's WCAS contributors include WCAS Founder and General Partner Russell and three WCAS partners, Scott Mackesy, Thomas Scully and Brian Regan, who serve on the boards of US Anesthesia Partners Board, Emerus and US Acute Care Solutions.

III. Mapping the WCAS and Blackstone Inside-Outside Game to Stop Surprise Billing Legislation

The hundreds of thousands of dollars in campaign contributions covered in this analysis are just part of the inside-outside game being played by the private equity firms and their portfolio companies. Along with the contributions, they have spent millions on lobbying and the front groups they fund have spent tens of millions of deceptive ads. [Figure 10]

Figure 10 – The WCAS and Blackstone Inside-Outside Game



IV. Other WCAS Connected Companies Have Also Contributed to Brady and Neal

There are other health care companies that may not be at the center of the surprise billing debate but are either companies in which WCAS is invested or has close ties to, that contributed to Brady and Neal.

Kindred Healthcare, a company acquired by WCAS and two other companies in December 2017,⁵² operates hospice facilities, transitional hospitals, and other health care facilities around the country.⁵³ Kindred's PAC and the company's employees have given Brady and Neal \$56,850 from the 2010 cycle through today, most of which went to Brady.

In 2004, WCAS invested in Select Medical, a health care company that owns acute care hospitals and rehabilitation clinics around the country.⁵⁴ WCAS was Select Medical's largest shareholder when the company went public in 2009.⁵⁵ WCAS founder Russell Carson and Health Care Group partner Thomas Scully currently serve on the company's board (Scully also serves of the board of Emerus).⁵⁶ Carson owns 1.6 percent of Select Medical's stock, according to the company's latest Securities and Exchange Commission filing.⁵⁷ WCAS also currently partners with Select Medical on joint ventures.⁵⁸

Select Medical employees and the company's PAC have given \$167,900 to Brady from the 2014 election cycle through today. On average, Brady has received \$41,975 per cycle over the four cycles.

Neal received his first Select Medical contribution in September 2019 (the month where he received a flurry of Blackstone contributions, see section III of this report). Neal received \$6,000 from the Select Medical PAC.⁵⁹

At times, the Select Medical contributions were reported as being received on the same day or around the same time as contributions from US Anesthesia Partners and or WCAS employees. For example, Brady reported that he received a \$5,000 contribution from the Select Medical PAC on March 18, 2019. The very same day, Brady also received \$45,000 in contributions from 12 WCAS employees, including WCAS Health Care Group partner – and Select Medical Board Member – Thomas Scully.

⁵² Press Release, *Kindred Healthcare to be Acquired by Welsh, Carson, Anderson & Stowe, TPG Capital and Humana Inc. for \$9.00 per Share in Cash*, WCAS (Dec. 19, 2017), <http://bit.ly/37YC1Z0>.

⁵³ *About Us*, KINDRED, <http://bit.ly/2T960YZ>.

⁵⁴ Dinah Wisenberg Brin, *Select Medical Plans To Go Private In \$2.3 Billion Deal*, THE WALL STREET JOURNAL (Feb. 24, 2020), <https://on.wsj.com/2w4UIRi> & Locations, SELECT MEDICAL, <http://bit.ly/2vXDj9x>.

⁵⁵ *Select Medical IPO Prices Below Estimated Range*, CNBC (Sept. 25, 2009), <https://cnb.cx/2SSSKsy>.

⁵⁶ *Board of Directors*, SELECT MEDICAL, <http://bit.ly/2Vjlboc>.

⁵⁷ Select Medical Schedule 14A, *Security Ownership of Certain Beneficial Owners and Directors and Officers*, UNITED STATES SECURITIES AND EXCHANGE COMMISSION (April 30, 2019), <http://bit.ly/3c3FmJF>.

⁵⁸ Press Release, *Select Medical Holdings Corporation Announces Completion of Acquisition of Concentra Inc. Through Joint Venture with Welsh Carson*, WCAS (June 1, 2015), <http://bit.ly/3c9Q95d>.

⁵⁹ Contributions to Richard E Neal For Congress, The Madison PAC, Brady for Congress and Making America Prosperous PAC, From Select Medical Corporation PAC, Federal Election Commission database search, FEDERAL ELECTION COMMISSION, <http://bit.ly/2HONIMI>.

Conclusion

The truly outrageous nature of the practice of surprise billing has led to rare bi-partisan support for a solution in Congress, with committees in both chambers having passed legislation that would protect patients. The White House is apparently on board as well. Yet, attempts to address the issue have dragged on and momentum has been stopped, often with dubious explanations. A key reason Congress has yet to end the surprise billing crisis is greed.

Private equity firms are not alone in their greed. But they are some of the worst culprits. Their unethical practice of pulling providers out of networks and relying on surprise bills for profit would be heavily curtailed under the proposed compromise.

If nothing is done, private equity's grip is only going to get stronger as the industry's firms acquire more and more companies like TeamHealth and US Acute Care Solutions. A recent study found that private equity firms are accelerating the pace in which they are purchasing physician practices.⁶⁰

The more physician practices they purchase, the more money they have at stake. And the more money they have at stake, the more aggressive they will be in their lobbying efforts and campaign contributions.

The author of the study that found private equity firms accelerating their purchasing of physician practices cuts to the heart of the issue: "Private equity firms expect greater than 20% annual returns, and these financial incentives may conflict with the need for longer-term investments in practice stability, physician recruitment, quality, and safety," according to *Axios*.⁶¹

In other words, private equity firms do not take the Hippocratic Oath. Their commitment is to growth and money.

Congress should show its commitment to the American people and pass surprise billing legislation that protects patients.

⁶⁰ Caitlin Owens, *Private Equity's Slow Creep into Doctors' Offices*, AXIOS (Feb. 19, 2020), <http://bit.ly/2HTBixz>.

⁶¹ *Id.*