



# Congress of the United States

Washington, DC 20515

May 8, 2020

Stephen A. Schwartzman  
Chief Executive Officer  
Blackstone  
345 Park Ave  
New York, NY 10154

Wayne Berman  
Senior Managing Director and Head of Global Govt. Affairs  
Blackstone  
345 Park Ave  
New York, NY 10154

Dear Mr. Schwartzman and Mr. Berman,

We write today deeply alarmed by Blackstone's response to our letter, sent on Tuesday, April 14, 2020, raising concerns about your firm and TeamHealth's actions taken during the 2019 novel coronavirus (COVID-19) pandemic. Rather than address our very real concerns and questions regarding cuts to physician pay and benefits, your letter seems to suggest that Congress has no business fulfilling its constitutional duty to conduct oversight of the current health and economic crisis. That oversight includes calling out your company and your industry's repeated failures to play by the rules and prioritize the well-being of patients and health care workers nationwide, from Massachusetts to California.

Let us be very clear: it is our responsibility, as Members of Congress, to conduct appropriate oversight over companies that threaten to harm the health and the financial security of the constituents we serve. The private equity industry may not be to blame for the "unprecedented financial hardship"<sup>1</sup> facing the entire health care system, but there is clear and consistent evidence that you have caused financial hardship for patients and health care workers. As Members of Congress, we have a responsibility to address the financial realities confronting health care facilities, but so do you, as owners of those businesses. You have reaped significant profits from these investments for personal gain; you bear the responsibility to inject capital if needed to stabilize these companies so they can pay workers. That double-edge is the core principle of capitalism.

After we received your response, reports revealed that TeamHealth, with Envision, had spent more than \$1.2 million since President Donald Trump's national emergency declaration on March 13 on advertisements through the organization Doctor Patient Unity.<sup>2</sup> Since beginning its campaign less than a year ago, Doctor Patient Unity already has spent \$57 million on ads. That sum makes the organization the largest political advertiser outside of presidential campaigns.<sup>3</sup> Envision and TeamHealth remain the primary funders of Doctor Patient Unity and have each respectively funneled millions into the group's advocacy and advertising. Further, Blackstone alone spent \$560,000 on lobbying the House and Senate on

---

<sup>1</sup> Blackstone Letter to Rep. Porter and Senator Warren, April 28, 2020

<sup>2</sup> Medical Staffing Companies Cut Doctors' Pay While Spending Millions on Political Ads, *ProPublica*, Retrieved at: <https://www.propublica.org/article/medical-staffing-companies-cut-doctors-pay-while-spending-millions-on-political-ads>

<sup>3</sup> Medical Staffing Companies Cut Doctors' Pay While Spending Millions on Political Ads, *ProPublica*, Retrieved at: <https://www.propublica.org/article/medical-staffing-companies-cut-doctors-pay-while-spending-millions-on-political-ads>

recently passed relief packages.<sup>4,5</sup> We are disappointed that you accused us of an “apparent exercise in smearing our industry for political gain,”<sup>6</sup> at the same time you and your affiliated entities continue to lobby and spend tens of millions of dollars on television ads prior to and during the COVID-19 crisis. We welcome the American public’s judgment on whether it is appropriate that you continue to engage in this self-serving political activity while you attempt to claim to be so financially strained that you must cut your providers’ pay.

Of course, the pandemic is creating financial hardships on others, not just private-equity owned health care staffing firms. That being said, we wrote to Blackstone, as the owner of TeamHealth, and other private equity firms because of the outsized role that private equity plays in making sure doctors are available to provide care across the country. Today, almost two-thirds of hospitals in the United States rely on private physician staffing companies, many of which are owned by private equity firms.<sup>7</sup> Blackstone and KKR alone control 30 percent of the market for physician staffing companies for emergency room doctors.<sup>8</sup>

Private equity firms, including your companies, commonly employ strategies to increase their short-term financial returns. In the context of health care, you have acted to boost profits at the expense of the quality of care provided by doctors and the number of providers available to serve patients.<sup>9</sup> While hospitals have a personal and financial interest in maintaining a high quality of care, the “need for private equity firms to achieve high returns on investment (often at least 2.5×) on a fast time horizon (approximately 6 years on average)” often appears to conflict with the need for patient quality and safety.<sup>10</sup>

Your letter implies that TeamHealth is facing “costs [that] have soared” during the COVID-19 crisis.<sup>11</sup> This is certainly true of hospitals, which, while experiencing declining revenue, have had to make enormous investments in their facilities and equipment in order to address the crisis.<sup>12</sup> According to a survey conducted by the Department of Health and Human Services Office of the Inspector General, this has been a major cause in their depleting funds.<sup>13</sup> But it is not clear that companies like TeamHealth share these costs. Further, of those more than 200 hospitals that Becker’s Hospital CFO Report listed as having chosen to furlough, lay off, or cut pay and benefits for their providers, nearly 200 are nonprofit hospitals.<sup>14</sup> These are all companies without the financial capital that is available from private equity firms in a tumultuous time. TeamHealth’s necessity to service its debt without any help from Blackstone may be a major contributor to its decisions about cutting doctors’ hours and pay. As such, we are asking you for answers about the necessity of such actions and how you justify the likely harms to patient safety and care. Given your firms’ tremendous financial resources, it is reasonable to question why you are not supplying TeamHealth with equity investment during the pandemic.

---

<sup>4</sup> Harbinger Strategies LLC, Lobbying Disclosure Report, retrieved at: <https://disclosurespreview.house.gov/ld/ldxmlrelease/2020/Q1/301177190.xml>

<sup>5</sup> Miller Strategies LLC, Lobbying Disclosure Report, retrieved at: <https://disclosurespreview.house.gov/ld/ldxmlrelease/2020/Q1/301172029.xml>

<sup>6</sup> Blackstone Letter to Rep. Porter and Senator Warren, April 28, 2020

<sup>7</sup> Surprise! Out-of-Network Billing for Emergency Care in the United States, Yale University and National Bureau of Economic Research, Retrieved at: [https://isps.yale.edu/sites/default/files/publication/2019/03/oon doctors dec2018.pdf](https://isps.yale.edu/sites/default/files/publication/2019/03/oon%20doctors%20dec2018.pdf)

<sup>8</sup> Coronavirus and the Implications of Private Equity Buyouts in Healthcare, CEPR, Retrieved at: <https://cepr.net/coronavirus-and-the-implications-of-private-equity-buyouts-in-healthcare/>

<sup>9</sup> Potential Implications of Private Equity Investments in Health Care Delivery, JAMA, Retrieved at: <https://jamanetwork.com/journals/jama/article-abstract/2727259>

<sup>10</sup> JAMA, as cited.

<sup>11</sup> Blackstone Letter to Rep. Porter and Senator Warren, April 28, 2020

<sup>12</sup> Hospital Experiences Responding to the COVID-19 Pandemic: Results of a National Pulse Survey March 23–27, 2020, HHS OIG, Retrieved at: <https://oig.hhs.gov/oei/reports/oei-06-20-00300.pdf>

<sup>13</sup> HHS OIG, as cited.

<sup>14</sup> 230 hospitals furloughing workers in response to COVID-19, Becker’s Hospital CFO Report, Retrieved at: <https://www.beckershospitalreview.com/finance/49-hospitals-furloughing-workers-in-response-to-covid-19.html>

You wrote that TeamHealth has been deploying clinician and physician coverage that is 35 percent higher than current patient volumes and that this is creating significant daily losses for the company.<sup>15</sup> While this may be true, when private equity owned physician staffing companies take over a staffing contract, physician charges can increase an average of 96 percent.<sup>16</sup> Notably, as you continue to deploy these doctors, you may also continue to accrue charges for those services they may provide. In other words, even what you describe as a company sacrifice for the greater good appears to still serve your own financial bottom line.

Moreover, we now know that Envision has received taxpayer funding through Congressional aid packages, and we are concerned that TeamHealth may have benefited from taxpayer-funded aid as well.<sup>17</sup> In early April, the Centers for Medicare and Medicaid Services (CMS) expanded its preexisting Advanced Payment System to offer financial support to providers on the frontlines of the pandemic.<sup>18</sup> In one week, CMS distributed \$34 billion to providers in need. This program has since been curtailed in light of the massive Congressional investment in additional support for patients and providers. Congress appropriated \$100 billion in the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* Provider Relief Fund<sup>19</sup> and \$75 billion through the Paycheck Protection Program and Health Care Enhancement Act<sup>20</sup> for health care providers. Since this legislation was signed into law, nearly \$50 billion in relief funds have been sent to hospitals and other health care providers from the *CARES Act* alone. The funding for the first \$34 billion is based on the number of Medicare patients served by providers and is intended to pay health care-related expenses or make up for lost revenue attributable to COVID-19, as well as to ensure uninsured Americans can get testing and treatment for COVID-19.<sup>21</sup> If TeamHealth or any related entities have received taxpayer money from these sources, as Medicare providers, we have a duty to understand why such funding is insufficient to pay health care workers, who have put their lives on the line to care for patients.

We reiterate our initial request to you: As the leadership of an organization that is responsible for the financial stability of health care providers and the staffing of those providers, you must do all that you can to ensure stability and continuity of care during this tumultuous time. We ask, again, that Blackstone require that TeamHealth stop cuts to physician pay and benefits. If you feel that it would be financially unfeasible for TeamHealth to continue current salary, hours, and/or benefits for providers, we ask that you provide documentation demonstrating your reasoning and need for such action. This documentation should include but should not be limited to:

- All federal, state, and local taxpayer COVID-19 aid funds received by TeamHealth, including all affiliates or related entities;
- All private or nonprofit COVID-19 aid funds received by TeamHealth, including all affiliates or related entities;
- Executive compensation at both Blackstone and TeamHealth before and after reductions mentioned in your letter;

---

<sup>15</sup> Blackstone Letter to Rep. Porter and Senator Warren, April 28, 2020

<sup>16</sup> Surprise! Out-of-Network Billing for Emergency Care in the United States, Yale University and National Bureau of Economic Research, Retrieved at: [https://isps.yale.edu/sites/default/files/publication/2019/03/oon doctors dec2018.pdf](https://isps.yale.edu/sites/default/files/publication/2019/03/oon%20doctors%20dec2018.pdf)

<sup>17</sup> Health care bailout fund reaches \$175 billion, *Axios*, Retrieved at: <https://www.axios.com/health-care-bailout-fund-coronavirus-175-billion-361923f7-e5bb-4fb0-9117-1d0a3c759c0d.html>

<sup>18</sup> CMS Approves Approximately \$34 Billion for Providers with the Accelerated/Advance Payment Program for Medicare Providers in One Week, CMS, Retrieved at: <https://www.cms.gov/newsroom/press-releases/cms-approves-approximately-34-billion-providers-acceleratedadvance-payment-program-medicare>

<sup>19</sup> PL 116-136

<sup>20</sup> PL 116-139

<sup>21</sup> CARES Act Provider Relief Fund, HHS, Retrieved at: <https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/index.html>

- Funds provided to the group Doctor Patient Unity from January 1, 2020 through present day;
- Additional expenditures on marketing and communications;
- Expenditures on lobbying and government affairs; and
- Current expenditures on salary and benefits and all changes allegedly necessary to keep all doctors fully employed.

We request that you provide a detailed and thorough response by May 15, 2020.

Very truly yours,



KATIE PORTER  
Member of Congress



ELIZABETH WARREN  
United States Senator