

# Health Care Financialization

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University of Houston Health Law & Policy Institute Webinar  
April 9, 2026

# Overview

- **Health Care Financialization**
  - Definition
  - Examples
  - Policy concerns
- **Policy Agenda**
  - Rate Regulation
  - Shaping Markets
  - Building Capacity

## Journal of Health Care Law and Policy

Volume 29 | Issue 1

Article 2

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#### Recommended Citation

Erin C. Fuse Brown, & Hayden Rooke-Ley, *Health Care Financialization*, 29 J. Health Care L. & Pol'y 1 (2026).

Available at: <https://digitalcommons.law.umaryland.edu/jhclp/vol29/iss1/2>

# Financialization – Definition

*Health care financialization* refers to the shift in the primary objective of health care institutions from the production of patient and community health to the extractive production of wealth for equity owners and management.

Three features of health care financialization:

1. Financialization **transfers governance and decisionmaking authority** from community stakeholders and health care producers to financial investors and executives.
2. Financialization relies on **value extraction** (financial engineering and labor suppression) rather than value creation to generate short-term profits.
3. Financialization pursues **accountability avoidance** through mechanisms like delocalization, consolidation, and sophisticated corporate governance.

# Financialization Example: Private Equity

- **Highly leveraged:** debt loaded onto target companies
- **Financial engineering:** REIT sale-leasebacks, staffing cuts, asset stripping
- **Short-term:** exit in 3-7 years
- **Moral hazard:** PE willing to take risks without reputational or financial consequence (heads I win, tails you lose)



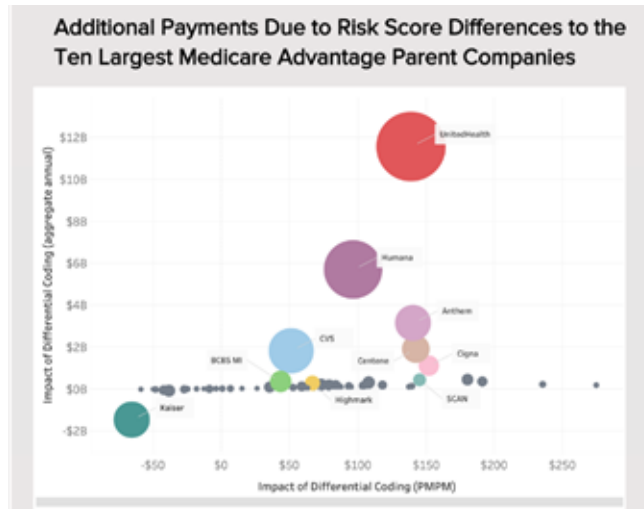
# Financialization Example: Vertically Consolidated Medicare Advantage Entities

→ Medicare Advantage (MA): 54% of Medicare beneficiaries

- Capitated risk-adjusted payments: more diagnoses = more \$
- Risk score upcoding ~\$30-50 billion annually

→ MA insurers' vertical consolidation playbook:

- Buy provider groups (PCPs, home care) for their MA “book of business,” control EHR and pressure docs to upcode diagnoses
- Use health risk assessments and chart reviews to document diagnoses to inflate MA payments
- Use intercompany transfer payments to tunnel profits to related parties (MLR gaming)
- Capture or steer patients to own PBM, pharmacy, MA plan



Source: Medicode, a Medicare Advantage Coding Intensity Report Card [coming soon from CAHPR]

# Policy Concerns: Profits Over Patients

- Higher costs, spending, prices
- Worse access and quality
- Professional demoralization

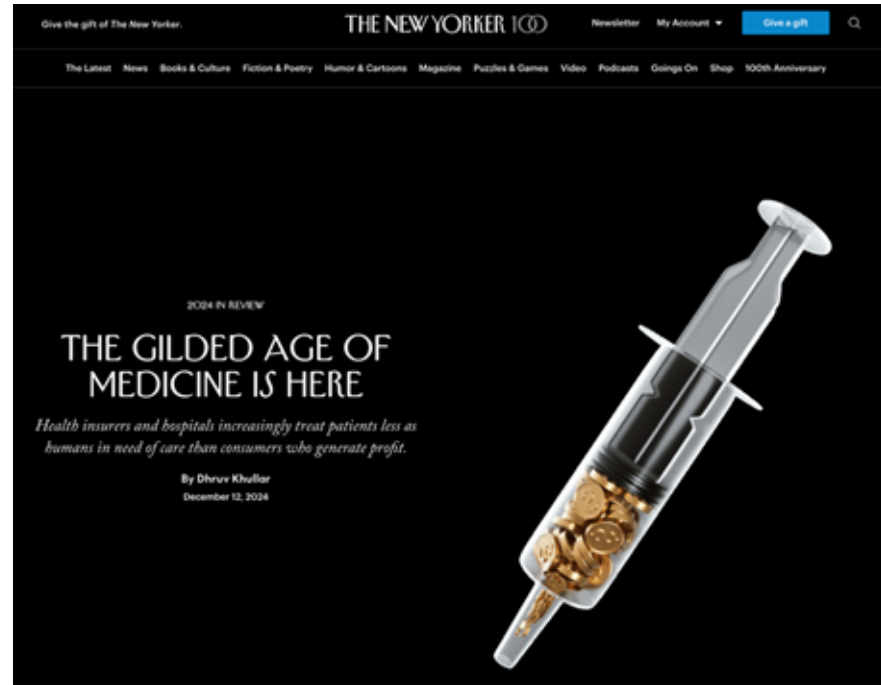


The New York Times Magazine



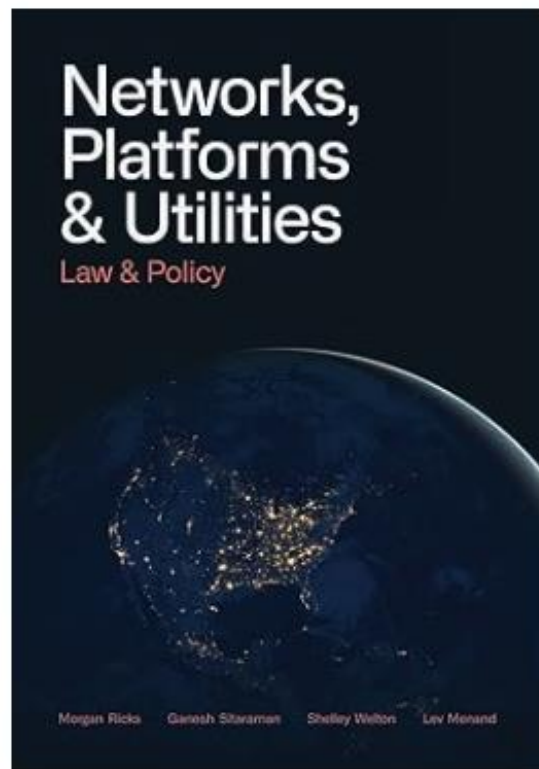
# Research and Policy Agenda

- Existing regulatory approach—high costs and growing financialization
- How can health care law and policy mitigate extraction?
- How can health care institutions operate in the interest of patients, clinicians, and their communities?



# A Public Utility Framework

- Public utility tradition
  - Railroads, telecommunications, energy, banking, mail, water, hotels, insurance, etc.
  - Tools
    - Rate regulation, nondiscrimination, universal access, profit caps, reserve requirements, structural separation / antitrust, public & cooperative ownership
  - “Social control” over regulated industries
- Application to health care
  - Never fully embraced; retreat in recent decades
  - State-level resurgence





# Reforming Payment Policy

- Rate regulation
- Payment policy today promotes financialization
  - Unregulated prices not tied to quality
  - Complex and burdensome
- Numerous states pursuing hospital rate setting



# Market Shaping

- Structural separations & vertical antitrust enforcement
  - Regulatory gaming
  - Conflicts of interest and self-preferencing
- Tension with push for integration

## States target PBM pharmacy ownership in aggressive new push

CVS Pharmacy is working to block bans in Tennessee and Arkansas.

Stephanie Akin, Pluribus News // March 21, 2026 // 5  
Minute Read

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## Bipartisan Break Up Big Medicine Act Targets Vertical Integration in Health Care

# Market Shaping

- Ownership and governance
  - Corporate form
    - Professional corp, non-profits, community health centers
    - Public options and public provisioning
  - Governance requirements
    - Medical Loss Ratios (MLRs), staffing ratios
    - Limits on dividend recapitalizations, sale leasebacks, leverage, holding periods

**Oregon Passes Strictest Corporate  
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# Building and Allocating Supply

- Alternatives to finance capital
  - Payment policy as capital financing
  - Public capital financing
  - Clinician supply
- Management of supply and capacity
  - Entry and exit restrictions
    - Merger review laws; certificate of need
  - Managing technology diffusion

