Corporate and Private-Equity Acquisitions in the English Care Homes Market

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Research Question

Research gap

- Large literature on PE in healthcare: higher costs, mixed quality effects
- PE always compared to a *heterogeneous* non-PE control
- **We:** first causal PE vs. large corporate comparison in same local markets
- Study the interaction of **financial ownership** and **local market structure**

Central Question

Do the **competitive effects of local market consolidation** depend on **acquirer identity**?

Why this matters?

Policy relevance:

- US FTC/DOJ/HHS joint inquiry into PE in healthcare (March 2024)
- UK CMA: serial acquisitions in local service markets as priority
- 2011 Southern Cross collapse — 31,000 residents at risk, triggered Care Act 2014

Preview of Main Findings

Central Finding

PE and non-PE corporate acquirers behave **qualitatively similarly** across most margins. **Market structure** matters more than **owner identity**.

At acquired (target) homes:

- Quality (CQC ratings) $\downarrow$ $\approx$5%
- Capacity (beds) $\downarrow$ slightly (PE)
- Utilisation $\uparrow$ (**PE: 60%**, Corporate: 20%)
- Prices $\uparrow$ in cross-section

At local competitors:

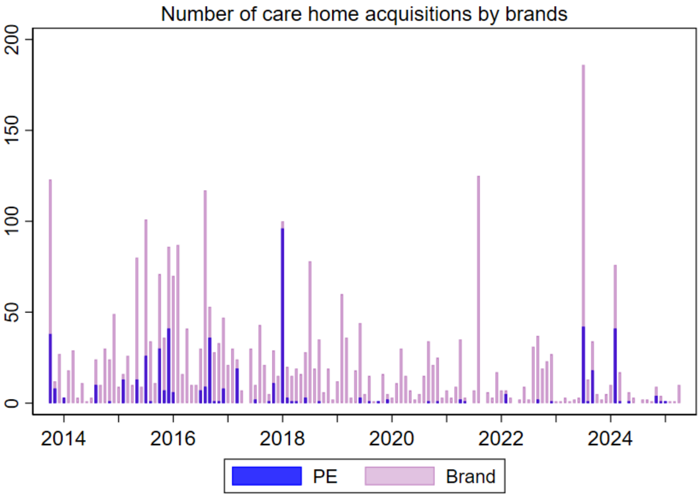
- Quality $\downarrow$ (esp. after corporate entry)
- Utilisation $\uparrow$
- Capacity: no significant change

Interpretation: Market power effects dominate merger efficiencies for *both* acquirer types.

Contributions

1. **First causal comparison** of PE vs. non-PE corporate acquisitions in care homes
   - Merger waves identification strategy addresses target selection
   - Unlike prior work: non-PE control group is *also* large corporate chains
2. **Substantial competitor spillovers** from any large-chain entry
   - Quality declines and utilisation increases at competing homes
   - Total welfare loss $>$ effects at acquired homes alone
3. **PE operational advantages exist**
   - But same qualitative regime: market power dominates for both
   - Suggests different γ (efficiency parameter), not different competitive incentives

The Acquisition Wave: PE and Corporate



Three Data Sources

1. **CQC Administrative Data** (Sep 2013 – May 2025)
   - Universe of registered adult social care homes in England: 19,372
   - Outcomes: beds, CQC ratings, resident counts (2021+), services
2. **Ownership Data**
   - CQC: corporate brand names (proximate ownership)
   - PE identification: Kotecha (2019) and LangBuisson (2024)
   - "Independent": no brand name in CQC records
3. **Web-Scraped Data** (carehome.co.uk — UK's largest comparison site)
   - Prices: Mar 2025 live scrape + Wayback Machine archives
   - Customer reviews: 1–5 stars, 11 dimensions
4. **Local Market Definition**: 15–20 minute driving radius

Outcome Variables: Summary Statistics

Variable	Private Equity		Branded		Other care homes	
	Mean	St. dev	Mean	St. dev	Mean	St. dev
Quality rating	75	4	79	4	79	4
Resident count	48	19	38	22	31	20
Beds	58	22	48	27	37	24
Number of services	3	1	2	1	2	1
Dementia care (percentage)	75	4	70	5	65	5

PE homes are larger:

- 58 beds vs. 37 average
- 48 residents vs. 31 average

PE homes have slightly lower quality:

- 75% vs. 79% positive CQC ratings
- More service types (3 vs. 2)

Identification Challenges

The selection problem: homes may be acquired because outcomes are expected to change

- Failing home acquired for turnaround ⇒ *negative selection*
- High-performing home acquired to extract rents ⇒ *positive selection*

Our Design

1. **Merger waves** — exploit aggregate timing variation to reduce target selection bias
2. **Never-treated** control markets — prevent spillovers from contaminating controls
3. **Event-study pre-trends** — test parallel trends directly

Merger Waves Identification

Key insight: acquisitions cluster sharply in time

- Driven by industry-wide factors: financing availability; not target-specific trajectories

Design: Restrict to acquisitions in months with >20 care home acquisitions

Control Group Construction

Target analysis: never-acquired homes in *never-treated markets*
Competitor analysis: homes in markets where *no acquisitions ever occur*
$\Rightarrow$ Competitive spillovers modelled as outcome of interest, not a threat

Event-Study: Target homes

Target homes:

$$Y_{it} = \alpha + \sum_{j=2}^{J} \beta_j (\text{Lag } j)_{it} + \sum_{k=0}^{K} \beta_k (\text{Lead } k)_{it} + \delta_i + \mu_t + \varepsilon_{it}$$

- δ_i: home FE; μ_t: time FE; reference period $t{=}-1$; SE clustered at home level
- Pre-treatment: $j \in \{2, 3\}$; post-treatment: $k \in \{0, 1, 2, 3\}$

Event-Study: Competitor homes

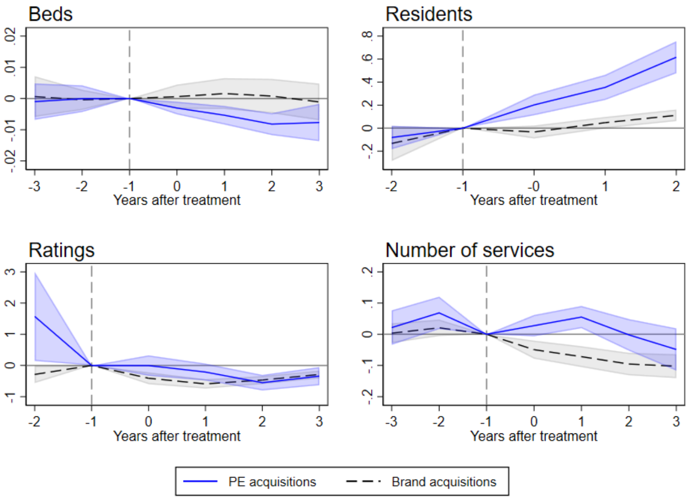
Competitor homes:

$$Y_{it} = \alpha + \sum_{j=2}^{J} \beta_j (\text{Lag } j)_{mt} + \sum_{k=0}^{K} \beta_k (\text{Lead } k)_{mt} + \delta_i + \mu_t + \varepsilon_{it}$$

- Treatment at *market* level m: any acquisition in $M(i)$; SE clustered at market level

Robustness: Sun & Abraham (2021) IW estimator; Borusyak et al. (2024) imputation; Dubé et al. (2023) local projections.

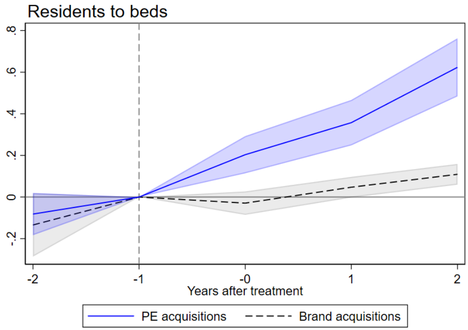
Effects at Acquired (Target) Homes: Overview



Utilisation: Same Direction, Very Different Magnitude

Capacity utilisation (residents / beds):

- **PE:** ↑ **60%** within 2 years
- **Corporate:** ↑ **20%** within 2 years



Quality Decline and Services Mix

CQC quality ratings (binary: Good/Outstanding):

- Both acquirer types: $\downarrow$ $\approx$5% after 3 years
- Consistent with market power dominance

Service variety (count of service types):

- **PE:** inverted-U pattern — expands $\approx$10%, then reverts to baseline
- **Corporate:** immediately cuts services $\approx$10%, maintains lower level
- Interpretation: PE tests offerings before rationalising; corporate skips experimentation

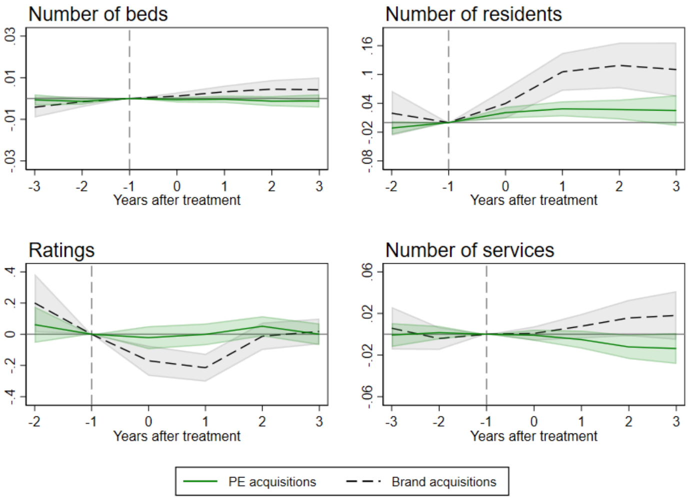
	PE	Corp
Quality	$\downarrow$5%	$\downarrow$5%
Beds	$\downarrow$1%	≈ 0
Util.	$\uparrow$60%	$\uparrow$20%
Services	reverts	$\downarrow$10%

At 2 years post-acquisition.

Cross-Sectional Price Evidence

	Branded (non-PE)	**PE-backed**
Price premium vs. independent	+2.8%	+8.3%

Effects at Local Competitors: Overview



Competitor Responses: Substantial Spillovers

Quality spillovers:

- CQC ratings $\downarrow$ significantly after **non-PE** acquisitions
- No significant change after **PE** acquisitions
- Mechanism: strategic complementarity in quality (when target cuts quality, competition to maintain quality diminishes)

Utilisation spillovers:

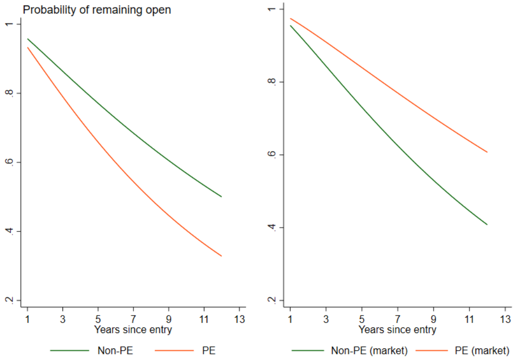
- Competitors $\uparrow$ resident counts for both types
- Stronger after non-PE entry
- Likely: residents shift from quality-declining target to competitors

Capacity: No significant change
(inconsistent with Cournot; consistent with Bertrand or coordinated conduct)

Roll-Up Strategies and Survival

Survival / exit patterns:

- **PE-acquired homes:** elevated exit risk (aggressive portfolio management, finite investment horizon)
- **Competitors to PE:** *reduced* exit risk (PE entry stabilises rivals)
- **Competitors to corporate:** higher exit risk



Summary of Findings

Main Finding

Market structure matters more than owner identity.
PE and corporate acquirers behave **qualitatively similarly**: market power dominates merger efficiencies for both.

At targets:	quality $\downarrow$, utilisation $\uparrow$, prices $\uparrow$	(both types)
At competitors:	quality $\downarrow$, utilisation $\uparrow$	(strategic complements)
PE advantage:	$3\times$ utilisation gains, maintained services	(but same regime)

Three contributions:

1. First causal PE vs. corporate comparison: merger waves + DiD addresses selection
2. Documents substantial competitor spillovers from any large-chain entry
3. Separates market structure from financial ownership effects in PE healthcare literature

Thank you!