VIEWPOINT

Private equity harms autism service market

BY **VINCENT STRULLY JR.**

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Private equity's track record with nursing homes and health care is littered with tragic examples of profit over quality, yet private equity (PE) has now turned its attention to special-education schools that serve children with autism and other developmental challenges.

The reason for this attraction is clear enough: **Autism diagnosis rates** in the United States have tripled in the past 20 years to 1 in 44 children; state laws mandate insurance coverage in a majority of these cases; and the decentralized autism service provider market is facing business pressures on many fronts.

PE firms, in response, have gone on a tear of buyouts and consolidation. There have been more than 200 acquisitions in the mental health area in the past 10 years by the likes of PE behemoths Blackstone, KKR, TPG and Cerberus, as well as by many smaller firms.

This will end badly. PE's need for oversized profits has already led to aggressive growth tactics, soon insurers will cut reimbursement, and eventually PE firms will reassess the risk/reward proposition around **applied behavior analysis** (ABA) providers and depart en masse. That will leave autism service providers in a worse position than before PE's involvement, and children will bear the brunt of it. There are steps we can take, but we need to act fast.

Private equity can be a useful way to provide capital to underfunded businesses, but that has not translated to benefits for health care. A 2021 economic analysis cited by the U.S. House of Representatives estimated, for example, that at PE-owned nursing homes more than 20,000 lives were lost over a 12-year period.

By PE math, at the time of purchase the autism service companies are often valued at hundreds of millions of dollars, but PE investors typically want to double or triple their investments over four to seven years, demanding a 15 to 20 percent annual return.

For that kind of growth to occur within the fee-for-service model that autism service providers use, management and staff are pressured to cut corners to boost profits. Specifically, PE involvement can cause therapists to see double or triple the recommended number of children, and it can lead to overloaded supervisors, undertrained support staff and cookie-cutter learning plans. PE-based centers also tend to over-bill hours, shirking accountability and decreasing transparency. In general, quality care is sacrificed to boost the bottom line.

The attempts at rapid growth are failing, and the strain is starting to show. This is why Arsenal Capital-backed Hopebridge, serving 3,000 children in 12 states, is being **investigated for unethical business practices** and abusive behavior. This is also why SoftBank-backed Elemy, allegedly valued at $1.15 billion, left hundreds of families in 11 states in an uproar when they **abruptly stopped service** with reportedly as little as 15 minutes' notice to some patients and retreated to just 3 states. This is also why the Blackstone-owned Center for Autism & Related Disorders (billing itself as the world's largest autism treatment provider) recently **closed all 10 of its Oregon centers**, citing unfavorable insurance payments, and brought in an accountant as their new chief executive officer. And it's why 360 Behavioral Health, backed by DW Healthcare Partners, laid off **503 employees in California**.

These high-profile failures in PE-backed practices are the bad apples that can spoil ABA's reputation. When profit-driven decisions override ABA best practices, the practice, the client, the family and ultimately the whole perception of ABA is hurt.

Not everything going wrong with autism service providers can be laid at PE's feet, however. There has been a dire teacher shortage in the U.S., which has been **widely reported**, and the case is even more extreme for qualified special-education teachers. Consider this: According to the **Behavior Analyst Certification Board**, there are 60,000 board-certified behavioral analysts (BCBAs) in the U.S. Assuming there are 2.5 million autistic children, that leaves 41 children for every BCBA. With an average caseload of 12 per BCBA, that is 720,000 children served, which means our current BCBA staffing is not enough to serve two-thirds of children with autism.

This shortage is being set against PE's powerful desire to grow, and it is making everything worse. So it should come as no surprise that many provider chains seem to be ignoring qualification requirements for their staff. According to **2020 industry research***,* more than 20,000 therapy providers improperly claimed a BCBA credential. Many dedicated, licensed practitioners are overloaded, underpaid and discouraged, and they are leaving the field in disillusionment. The pressure to meet demand is being felt by all practitioners, nonprofit and for-profit alike, but the PE-backed chains are categorically the worst offenders. They have repeatedly put the bottom line ahead of quality.

There are steps we can take. Government investigation and parent advocacy must expose and stop disreputable PE practices. Insurers should consider a more holistic model of payment that focuses on results over fee for service. Increased federal and state funding is critical, as is a renewed focus on teacher recruitment, stricter certifications, more intensive training, immigration policies that allow more qualified workers into the U.S., and public/private partnerships to support autism services.

The care of our children and families is too important to put in the hands of PE profiteers. And time is running out.

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