



The extractive business model of private equity firms in the German healthcare sector and the crisis in social reproduction

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Abstract

The paper explores the contradiction between the extractive business model of the private equity buy-outs of the German healthcare sector and the crisis of reproduction, which has the potential not only to undermine the solidaristic healthcare system, but also to undermine the idea of societal protection as the object of socio-economic governance. Drawing on the insights of the international/comparative political economy and feminist literature opens an analytical space to connect the macro-financialized economy to the non-economic sphere of social reproduction and, in the process, uncover the contradictory nature of this relationship. From the vantage point of the financial crisis of 2007, the private equity industry was the beneficiary of the consecutive switch of major central banks to unconventional monetary policy and exceptionally low interest rates swamping the market with liquidity. Private equity managers and their shareholders are the big winners due to their extraordinary financial power, but this has dire consequences for the (mostly female) staff, the patients, and the wider solidaristic healthcare community. Moreover, since private equity firms operate through complex and opaque international holding structures, these entities have little to fear from German national regulatory powers to ban or prohibit tools of financial engineering such as debt push-down, asset stripping, and tax evasion; this creates a high level of uncertainty as to the impact of PEs on the sustainability of the German social market economy as a whole.

Keywords Private equity industry · Political economy · Feminist economics · Unconventional monetary policy · German healthcare system · Social reproduction

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1 Introduction

The intent of this paper is to link two different strands of scholarship which seem to exist in isolation in academic studies, but are closely interconnected. Drawing on the financialization and private equity literature in international/comparative political economy and feminist works on social reproduction (Fraser 2016; Bakker 2003; Bakker/Gill 2019; Brodie 2003). I want to inquire as to how private equity corporations (PEs) are changing the governance structure of the German healthcare system and explain how the financial power of these entities impacts and undermines the sustainability of social reproduction.

The first set of literature, found mostly in the field of comparative/international political economy, deals with the increasing dominance of finance capitalism over the “real” economy. Whether the changes are denoted as finance-led growth regimes, regime of profit maximization, finance capitalism or financialization (Van der Zwan 2014; Mader et al. 2020; Detzer and Hein 2014, 2017; Stockhammer and Kohler 2020; Epstein 2005, 2020; Stockhammer et al. 2021; Erturk 2020), and more recently described as private asset management (Haldane 2014; Appelbaum and Batt 2020; Froud and Williams 2007; Braun 2021, 2022, 2024; Fichtner 2020; Christophers 2023), these approaches all view finance as the driving force in the transformation of the non-financialized economy since the 1980s.

The second strand, espoused mainly by feminist political economists and sociologists, deals with the increasing neoliberal privatization of service provisions underpinned by the logic of marketization and commodification (Farris and Marchetti 2017). Gender experts have long before Covid-19 warned about the crisis of care, detailing the long working hours, the understaffing, and low pay for mostly women, who staff the healthcare sectors (Aulenbacher et al. 2018: 347; Aulenbacher and Leiblfinger 2019; Elson 2022; Brodie 2003). But it was the Covid-19 crisis that put female health and care workers in the limelight to stress their importance as providers of essential economic services (Young 2023). The new public visibility and recognition of service providers as the backbone of the economy was celebrated from German balconies since in general, as Fraser (2016) has argued, “capitalist societies separate social reproduction from economic production, associating the first with women, and obscuring its importance and value” (2016: 4). Notwithstanding this interpretation in traditional economics, capitalist economies depend on the social services provided for free for the functioning of the productive economy (Bakker and Gill 2019; Fraser 2016; Brodie 2003; Young 2001). I will thus argue that by extending the power of financial capital into the social arena, previously shielded from market logic, this intrusion coincided with a “crisis of care”¹ that Fraser (2016) situates within the larger crisis tendencies of capitalism.

In a speech in 2014 at the London School of Economics, Andrew Haldane, the renowned former chief economist of the Bank of England, dated the ascendancy of the private asset management industry at the time of the 2007 financial crisis

¹ I use the terms “crisis of care” and “crisis of social reproduction” interchangeably. “Crisis of care” is used in a narrower sense to refer to the care economy, whereas social reproduction is a broader term involving the institutions, processes, and social relations needed to sustain the socio-economic order (Bakker 2003).

(Haldane 2014). As large banks were held responsible for issuing opaque and complex securitization products that brought the global banking sector into free fall, Haldane predicted that the “Age of Asset Management may be upon us” (Haldane 2014: 14). The rise of asset managers was closely related to regulatory agencies shackling the banks with supervisory restrictions, essentially clipping their investment horizons, and thus opening a space for this industry. Asset managers include Blackrock, Fidelity, Vanguard, State Street, and others, who are publicly listed firms which imitate the stockmarket listings. In contrast, Apollo, Blackstone, and KKR are the three biggest private equity funds (PEs). They are largely unlisted firms using the vast amounts of borrowed private capital from pension schemes, insurance companies, and wealth funds to engage in leveraged buy-outs of housing and infrastructure, including healthcare services, which affects the very social fabric of people’s lives (Buzek 2025; Christophers 2023; Emunds 2023; Fichtner 2020).

The ascendancy of PEs entering new arenas of infrastructure buy-outs coincides with a crisis of care, which can be interpreted as an “acute expression of the social-reproductive contradictions of financialized capitalism” (Fraser 2016: 2). This tendency toward crisis is thus not an accidental side-effect; rather, it has its roots in the financialized forms of buying into the non-market based social infrastructure. Private care providers “are fundamentally impacting upon the working conditions and quality levels of the sector, setting the terms for the emergence of a new type of care as well as transforming the broad conceptions people have about what care should be” (Farris and Marchetti 2017: 114). Feminist scholars see the increasing commodification of care and care work as a result of a new stage of marketization in providing social care. Marketization is described as the change from gendered domestic labor, provided via family members or the state and non-profit organizations, to a system of private, profit-oriented care facilities. This shift is “an expression of a new stage of capitalist societalisation of social reproduction, which extends to care and care work as well” (Aulenbacher et al. 2018: 347; Aulenbacher and Leiblfinger 2019; Farris and Marchetti 2017; Elson 2022).

The feminist literature on care is important to understand the shift from mostly non-profit organizations to a market-based business logic of healthcare centers. However, these studies remain at the micro- and meso-level of the healthcare sector and do not link these marketization processes to the ascent of financialized private equity funds whose interest is to extract as much profit as possible from the healthcare system. In these financialized processes, the logic of shareholder value overrides that of social production destroying the very foundation of capital accumulation. This insight may not attract much attention in traditional economics; nevertheless, the asset-stripping practices by private asset managers of non-financialized enterprises invariably undermine their own financial power, “compromising the social capacities, both domestic and public, that are needed to sustain accumulation over the long term” (Fraser 2016: 5).

In the following pages, I extrapolate the interconnected but separate spheres of the financial power of PEs in the German healthcare sector and the crisis of care, which also encompasses a wider crisis of the social-market sustainability. The first part of the paper discusses the concept of financialization and its diverse definitions and some theoretical approaches to the subject. Secondly, I explore the contribution

of the concept of private equity firms and inquire as to whether the ascendancy and power of PEs is a new and very specific phenomenon or can be characterized as a continuation of already existing approaches in financialization. Following this section, I explain the role of the traditional German solidarity-based statutory healthcare systems in some detail. In the ensuing fourth section, I focus on how the cash-rich private equity funds impact the governance structure of the German healthcare sector to maximize their profits. The concluding section focuses on the contradiction between the extractive business model of the recent buy-outs of the German healthcare sector and the crisis of care, which has the potential to undermine the core principle and survival of the public solidaristic healthcare system.

2 Financialization and its diverse definitions

The literature on financialization has grown exponentially since the 2000s. Despite the ubiquitousness of financialization studies across different disciplines, different themes, and different theoretical approaches, there may perhaps never be a final agreement “reached on the nature, history and significance of its phenomenon” (Stockhammer et al. 2021: 389). Gerald Epstein (2005) was one of the first to offer a very generic definition of financialization, characterizing it as “the increasing role of financial motives, financial markets, financial actors and financial operations in the operation of the domestic and international economies” (Epstein 2005: 3). However, this observation of the ascendancy of finance is not necessarily new. There were a few lone wolves, such as Susan Strange, an international political economist who cautioned already in 1998 in her book *Mad Money* that it was “mad” “to let the financial markets run so far ahead, so far beyond the control of state and international authorities” (1998: 1).

Nearly 90 years earlier, the German Marxist Rudolf Hilferding (1981, 1910²) was more precise in restricting the meaning of a finance-dominated capitalism to the ascending concentration of capital, the dominant role of banks and credit money, and the growth of corporations and cartels. In this transformation, finance was a vehicle to “liberate industrial capitalists from the function of industrial entrepreneurs,” strengthening the function of money capitalists “to lend (their) capital and after a period of time, to get it back with interest” (Hilferding 1981: 107). In Hilferding’s economic interpretation, the crisis in profit maximization around the turn of the century opened the rail-guards for money capitalists to usher in a new macro-regime of finance-led accumulation. A similar moment of crisis, according to the French Regulation School as well as the works of Arrighi (1994), occurred in the late 1970s with the decline of the Keynesian Fordist growth regime. Since the real economy was in steep decline and the compromise between labor and capital was severed, finance capitalists were able to shift from a system based on industrial

² The book was first published in Vienna as *Das Finanzkapital: Eine Studie über die jüngste Entwicklung des Kapitalismus* (1910); the first translated publication stems from 1981, published by Routledge and Kegan Paul.

production to forces of finance with its shareholder value orientation, which Michel Aglietta (1979) posited as a new regime of profit maximization.

In addition to these macro-economic interpretations of the development of financialization, Van der Zwan (2014)³ suggests that the new financial practices and innovations, aside from their macro-impact, also have meso- and micro-effects. At the meso-level, shareholder values put pressure and act as a disciplinary force on the internal and management dynamics of corporate governance; the micro-level of “financialization of everyday life” deals with cultural aspects and the “rise of citizens as investors” (Van der Zwan 2014: 111). These studies coalesce around the understanding of debt and how households are integrated into the financial orbit and exposed to the discipline of the market (Roberts 2015; Montgomerie 2020; Young 2019). By deconstructing the gendered phenomenon of indebtedness, according to Montgomerie, we come to understand the dynamic transformative force in which debt reconfigures the ways in which individuals, households, communities, national economies, and global financial markets are connected to each other (2020: 380).

3 Asset management funds: the rise of non-banks

There is much uncertainty, if not confusion, in the financial literature as to whether the ascendancy and power of private equity funds is a new and very specific phenomenon or whether it can be characterized as a continuation and further development of finance-led capitalism. The explanation of the evolution of the industry offered by Haldane, former chief economist at the Bank of England, in his lecture at the London Business School 2014, “The Age of Asset Management,”⁴ may help to narrow the specific meaning and characterization of the management of these private equity corporations:

Asset management is, of course, an agency activity. Assets are managed on behalf of end-investors, whether institutional (such as pension funds and life insurance companies) or retail, the former typically through Separately Managed Accounts, the latter through Collective Investment Schemes. (p. 2)

For Haldane, the role of asset managers as agents in these private funds is key to explaining the development of these entities. Secondly, in comparison to banks, “asset managers generate a completely different risk and opportunity set” (p. 14), since there is little price transparency. Finally, Haldane dates the evolution of these actors to the financial crisis of 2007. Similarly, Christophers (2023: 12) cites Bloomberg, which also suggests that “asset managers have won the financial crisis.”

³ For a more detailed discussion on the various theoretical approaches, history and meanings of financialization, see Van der Zwan (2014); *The Routledge International Handbook of Financialization*, ed. Mader et al., Routledge (2020); and the special issue in *Review of Evolutionary Political Economy*, entitled “Financialization: continuity and change,” with a superb introduction to the special issue by Engelbert Stockhammer et al. (REPE: 2021, Vol. 3).

⁴ This was the title of speech given by Andrew Haldane, former chief economist at the Bank of England, at the London Business School, on April 4, 2014.

But Haldane cautions that we know little about the management and behavior of asset managers in these private equity funds. He refers to this as “a greenfield site” that needs to be cultivated in order to avoid the pitfalls of banks of the 2007 financial crisis.

If we start to analyze the environment in response to the global financial crisis (GFC) as a facilitator for the evolution of asset management firms, we see that central banks played the decisive role. Monetary authorities maintained very low, even negative rates of interest for a prolonged period after the financial crisis. In addition to the benign monetary environment, central banks swamped the markets with liquidity during Quantitative Easing (QE), purchasing government bonds and mortgage-backed securities in order to forestall an economic recession/depression. The macroeconomic intent of central banks was to encourage firms to raise capital to invest in economic growth. However, the resulting increase in asset prices benefited mostly financial asset owners. Equally perverse were the actions of US firms who borrowed in bond markets at low long-term interest rates which QE made possible to finance share buy-backs. This action increased stock prices, primarily benefitting shareholders (Erturk 2020: 50; Fichtner 2020). The same increase in equity prices took place after the ECB’s extension of QE in March 2016 (Young 2021, 2019). QE has thus created sharp distributional effects on wealth, since bonds, stocks, and mutual funds figure more prominently in the balance sheets of fund managers (Metzger and Young 2020). In fact, “between 2008 and 2015, the Fed’s balance sheet, its total assets, ballooned from \$900 billion to \$4.5 trillion” (Pettifor 2025). Private fund managers were thus the primary beneficiaries of the crisis support activities of central banks.

Reversing this trend is not in sight (Haldane 2014: 2–3). Central banks again came to the rescue during the Covid-19 pandemic from 2020 to 2022, during which massive amounts of money were introduced into the economy, filling the coffers of private funds even further. There are also demographic factors that provide a fertile ground for this industry. As people get older and wealthier, the pool of prospective global savers becomes larger, which tends to be a boon for the private fund industry. In fact, the top 500 global assets under management (AUM) accounted for \$81.2 trillion in assets in 2016 (Fichtner 2020: 267) increasing to \$128 trillion at the end of 2023. While this represents a substantial increase since 2016, the AUM have not regained their highest pre-2021 level, losing \$18 trillion in 2022 alone (NASDAQ: WTW 2024).

Increasingly, EU banking supervisors are becoming concerned about the opacity of these non-regulated entities as more and more loans are supplied to these private industries by insurance corporations and pension funds. The origin, as Haldane pointed out in his speech 2014, is the 2008 financial crisis when provisions of loans have “shifted from banks” balance sheets toward other firms that behave like traditional lenders but are more lightly regulated (FT 2025a: 1). This shift to non-bank lending also involves risks for the entire financial system, since the large equity funds link back to the banking system. Eurozone banks have tripled their lending since 1999 to non-bank firms reaching €6tn by the end of 2023 (ibid.)

The academic literature on the private fund industry, particularly on private equity funds (PEs), has started to increase since Haldane cautioned about our

insufficient knowledge of the topic, but given the importance of the topic, it remains undertheorized. Appelbaum and Batt (2020) describe the business model of PEs' non-bank institutions as leveraged buy-outs to acquire listed public firms and subsequently take them off the public stock market. The incurred debt is subsequently downloaded to the acquired firm, yet the dividends are paid out to the private equity companies. Such a corporate profit model rests on "value extraction" in that short-term profit motives dominate over the long-term interests of stakeholders in these leveraged buy-out companies (Froud and Williams (2007)). Since shareholders are interested in quick returns and cannot rely on "patient capital" of the European banking institutions to support long-term strategies, shareholders of private equity firms exert strong disciplinary pressures on the management of the leveraged buy-out firms to maximize profit margins (Fichtner 2020).

Other recent works on the role of private asset funds situate these corporations within the larger debate of corporate governance regimes. Braun (2021, 2022, 2024), a political economist, has contributed extensively to this debate, referring to the rise of these entities similarly to Andrew Haldane, as "asset manager capitalism." For Braun, asset manager capitalism is a corporate governance regime in which private asset managers use publicly listed shares and bonds in pension funds, insurance corporations, or private and sovereign wealth funds to reorganize the ownership structure of private corporations. The extensive access to finance permits equity managers to exercise control and concentrate ownership against the non-financial managerial corporate sector (Braun 2022). With great financial firepower at their disposal, asset managers have come to dominate non-financial corporate governance in every possible field where profits can be extracted. There is not a single sector that these non-bank branches have not extended their reach from residential real estate, physical and social infrastructure, land, agriculture, even to football clubs (Finanzwende 2025). According to Braun, scholars "under-appreciate the macro-level consequences of U.S. funded pensions as the world's single most consequential financializing force over the past half-century" (2021: 72). Hence, for Braun, similarly to Andrew Haldane (2014), "asset managers rule supreme in the economy" (ibid).⁵

More theoretical work needs to be done to corroborate the strong suggestions of the future macroeconomic role of private asset managers, but there is evidence that overwhelmingly the three largest American private equity funds such as Blackstone, KKR, and Apollo have captured global finance and increasingly also the non-financial corporate sector of the economy. As I demonstrate in the next sections on the leveraged buy-outs of the German healthcare sector, the rewards of the corporate governance restructuring have not benefited the non-financial sectors of the economy. Rather, the corporate restructuring of PEs is a kind of asset-stripping, extracting value for the very few, while buy-out and "sale and leaseback" arrangements

⁵ Andrew Haldane and Benjamin Braun refer to asset management generally (including such asset management firms as Blackrock, Fidelity, Vanguard, and State Street, who are publicly listed on stock markets. However, Braun also includes private equity funds (PEs) in the larger category of asset management firms when describing the leveraged buy-out model of such entities.

endanger the financial viability of these healthcare sectors, leaving them more fragile in the face of the demographic challenges of an aging society. Mazzucato rightly observed that the rentier group of asset managers seems most concerned “to make money by serving not the ‘real economy’, but itself” (2018: 136).

4 The German solidaristic healthcare system as a battleground for PEs⁶

US private equity firms are increasingly targeting the UK and Europe, “taking advantage of the continent’s economic woes to snap up big companies at depressed valuations” (FT 2025b: 6, FT 2024: 15). Focusing on Britain, such a change in money activities and take-overs of large infrastructure projects, including healthcare systems, may not be surprising given the unregulated environment of British finance since Margaret Thatcher’s “Big Bang” in. Already in the 1990s, the National Health Service (NHS) and Community Care Act of 1990 devolved long-term care funding responsibility to local authorities and thus opened the space for private for-profit care (Bourgeron et al. 2021: 27). As a result, “[b]etween 1980s and 2018, the number of publicly provided local authority residential care beds fell by 88 per cent,” whereas “for-profit providers account for 83 per cent of care home beds in 2019” (Bayliss and Gideon 2020: 7, 9), with only 3 percent provided by the public sector.

However, the German healthcare system seems, at first glance, an unlikely target for buy-outs by private equity firms. German health provision is based on the centuries-old Bismarckian solidaristic body of statutory health insurance, which is a contribution-based insurance model that subsequently became enshrined in the German Basic Law (*Grundgesetz*).⁷ Compulsory health insurance for all residents was introduced at the beginning of 2009. It is primarily funded by the public sector through financial redistribution of contributions (Buzek 2025: 2). Around 90 percent of citizens living in Germany are in the statutory health insurance system, around nine percent have private health insurance, and the few remaining are covered by company insurance policies (Döring/Paul 2010). Citizens can choose among various health insurance companies, but the “statutory health insurance funds are contractually obliged to accept any applicant, regardless of health risk profile.” Specifically, the *Grundgesetz* stipulates that “the state must guarantee all citizens social justice

⁶ I gained valuable background information on PEs and the German healthcare center from an interview with the finance expert at the German NGO *Finanzwende*, Aurora Li, who was one of the authors of the study *Profite vor Patientenwohl* (2023). The interview took place at the Finanzwende office, Motzstrasse, Berlin, on July 5, 2024. Ms. Li requested some general questions before the interview, which I submitted via e-mail. The interview lasted about 1 ½ hours, starting with the questions I supplied and continuing with a general question-and-answer period, centering in particular on questions I had about the specific finance model of private equity firms. In the text, information from the interview is cited as (Li interview 2024).

⁷ I can only provide a rudimentary overview of the very complex German healthcare system; even experts have difficulty in grasping the many nuances of the sector. See Döring and Paul (2010).

and the equal participation in society, including appropriate treatment in case of illness” (ibid. p. 535–537).

Despite the existence of solidaristic non-profit guardrails to protect citizens from market forces in the healthcare sector, the state nevertheless relaxed legal restrictions to make the health system more attractive to profit-maximizing money managers during the 1990s and even more drastically in the 2000s. Drivers for this shift have been the underfunding and the pullback of public funding for the health and care sectors while, at the same time, the demand for healthcare services for the aging population has increased and resulted in pressure to cut costs in long-term care and health expenditures (Bourgeron et al. 2021).

In 1995, the introduction of the long-term insurance system for long-term care helped secure a steady stream of income from the quasi-public insurance systems. This change substantially increased the number of private, for-profit long-term care providers in Germany (Bourgeron et al. 2021: 12). In addition, in 2004, the government made possible the consolidation of many small ambulatory healthcare centers into so-called Medical Treatment Centers (MVZs, *Medizinische Versorgungszentren*). These MVZs signaled a new form of health centers for doctors to cooperate, coordinate treatment, share resources, and interlock outpatient and stationary treatment more efficiently in one large center. For doctors, this also provided an alternative to establishing their own practices. Until 2012, only doctors and medical entities were permitted to create MVZs; a further reform in 2015 made it possible to create specialty MVZs so that financial investors could buy-out particularly lucrative medical fields such as dentistry, ophthalmology, radiology, radiation therapy, and cardiology and turn them into monopolistic structures. Most importantly, this reform freed the MVZs from a cap on the total remuneration for medical services. As a result of the legal changes, the number of MVZs increased sharply from 1938 in 2012 (prior to the changes in law) to 4179 in 2021. Of the latter figure, 21 percent were owned by PE firms; the remaining 79 percent were owned by private or public firms (Deloitte 2023). A similar increase in PEs can be seen in the context of care homes for older residents. In 2020, 43 percent of care homes were already in the hands of private equity firms (Schmidt et al. 2021: 6), and the 30 biggest private corporations for care homes had a market share of 23 percent of all inpatient places (Pflegemarkt.com 2024). Of the fifteen largest international German care home groups, only three are non-profit entities (Bourgeron et al., 2021: 12–14). In both the long-term care and ambulatory health arenas, the standardization of organizational structures and a steady stream of income proved especially attractive, turning these sectors into financial assets for investors (Li et al. 2023: 10–11; Li interview 2024).

Many of the international private equity firms have no headquarters in Germany. As a result, it is difficult to find reliable data on the investment and ownership structures of PEs in the healthcare system; “there are no legal requirements for

disclosures and many investors are located in tax havens” (Rechel et al. 2023; Tille 2023; Li interview 2024).⁸ The opacity of these structures also makes it difficult to independently monitor them (Buzek 2025). Transparency is further undermined by the supposed link between the German Finance Ministry (under the former Christian Lindner, FDP) with the industry’s lobby firm⁹ to continue to shelter the industry from the tax haven status the industry enjoys presently (Finanzwende 2025: 3).

Private equity corporations can operate in Germany due to the European passport system, which recognizes the operations of PEs registered in any EU country across the bloc (Li interview 2024). PEs use leveraged buy-outs to acquire entire healthcare companies via borrowed money from international capital pools. They do not use their own equity capital; most of the pooled capital comes from external sources such as money from pension funds, large endowments, and wealth funds, which promise investors a high return. As such, PEs function as intermediaries between those providing capital and the healthcare centers being bought out for the benefit of the PEs and its investors—at the expense of the care facilities, their staff and doctors, patients, and the general public (Emunds 2023).

Germany itself has only a tiny domestic PE industry. In fact, in the last five years, PEs’ yearly investment was only between 9 and 15 billion euros, and most of these investments stayed in Germany (Emunds 2023: 17). A financialized economy with a capital market is a prerequisite for the emergence of a private equity industry. Germany lacks the conditions, such as a strong stock-market culture and private for-profit pension funds to create domestic capital pools from which PEs can borrow money for buy-outs. The reason for this is the country’s traditional, rather conservative (non-financialized) political economic culture. The widely used public narrative of a “Stability Culture” hails mostly from the hyper-inflation of 1921–1923 and was epitomized by German Chancellor Angela Merkel’s call to abide by the rigorous, supposedly Germanic ordoliberal anti-inflationary discourse of a “Swabian housewife” (Young 2014). The skepticism towards speculation and investing in stocks is particularly high among the older German generation, which has the greatest net wealth. In 2020, only 9.9 percent of households owned stocks. In contrast, the savings rate was 11.38 percent in 2023. This indicates that Germans continue to trust their money to low-interest savings accounts in German banks (Scherrer et al. 2023: 100).

As a result, the deep pockets of liquidity that Anglo-Saxon countries provide through the private pension system, insurance funds, and private and sovereign

⁸ Florian Tille, Technical Officer at European Observatory on Health Systems and Policies, Berlin University of Technology, reiterated in a recent personal e-mail to me on 03.03.2025 that academic literature on PEs in the German healthcare sector is largely non-existent. This is a point Ms. Li also made during the interview.

⁹ Private equity firms are represented by the financial lobby firm German Private Equity and Venture Capital Association (Bundesverband Beteiligungskapital BVK) (Finanzwende 2025).

wealth funds are missing in Germany.¹⁰ Not only does Germany rely on the social contract, which guarantees citizens access to public healthcare and pensions. Traditionally, Germany has relied on a pay-as-you-go public pension system (*Gesetzliche Rente*, Statutory Retirement Insurance System) that does not include an investment plan to invest in stocks. Only in 2002 did Germany introduce the quasi-private Riester retirement plan, which is a grant-aided, privately funded pension scheme. The idea of this new pension plan was to use government subsidies as motivation for people to add a private pension plan (Deutsche Rentenversicherung [n.d.](#)). However, the rules of the tax-exempt Riester plan allow investment only in funds, not in stocks (Scherrer et al. [2023](#): 95).

5 Profit maximization of private equity firms in the german healthcare system

To unlock maximum profits from the infrastructure in the German healthcare system, a number of general financial tools dominate the PEs' leverage buy-outs irrespective of the target of the buy-out (old age care homes, ambulatory medical practices, public infrastructures such as water companies, agricultural land, etc.) or the country in which they operate (Appelbaum et al. [2020](#); Edmunds [2023](#); Li et al. [2023](#); Schmidt et al. [2021](#); Bourgeron et al. [2021](#)). First, as mentioned above, PEs use borrowed money to meet acquisition costs, which means that they enter into obligations with little risk while at the same time receiving high returns on their investments. Especially in times of low interest rates and cheap credit, the use of debt was highly advantageous to the company's earning profile. Secondly, the acquired debt is not listed on the PEs' balance sheets. Instead, the debt is "pushed down",¹¹ meaning that the debts are not owed by the private equity firms but by the companies they buy (Bourgeron et al. [2021](#): 8). As a result, the healthcare centers are responsible for the debt servicing, which can lead to insolvency if the debt (often with high interest rates) has to be paid back to banks or the "shareholders" of the PE firms. The management is forced to pursue a strategy of high profits in order to cover the high debt service at the expense of the working conditions for staff and the quality of care for patients. To maximize their profits even further, the money that remains in the PE's portfolio is used to acquire additional healthcare entities to obtain a larger market share and greater market power. Invariably, the highly indebted healthcare entities "are then not only operating for the provisions of care, but also for servicing the debt that was necessary for their own buyouts" (Bourgeron et al. [2021](#): 9). Quite often, a care facility's outstanding debt exceeds its total yearly turnover. Even if there are operational losses, this does not stop the interest payments on the loans to the shareholders, which can amount to about 20 percent (Li interview [2024](#)). Perversely, the increase in care homes' high profit yields is "sold" by PEs as an increase

¹⁰ That Germany has only moderate levels of financialization has been noted by many economists (Stockhammer et al. [2020](#); Detzer et al. [2017](#); Hein [2012](#), [2013](#)).

¹¹ The so-called debt push-down is a term used across the PE literature to indicate that the money borrowed is not owed by the PE, but pushed down to the entity acquired.

in operational efficiency; it disregards the fact that the returns to other stakeholders are thereby diminished (Emunds 2023: 19; Buzek 2025).

Third, another strategy PEs use to enrich themselves is selling real estate property (asset stripping) of care homes and then leasing it back to the care companies (sale and lease back) at inflated rent prices, leading to sharp rent increases and further debt of care facilities. Fees, interests, and leasing costs yield a constant transfer to the PE company and their investors and not to the healthcare centers, thus depriving them of the resources to improve their performance and invest in operating the facility—or, even more drastically, putting them in danger of bankruptcy (Appelbaum et al. 2020: 8). Another strategy is to sell healthcare centers so that, through mergers and acquisitions (M&As), German care facilities increasingly become part of larger European PE groups which then can be sold across borders with substantial profits.

For example, Alloheim, one of the largest private equity-owned care home providers in Germany, with 257 care homes and more than 20,000 care places, was bought by the Swedish private equity firm Nordic Capital in 2017. The previous owner, the Carlyle Group, sold it “for six times what it had initially paid in 2013.” By the time Nordic Capital bought Alloheim, the facility “had an estimated value of more than €1 billion, making it the largest buy-out in the German care home sector to date” (Bourgeron et al. 2021: 14).¹²

Another crucial problem for taxing purposes and for controlling PEs is the fact that private equity firms do not have headquarters in Germany. As a result, the “outsized returns” are not declared as taxes in Germany and PEs engage in profit-shifting and tax evasion. The funds through which PEs operate are often based in tax havens such as Luxembourg or the Channel Islands (Li interview 2024). If the groups’ shareholders are external creditors and are registered in tax havens, almost all of the profits generated in Germany are extracted and go to the firms based in the tax havens (Bourgeron 2021: 17; Schmidt et al. 2021; Li interview 2024). The lack of transparency and accountability in these complex international private holding companies makes it difficult for national tax collectors and political regulators to stem these practices within their national jurisdictions (Li interview 2024; Appelbaum et al. 2020: 8; Emunds 2023).¹³

Given the acceptance in some political quarters of private equity investment in Germany, it is not surprising that Deloitte (2023), a leading consulting and auditing firm for PEs, cites the German health service as offering rich opportunities to create value through the realization of synergies hidden in the only partially integrated

¹² For more detailed information on the specific PEs operating in long-term care homes, see Bourgeron et al. (2021) as well as the German publication from Schmidt and Schumann (2021); for ambulatory MVZ centers and PEs, see Li et al. (2023), Gerlinger (2004), and Buzek (2025). However, as noted above, information on the organizational structures and financial operating procedures of private equity firms is not publicly available.

¹³ Stricter control mechanisms have been implemented in the form of audits of care homes since 2019, but, as pointed out above, the lack of transparency of these private international institutions makes it difficult for regulatory bodies to regulate the financial innovations and the quality of care.

private equity firms MVZs across the country because of buy-and-build strategies. It sums up the business model of these PEs well:

Improved cost efficiency through profitable unit economies based on outsourcing/centralization of non-core functions as well as enhanced support of technology to streamline processes will pave the path forward and make the difference between successful and mediocre investment. (Deloitte 2023: 5)

6 The contradictions between the ascendancy of private equity firms and the crisis in social reproduction

We are witnessing a contradictory dynamic between the unfolding of the financial crisis of 2007, the ascendancy of the private equity business model and their unlimited profit and value extraction of the German healthcare system, and the destabilization of the very solidaristic care system that supports the sustainability of the social and economic order. The high profits of this corporate governance restructuring have benefited a small group of financialized asset managers, but they have not benefited the non-financial sectors of the larger German economy. Using asset-stripping to extract value for the very few (whose domiciles are mostly in tax havens) endangers not only the financial viability of the healthcare system, but also puts the German social market economy at financial risk.

There is an extensive feminist literature on the crisis of care, stressing the profound shift in the healthcare sector from marketization and commodification to the “corporatization of care” (Farris and Marchetti 2017). The authors define corporatization of care as the investing and transforming of social care by for-profit private investors “whose interest is to change the style of providing services and change peoples’ conception of how care is to be administered in such entities” (Farris and Marchetti 2017: 114). Theoretically, they utilize the insights of New Public Management (NPM) to suggest that “the adoption of corporate practices, including maximization of profits through economies of scale, and the adoption of corporate logic of cost reductions in the management of the service provisions and human resources” (2017: 116) has drastic negative consequences for the staff, doctors, patients, and the wider social fabric of society. In this application of a marketization discourse, managers use the narrative of efficiency as a script to transform citizens into consumers who are individually responsible for their care needs and are no longer bound to a solidaristic understanding of healthcare provision (Aulenbacher et al. 2018; Aulenbacher and Leiblfinger 2019). Efficiency thus is used as a means for profit extraction without providing better care (Buzek 2025: 4).

The insights of feminist sociologists utilizing New Public Management to change the conception of how care is administered and subjugated to a business logic are important to understand the crisis of care. However, the explanations remain at the meso-level of the corporate entity and neglects the macro-financial impact of asset managers on applying their disciplinary financial power, which Stephen Gill (Gill and Roberts 2011:162) defines as a “political project” that is essential in restructuring of

public institutions, in order to extend and secure efficient market discipline. To put such extractive financialized business models into practice, asset managers use their financial power to ensure an obedient management. Once they complete a buy-out, they often replace the management with their own CEOs and appoint the company's board of directors, and quite often take a seat themselves on these boards (Li interview 2024). The new management is thus beholden to the goals of the private equity firms and their shareholders to meet the performance goals of high profits at the expense of the workforce, which includes "cutting hours, reducing compensation, and even firing workers" who are unwilling to follow the strategies of the PE firms and their investors (Appelbaum et al. 2020: 7).

As such, corporate management no longer has the control to focus on the long term; rather, private equity owners exert control over the enterprise by squeezing the firm for the highest return. "(W)hereas traditional institutional investors were often satisfied to 'buy-and-hold' and to await share price gains via profit being reinvested rather than paid out, PE seeks to buy and resell at a higher price within a few years" (Mazzucato 2018: 168). Due to the exertion of strong financial pressures, staff (foremost female) are being overworked, and shortages of care workers are filled with agency workers who often lack proper qualifications (Schmidt et al. 2021; Li et al. 2023). The goal is to maximize the yields of acquired buyouts, since investors expect annual yields of about 20 percent on their investment, which is the benchmark for the private equity industry (Li interview 2024).

Such an exploitative environment bodes ill for the working conditions of staff and medical personnel, the care and well-being of patients, and the public interest. These studies show that PE-run care and health centers provide substandard care, low pay, and poor working conditions and are known for inflated costs and poor service for the elderly. According to the Robert Koch Institute, private equity care homes have had the highest rates of Covid-19 infections among German care facilities (cited in Bourgeron et al. 2021: 18). Staff in most care homes are still largely composed of women, members of ethnic minorities, and migrant workers; thus, the burden falls overwhelmingly on female workers (Young 2023; Aulenbach et al. 2018; Aulenbach and Leiblfinger 2019; Elson 2022).

As pointed out above, national governments do not benefit from such international investor groups given that their enterprises are located in tax havens where they avoid taxes and scrutiny, depleting the public sphere by siphoning off profits via fees and dividends to offshore companies (Bourgeron et al. 2021; Emunds 2023; Bayliss and Gideon 2020; Li interview 2024).

7 Concluding remarks

This paper explores the contradiction between the extractive business model of the private equity buy-outs of the German healthcare sector and the crisis of reproduction, which has the potential to undermine not only the solidaristic healthcare system but also the idea of societal protection of the social market economy. In contrast to the feminist literature on the crisis of care, which focuses largely on transformative meso-level aspects within the domestic healthcare sector itself, my intent is to link the

private equity literature to the writings on social reproduction in order to explain how the financial power of the non-bank entities impact and undermine the sustainability of social reproduction and even in the long run the productive economy itself.

Drawing on insights of the international/comparative economy and feminist political economy as well as sociology literature opens a conceptual space to connect the macro-financialized economy to the non-economic sphere of social reproduction and, in the process, uncover the contradictory nature of this relationship. While private equity managers and their shareholders gain handsomely from their extractive business strategies, these have dire consequences for healthcare staff, patients, and the entire solidaristic healthcare community. Moreover, PEs have little to fear from national regulatory powers to ban or prohibit tools of financial engineering such as debt push-down, asset stripping, and tax evasion, since PEs operate through complex and opaque international holding structures; this creates great uncertainty as to the extent and impact of any future financial investing in additional infrastructure projects in Germany.

Susan Strange's warnings are just as relevant today as they were in 1982, when she cautioned: "Finance has dire consequences for labor, renters in cities, small farmers, and health operators, who have never been asked if they wanted to gamble their jobs, their savings, their income in this casino form of capitalism" (1982: 3).

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Declarations

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