A good word for private equity

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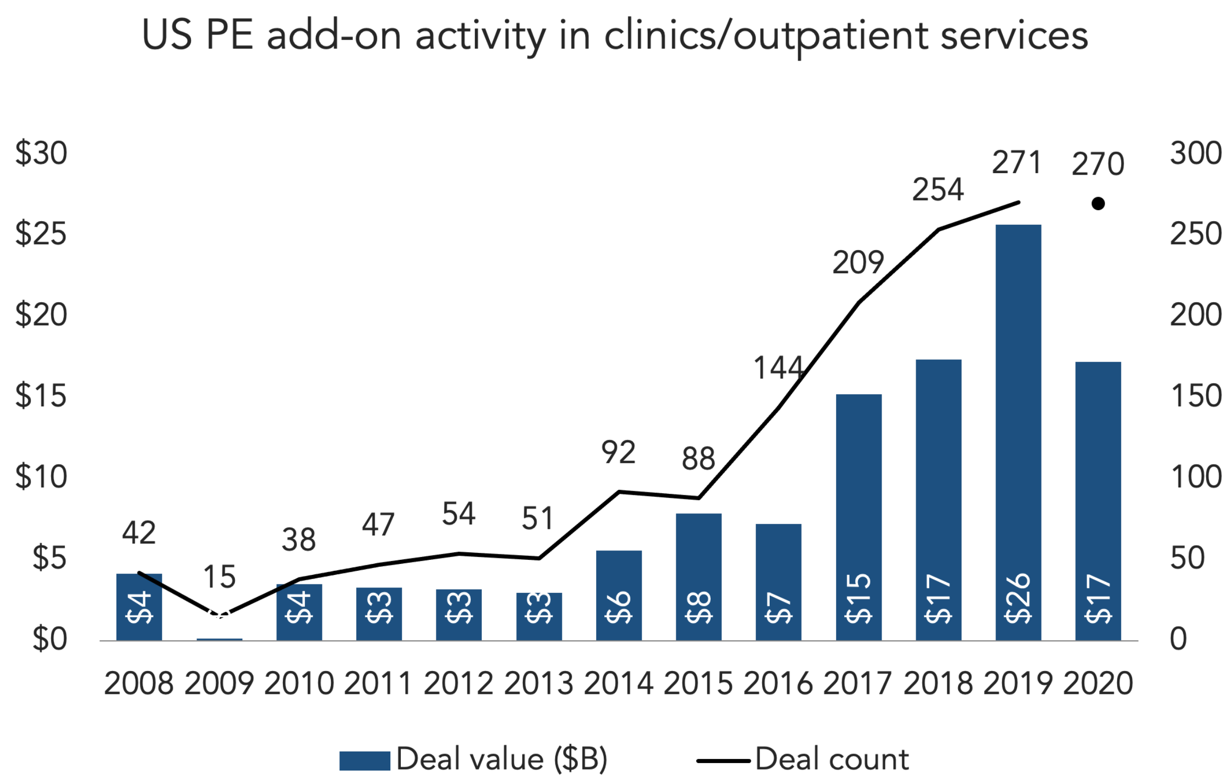

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A quick break this week from the usual hard numbers and trendlines. PitchBook is working with the American Investment Council on a series of PE papers, and our latest is out today. In the healthcare space, PE firms are doing a lot of good in two areas: expanding healthcare access to rural communities and, separately, financing promising drug candidates that have gone into limbo.

On rural healthcare access, PE firms are buying urgent care platforms and expanding them into small towns that need them. Hundreds of pockets in this country have a severe lack of healthcare options—rural hospital closures are a constant and hit record levels in 2019. For many patients, that translates to a long drive to get seen by a doctor and often a full day without wages or classes. According to the Urgent Care Association, only 1% of urgent care centers nationally are in rural towns, while 86% of them are in metropolitan areas. Many wealthier markets are saturated at this point—industry observers say PE is partially responsible for that, since sponsors consciously targeted retail zones for new clinic locations. With little fanfare, several investors are trying to replicate some of that success in rural towns. We highlight examples in places like Oklahoma, Alabama, Louisiana, Tennessee and other states. It's certainly a market opportunity, but it also does a lot of good—many of our rural neighbors suffer from serious health issues that haven't been addressed in a long time. PE's know-how in scaling their platforms is uniquely valuable to address this.

With pharmaceuticals, the firms involved are definitely on the higher end. Blackstone and Bain have set up new joint ventures with Novartis and Pfizer, respectively. Those joint ventures—Anthos Therapeutics and Cerevel Therapeutics—were created and financed to revive promising drug candidates that had fallen by the wayside. Anthos now has a drug, MAA868, that targets thrombosis disorders, which kill 500,000 people a year. It's making its way through clinical trials thanks to Blackstone's $250 million commitment. Cerevel, meanwhile, has several drugs in clinical trials, including a treatment for early- and late-stage Parkinson's disease that's now in Phase 3. Bain committed $350 million to the venture and is open to committing more. It's an innovative set-up for both firms—basically a carveout for under-resourced drug candidates—and hopefully a successful one. The PE industry deserves some credit for finding gaps in the healthcare system and applying its knowledge and resources to address them.

(Past performance is no guarantee of future results.)

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