Journal of Accounting, Financial and Economic Sciences. Vol., 2(4), 112-116, 2022
Available online at http://www.jafesjournal.com
ISSN 2149-7346 ©2022
DOI: 10.61186/jafes.2.4.112

Private Equity Investment Management in Health Care Services

Hamid Reza Vakilifard[1*], Maryam Rahimi[2]

[1]Department of Accounting, Associate, Science and Research Branch, Islamic Azad University, Tehran, Iran
[2]Department of Accounting, Bandar Abbas Branch, Islamic Azad University, Bandar Abbas, Iran

[*]Corresponding Author Email: vakilifard.phd@gmail.com

Abstract: Investment management is the professional asset management of various securities (shares, bonds and other securities) and other assets (e.g., real estate) in order to meet specified investment goals for the benefit of the investors. Investors may be institutions (insurance companies, pension funds, corporations, charities, educational establishments etc.) or private investors (both directly via investment contracts and more commonly via collective investment schemes e.g. mutual funds or exchange-traded funds). Health policy analysts look at inefficiencies and inequities in health services financing and delivery and propose political, regulatory, and structural changes; private equity investors look at the health care industry's challenges and see opportunity. Many are investing in what they perceive to be companies with better, faster, and cheaper business models that lower costs while increasing (or at least maintaining) quality. They expect to be rewarded with solid returns on their investments when those investments can deliver better products or more-efficient services than those of their competitors.

Keywords: Investment, Management, Health Care Services.

Introduction

Investment management is the professional asset management of various securities (shares, bonds and other securities) and other assets (e.g., real estate) in order to meet specified investment goals for the benefit of the investors. Investors may be institutions (insurance companies, pension funds, corporations, charities, educational establishments etc.) or private investors (both directly via investment contracts and more commonly via collective investment schemes e.g. mutual funds or exchange-traded funds). Health policy analysts look at inefficiencies and inequities in health services financing and delivery and propose political, regulatory, and structural changes; private equity investors look at the health care industry's challenges and see opportunity. Many are investing in what they perceive to be companies with better, faster, and cheaper business models that lower costs while increasing (or at least maintaining) quality. T

hey expect to be rewarded with solid returns on their investments when those investments can deliver better products or more-efficient services than those of their competitors (Robbins et al., 2008; Willenberg, 2004). The well-known risk/return trade-off motivates private equity fund managers and those who entrust their investment dollars to them. Investors expect that these managers will outperform returns in the public markets and are willing to accept the higher risk, illiquidity, and volatility that accompany this class of investment assets. Institutional investors such as foundations, pension funds, and educational endowments are important sources of capital. These institutional investors have increased their commitments to private equity investment strategies in recent years to diversify their portfolios, thereby making them less subject to overall trends in the equity markets; to take advantage

of private equity fund managers' value-enhancement skills; and to realize higher investment returns and gains (Stevenson & Grabowski, 2008; Umberson & Williams, 2005). Its resources are distributed heterogeneously, favoring centers of advanced medical practice, to the detriment of basic health care. The supplementary system is considered of better quality, however with great variations and frequent accusations of being essentially profit driven, instead of being driven to the needs of the assisted population. The growing search for health plans is a direct consequence of the image perceived by the population regarding the quality and accessibility of the public services, as well as of the peoples' growing consciousness of their needs, rights and duties as citizens. The need for continuous quality improvement and cost reduction offers numberless opportunities for actions and investments. Initiatives to identify and implement the best medical practices, medical guidelines and actions are essential regarding those illnesses which are most frequent, of higher cost and of greater risk. Health plans and healthcare providers will necessarily have to focus on their common client.

Therefore, organizations must be created in order to develop initiatives aimed to the quality of patient care, as well as to the collection and dissemination of data regarding the production and results of the main service providers. Consequently, immense opportunities are being opened for investments in the area of Information Technology, collection, analysis, and data dissemination. This paper analyses the main trends in the Brazilian health sector and from the data and tendencies, draws various conclusions on the opportunities and barriers for private investment (Dieleman et al., 2016; Umberson & Williams, 2005; Louvison et al., 2008). As the dust settles on the recent frenzy of private equity deals, what lessons can companies glean? Directors and executives of public companies may now be slightly less fearful of imminent takeover, yet the pressure remains: They face shareholders who wonder why they aren't getting private-equity-level returns. Rather than dismiss the value private equity has created as manipulated or aberrant, public company leaders should recognize the disciplined management that often underlies it. Pozen, a longtime leader in the financial services industry, finds that in the aftermath of buyouts, companies undergo five major thrusts of reform (Counsell et al., 2007; Willenberg, 2004; Fan et al., 2016; Pozen, 2007). The delivery of veterinary services in most developing countries was, until recently, considered to be the responsibility of the public sector. However, over the past four decades, economic constraints and the imposition of structural adjustment policies (SAPs) have led to a gradual decline in public sector investment in real terms and thus a reduction in the quality and quantity of services available to livestock keepers (Willenberg, 2004; Brandt, 2003; Woodford, 2004; Truini et al., 2011). The Brazilian health system is founded on the principle of equity, meaning provision of equal care for equal needs.

However, little is known about the impact of health policies in narrowing socioeconomic health inequalities. Using data from the Brazilian World Health Survey, this paper addresses socioeconomic inequalities in the use of outpatient services according to intensity of need (Louvison et al., 2008; Woodford, 2004; Szwarcwald et al., 2010). The different asset class definitions are widely debated, but four common divisions are stocks, bonds, real estate and commodities. The exercise of allocating funds among these assets (and among individual securities within each asset class) is what investment management firms are paid for. Asset classes exhibit different market dynamics, and different interaction effects; thus, the allocation of money among asset classes will have a significant effect on the performance of the fund. Some research suggests that allocation among asset classes has more predictive power than the choice of individual holdings in determining portfolio return. Arguably, the skill of a successful investment manager resides in constructing the asset allocation, and separate individual holdings, so as to outperform certain benchmarks (e.g., the peer group of competing funds, bond and stock indices).

Material and Methods

A longitudinal descriptive analysis of the Reproductive Health Subaccounts was performed by financing scheme and health function. Financing schemes included social security, government schemes, household out-of-pocket (OOP) payments, and private insurance plans. Functions were preventive care, including family planning, antenatal and puerperium health services, normal and cesarean deliveries, and treatment of complications. Fund performance is often thought to be the acid test of fund management, and in the institutional context, accurate measurement is a necessity. For that purpose, institutions measure the performance of each fund (and usually for internal purposes components of each fund) under their management, and performance is also measured by external firms that specialize in performance measurement. The leading performance measurement firms. In a typical case (let us say an equity fund), then the calculation would be made (as far as the client is concerned) every quarter and would show a percentage change compared with the prior quarter (e.g., +4.6% total return in US dollars). This figure would be compared with other similar funds managed within the institution (for purposes of monitoring internal controls), with performance data for peer group funds, and with relevant indices (where available) or tailor-made

performance benchmarks where appropriate. The specialist performance measurement firms calculate quartile and docile data and close attention would be paid to the (percentile) ranking of any fund.

Generally speaking, it is probably appropriate for an investment firm to persuade its clients to assess performance over longer periods (e.g., 3 to 5 years) to smooth out very short-term fluctuations in performance and the influence of the business cycle. This can be difficult however and, industry wide, there is a serious preoccupation with short-term numbers and the effect on the relationship with clients (and resultant business risks for the institutions).

Results

There are exchange funds for publicly held stock and private stock (pre-IPO). Eaton Vance is the largest of the public stock exchange fund providers and many of the large brokerage houses such as Goldman Sachs, Morgan Stanley etc. have exchange funds as well. Startup Exchange Fund and EB Exchange are the best known companies that specialize in exchange funds for privately held equity (stock of private companies). The objective of fund governance is to uphold the regulatory principles commonly known as the four pillars of investor protection that are typically promulgated through the investment fund regulation applicable in the jurisdiction of the fund. These principles vary by jurisdiction and in the US, the 1940 Act generally ensure that: (i) The investment fund will be managed in accordance with the fund's investment objectives, (ii) The assets of the investment fund will be kept safe, (iii) When investors redeem they will get their pro rata share of the investment fund's assets, (iv) The investment fund will be managed for the benefit of the fund's shareholders and not its service providers. To invest is to allocate money (or sometimes another resource, such as time) in the expectation of some benefit in the future. In finance, the benefit from investment is called a return. The return may consist of capital gain or investment income, including dividends, interest, rental income etc., or a combination of the two. The projected economic return is the appropriately discounted value of the future returns. The historic return comprises the actual capital gain (or loss) or income (or both) over a period of time. Investment generally results in acquiring an asset, also called an investment. If the asset is available at a price worth investing, it is normally expected either to generate income, or to appreciate in value, so that it can be sold at a higher price (or both). Investors generally expect higher returns from riskier investments. Financial assets range from low-risk, low-return investments, such as high-grade government bonds, to those with higher risk and higher expected commensurate reward, such as emerging markets stock investments. Investors, particularly novices, are often advised to adopt an investment strategy and diversify their portfolio. Diversification has the statistical effect of reducing overall risk.

Discussion and Conclusion

An Asset Management Company (AMC) is an asset management / investment management company/firm that invests the pooled funds of retail investors in securities in line with the stated investment objectives. For a fee, the company/firm provides more diversification, liquidity, and professional management consulting service than is normally available to individual investors. The diversification of portfolio is done by investing in such securities which are inversely correlated to each other. Money is collected from investors by way of floating various collective investment schemes, e.g. mutual fund schemes. In general, an AMC is a company that is engaged primarily in the business of investing in, and managing, portfolios of securities. At the simplest, an index fund is implemented by purchasing securities in the same proportion as in the stock market index. It can also be achieved by sampling (e.g., buying stocks of each kind and sector in the index but not necessarily some of each individual stock), and there are sophisticated versions of sampling (e.g., those that seek to buy those particular shares that have the best chance of good performance). Investment funds run by investment managers who closely mirror the index in their managed portfolios and offer little "added value" as managers whilst charging fees for active management are called 'closet trackers'; that is they do not in truth actively manage the fund but furtively mirror the index. Investment funds that employ passive investment strategies to track the performance of a stock market index are known as index funds. Exchange-traded funds are hardly ever actively managed and often track a specific market or commodity indices. Using a small number of index funds and ETFs, one can construct a portfolio that tracks global equity and bond market at a relatively low cost. Popular examples include two-fund and three-fund lazy portfolios (Willenberg, 2004; Stevenson & Grabowski, 2008; Dieleman et al., 2016; Truini et al., 2011).

An ETF is a type of *fund*, some entity that owns assets (bonds, stocks, gold bars, etc.) and divides ownership of it into shares that are held by shareholders. The details of the structure (such as a corporation or trust) will vary by

country, and even within one country there may be multiple possible structures. The shareholders indirectly own the assets of the fund, and they will typically get an annual report. Shareholders are entitled to a share of the profits, such as interest or dividends, and they may get a residual value in case the fund is liquidated. Their ownership interest in the fund can easily be bought and sold. ETFs are similar in many ways to traditional mutual funds, except that shares in an ETF can be bought and sold throughout the day like stocks on a stock exchange through a broker-dealer. Unlike traditional mutual funds, ETFs do not sell or redeem their individual shares at net asset value (NAV). Instead, financial institutions purchase and redeem ETF shares directly from the ETF, but only in large blocks (such as 50,000 shares), called *creation units*. Purchases and redemptions of the creation units generally are in kind, with the institutional investor contributing or receiving a basket of securities of the same type and proportion held by the ETF, although some ETFs may require or permit a purchasing or redeeming shareholder to substitute cash for some or all of the securities in the basket of assets.

A separately managed account (SMA) is a term within the investment management industry encompassing several different types of investment accounts. For example, an SMA often is used to refer to an individual managed investment account often offered by a brokerage firm through one of their brokers or financial consultants and managed by independent investment management firms (often called money managers for short) and have varying fee structures. These particular types of SMAs may be called "wrap fee" or "dual contract" accounts, depending on their structure. There is no official designation for the SMA, but there are common characteristics that are represented in many types of SMA programs. These characteristics include an open structure or flexible investment security choices; multiple money managers; and a customized investment portfolio formulated for a client's specific investment objectives or desired restrictions. Transition management, in the financial sense, is a service usually offered by sell side institutions to help buy side firms transition a portfolio of securities. Various events including acquisitions and management changes can cause the need for a portfolio to be transitioned. A typical example would be a mutual fund has decided to merge two funds into one larger fund. In doing this, large quantities of securities will need to be bought and sold.

Another frequent occurrence is a firm wanting to liquidate a large portfolio. The process of doing this can be very expensive. The costs include commissions, market impact, bid-offer spreads, and opportunity costs. A firm seeking to transition a portfolio will often look for an outside firm to perform the transition. Transition managers are generally able to transition the portfolio at a lower cost than what a firm could do internally. Companies offering transition management can also add value by helping plan the transition, managing risk during the transition, and generating reports after the transition. Such companies are often referred to as Transition companies. Transition managers have a number of methods to help transition a portfolio. Usually they are directly connected to multiple markets or liquidity centers. They can execute orders using algorithmic trading, and thereby minimize market impact. Since they may be transitioning several different portfolios they can cross orders, reducing commission and exchange fees. Additionally, they may have specialist traders who handle illiquid securities.

A fiduciary-friendly recent trend has been to remove all conflicts of interest associated with transition management by "unbundling" advice from execution through the use of a transition or brokerage consultant. In this way, the adviser's sole possible interest is improving performance and lowering execution costs, rather than having a trader and adviser under the same roof (Stevenson & Grabowski, 2008; Dieleman et al., 2016; Umberson & Williams, 2005; Stewart & Kennedy, 2016; Truini et al., 2011; Stevenson et al., 2015).

Conflict of interest
The authors declare no conflict of interest.

References

Azar, M., Noohi, S., & Shafiee Kandjani, A. R. (2010). Suicide. Tehran: Arjmand.
Brandt, R. (2003). Private health care sector investment in Brazil: opportunities and obstacles. World Hosp Health Serv, 39(1), 11-4.
Counsell, S. R., Callahan, C. M., Clark, D. O., Buttar, A. B., Stump, T. E., & Ricketts, G. D. (2007). Geriatric care management for low-income seniors: a randomized controlled trial, JAMA, The journal of American medical association, 298(22), 2623-33.
Dieleman, J. L., Baral, R., Birger, M., Bui, A. L., Bulchis, A., Chapin, A., et al. (2016). US Spending on Personal Health Care and Public Health, 1996-2013. Jama, 316(24), 2627-46.

Fan, V. Y., Tsai, F. J., Shroff, Z. C., Nakahara, B., Vargha, N., & Weathers, S. (2016). Dedicated health systems strengthening of the Global Fund to Fight AIDS, Tuberculosis, and Malaria: an analysis of grants. Int Health, 15(15).

Louvison, M. C., Lebrao, M. L., Duarte, Y. A., Santos, J. L., Malik, A. M., & Almeida, E. S. (2008).Inequalities in access to health care services and utilization for the elderly in Sao Paulo, Brazil. Rev Saude Publica, 42(4), 733-40.

Paal, P., Roser, T., & Frick, E. (2014). Developments in spiritual care education in German--speaking countries. BMC Med Educ, 14(112), 1472-6920.

Pozen, R. C. (2007). If private equity sized up your business. Harv Bus Rev, 85(11), 78-87.

Robbins, C. J., Rudsenske, T., & Vaughan, J. S. (2008). Private equity investment in health care services. Health Aff, 27(5),1389-98.

Stevenson, D. G., & Grabowski, D. C. (2008). Private equity investment and nursing home care: is it a big deal? Health Aff, 27(5), 1399-408.

Stevenson, D. G., Dalton, J. B., Grabowski, D. C., & Huskamp, H. A. (2015). Nearly half of all Medicare hospice enrollees received care from agencies owned by regional or national chains. Health Aff, 34(1), 30-8.

Stewart, I. D., & Kennedy, C. A. (2016). Metabolic heat production by human and animal populations in cities. Int J Biometeorol, 26(10), 1016-1296.

Szwarcwald, C. L., Souza-Junior, P. R., & Damacena, G. N. (2010). Socioeconomic inequalities in the use of outpatient services in Brazil according to health care need: evidence from the World Health Survey. BMC Health Serv Res, 10(217), 1472-6963.

Tanuseputro, P., Hsu, A., Kuluski, K., Chalifoux, M., Donskov, M., Beach, S., et al. (2017). Level of Need, Divertibility, and Outcomes of Newly Admitted Nursing Home Residents. J Am Med Dir Assoc, 1(17), 30103-2.

Truini, A., Galeotti, F., & Cruccu, G. (2011). Treating pain in multiple sclerosis. Expert Opin Pharmacother. 12(15), 2355-68.

Umberson, D., & Williams, K. (2005). Marital Quality, Health, and Aging: Gender Equity? The Journals of Gerontology Series B: Psychological Sciences and Social Sciences, 60(Special Issue 2), S109-S13.

Willenberg, K. (2004). Clinical trials financial compliance: The Principal Investigators and liability. J Clin Oncol, 22(14_suppl).

Woodford, J. D. (2004). Synergies between veterinarians and para-professionals in the public and private sectors: organisational and institutional relationships that facilitate the process of privatising animal health services in developing countries. Rev Sci Tech, 23(1), 115-35.

------. (2008). We will demand accountability for the spending of training budgets. Nurs Stand, 23(10), 13-4.