



May 4, 2026

# Private Equity in Selected Industries: Policy Background

Private equity (PE)—which falls within a broader set of investment products often called alternative investments, private capital, or private funds—is a pooled investment vehicle that generally raises money from accredited investors and invests primarily in private (non-publicly traded) companies. PE participation could provide benefits associated with capital formation, performance and productivity gains, distressed company resolution, and competition enhancement. Compared with public funds, PE typically involves less regulation and transparency, less investor access, lower liquidity, greater valuation challenges, and higher fees and expenses.

Some Members of Congress and industry observers contend that PE’s profit-maximizing business model may appear incompatible with certain public interest-oriented industry sectors, especially those that receive tax advantages, grants, financial backstops, and other forms of benefits because their work is seen as building public good. Critics argue that PE practices amplify financial fragility and social harm without fully recognizing and pricing externalized risks. PE investment may lead to adverse effects on the long-term well-being of customers, employees, and communities.

For policymakers, industry-specific discussions often are about understanding which stakeholder interests to prioritize, how PE funding operates in specific contexts, and what policy changes may help preserve benefits while mitigating risks. For more about PE operations and regulation, see CRS Report R47053, *Private Equity and Capital Markets Policy*, by Eva Su.

## PE Operational Focus and Features

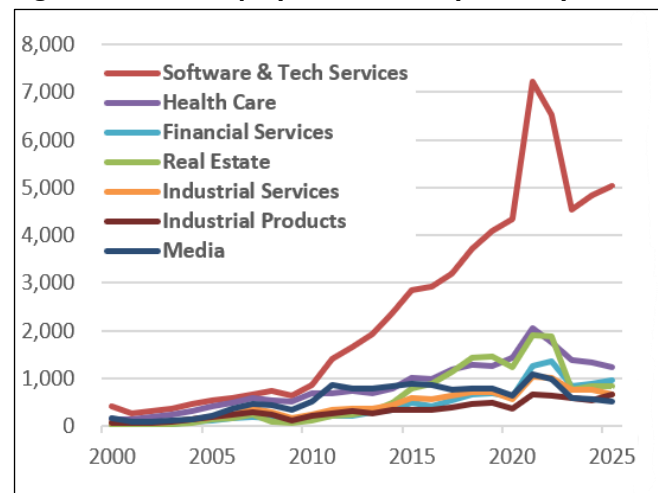
**Figure 1** illustrates a list of industries—including software (which has generated major risks to PE investors in 2026), health care, financial services, real estate, industrial services and products, and media—that attracted relatively large numbers of PE deals as of 2025. Although some public interest-oriented industries (e.g., child care and youth sports) are not the primary recipients of PE funding, PE’s influence on them has generated policy debates and legislative proposals.

## Controversial Operational Features

Certain practices associated with, but not unique to, PE’s operating and financing models (which focus on value creation for investors), may attract policymakers’ attention: (1) leveraged buyout strategies that use borrowed money to invest and multiply risks and returns; (2) dividend recapitalization that enables PE investors to create new debt to fund their own payouts; (3) sale-and-leaseback arrangements that allow PE investors to sell high-cost fixed assets for cash while arranging a leaseback to the company for a fee; (4) roll-ups that consolidate multiple smaller

companies into a larger entity, potentially leading to antitrust concerns in certain markets; (5) certain operational restructuring for efficiency that may lead to job cuts; and (6) certain risk transfers that allow PE firms to benefit from regulatory arbitrage, such as reduction of regulatory capital. While job cuts, dividend recapitalization, sale-and-leaseback arrangements, and roll-ups are common concerns for industries that are more labor-intensive and involve many operating branches (e.g., health care), risk transfer considerations are more commonly found in PE involvement with insurers.

**Figure 1. Private Equity Deal Count by Industry**



**Source:** CRS using Bloomberg data.

**Notes:** The chart includes industries with 500 or more deals in 2025. Bloomberg counts each fund’s investment in a company as an individual deal and captures many, but not all, private equity transactions. Bloomberg’s industry classifications may differ from general industry conventions.

## Industry-Specific Analysis

This section discusses some policy challenges in conducting industry-specific analysis as well as a summary of existing discussions on PE involvement and the potential benefits and risks to selected examples of industries.

## Policy Challenges

**Terminology.** Many entities or practices lack standardized terminology, leading to the inability to establish a common discussion. For example, in single family housing, the term *institutional investor* could refer to different entities, depending on whether the focus is on ownership scale, investment structure, or regulatory jurisdiction. As such, the entities captured under the term may vary across data sources.

**Data.** Data availability and reliability may prevent policymakers from reaching definitive conclusions about PE’s involvement and impact. While some industries may have more data than others, in general, data availability about ownership structures and PE’s impact on specific industries is often limited.

**Research and consensus.** In light of data limitations, empirical research on PE in selected industries remains underdeveloped. Even where such research exists, findings often do not converge on a clear policy direction. For example, authoritative research on PE in sectors such as child care and youth sports is scarce. In sectors with more developed literature, such as PE acquisition of hospitals, findings could be mixed (e.g., some studies suggest adverse effects on patients, while others find no significant changes).

**Limitations of policy tools.** Designing policy responses to PE activity is challenging due to variation across and within industries. As such, policy approaches may need to account for these differences. Policy efforts to mitigate perceived risks may require precision to avoid unintended

consequences, including constraining capital access for businesses that rely on external funding.

### Examples of Potential Impact of PE Investments

Overall, PE’s impact is not uniform and may present both benefits and concerns across industries. As **Table 1** illustrates, the selected industries differ in (1) the level of PE involvement (including the extent of PE investment and the activities that have attracted policy attention); (2) regulatory barriers (including industry-specific regulatory requirements that may affect the ease of PE acquisitions); and (3) potential benefits and risks. In general, the health care industry has a higher level of PE involvement than the other industries listed. While some industries do not have industry-specific regulatory restrictions on PE acquisitions, others, such as banking regulations, once blocked certain PE investments. Some Members have pursued both broad legislative proposals affecting PE generally and industry-specific proposals aimed at addressing perceived risks.

**Table 1. Examples of Private Equity in Selected Industry Sectors**

Industry	PE Involvement	Regulatory Barriers	Potential Benefits	Potential Risks
<b>Health care</b>	Heavy involvement	Medium	Operational efficiency, clinical integration and coordination, cost control, and expansion of access to certain care.	Higher costs, poorer quality of care and patient outcomes, lower physician and patient satisfaction, reduced staffing and access to care.
<b>Single family housing</b>	Some involvement with regional factors	Low	Capital provision for housing supply, standardized property management, provider of liquidity, and risk absorption through establishing a price floor during financial crisis.	Increases in home prices and rents, ownership concentration in local markets, poorer tenant experience, and reduced purchase opportunities for individual homebuyers.
<b>Child care</b>	Some involvement at large providers	Low	Enhance business operations and expand the availability of care, potentially reducing supply gaps.	Uneven expansion of child care availability toward higher income segments, and potential cost increases for families and wage reductions for workers.
<b>Utilities</b>	Some involvement with emerging activities	High	Capital injection and risk sharing for large, capital-intensive projects. Operational efficiency and project expertise.	Adverse changes to utility price and reliability. National security considerations.
<b>Higher education</b>	Some involvement	Medium	Higher school enrollment and financial profits.	Lower education inputs, higher tuition, higher student debt, and lower graduation rates.
<b>Insurance</b>	Some involvement, particularly in life and annuities	High	Operational efficiency and asset management expertise. Potential lower costs and greater availability of life insurance and annuities.	Risk exposure for participants and the lack of transparency. For PE-affiliated pension risk transfer, concerns exist regarding annuity investor education and investor choices.
<b>Banking</b>	Emerging involvement in failed bank resolutions	High	Restructure failed banks, support local economies, and save money for the FDIC’s Deposit Insurance Fund.	PE acquirers may manage risks differently than highly regulated banks, potentially shifting assets outside the banking system.
<b>Youth sports</b>	Emerging activities with notable cases	Low	Increased efficiency, scale, and operational strength in events organization and marketing.	Reduced access to certain sports and sports programs. Adverse effects in youth development. loss of local character and fan experience.

**Source:** CRS summary using white papers, media reports, and Bloomberg data.

**Note:** Summary descriptions are illustrative and do not represent an exhaustive list of scenarios or potential benefits and risks.

Eva Su, Specialist in Financial Economics

## Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.