SBIA
SMALL BUSINESS INVESTOR ALLIANCE

February 12, 2020

The Honorable Richard Neal, Chair
House Ways and Means Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kevin Brady, Ranking Member
House Ways and Means Committee
U.S. House of Representatives
Washington, D.C. 20515

RE: H.R. 5825, the Transparency in Health Care Investments Act of 2020

Dear Chairman Neal and Ranking Member Brady:

Formed in 1958, the Small Business Investor Alliance is the trade association of private equity funds investing in American small businesses. Our members invest capital and expertise to empower small businesses to grow into bigger businesses. Growing these businesses creates jobs, opportunity, and better goods and services to communities across the country. Small business investors are only successful if they are growing small businesses.

Unfortunately, this Committee is considering a bill today that would harm small business investors and also hinder access to capital for small businesses that provide medical care. H.R. 5825, the Transparency in Health Care Investments Act of 2020, fails to consider the impacts on small businesses that provide or want to provide healthcare services.

This bill creates a strong disincentive for entrepreneurs providing medical care from seeking or accepting growth capital from private equity or venture capital firms because this bill would force public disclosure of business confidential information of growing private companies. It would hand the largest companies the financial and business playbook of upstart small businesses who want to compete against the large medical companies to provide better services, fill market gaps, lower costs, and innovate.

Small businesses already face massive capital access challenges and this bill would make it worse. Service businesses, particularly medical care, face bigger hurdles in accessing normal bank loans because their primary asset is the skill of the healthcare providers which is the type of intellectual property not considered collateral. Small businesses need capital that is longer-term, commonly in the form of equity, that banks simply cannot and will not provide, particularly in underserved communities.

Under this bill, small businesses would have to surrender their privacy, open their financial playbook, and put themselves at a disadvantage in order to access the only capital available to them to fund growth and innovation.

This country needs more access to better medical services and small businesses are innovating to fill these gaps. Our member funds have backed many small businesses that are health care providers, commonly serving underserved communities. With this capital they have expanded critical medical services to areas and people that had few choices or in many cases not choices before the private equity backed health care provider entered the market. The forgotten and underserved communities will remain forgotten and underserved under if this bill becomes law.

This legislation causes problems that the Committee has not yet considered. On behalf of the nation's small business investors, we ask that this bill not advance.

Thank you for your courtesy and cooperation.

Sincerely,

Brett Palmer
President
Small Business Investor Alliance