ISSUE BRIEF

For-Profit Healthcare: Balancing Profit and Patient Care

August 2025

Many Americans are financially tied to the for-profit healthcare industry, often without realizing it. With approximately 10% of the S&P 500's weight allocated to healthcare companies; these firms are a significant part of many investment portfolios. Defining the investment thesis, however, is quite complex.

In most sectors, the profit motive is straightforward. Investors in consumer discretionary companies hope for increased product sales. Those backing tech giants want their services and innovations to dominate the market. But healthcare is a bit different. When someone invests in a major health provider, what exactly are they hoping will drive returns? More patients? Higher service fees? Reduced care costs? Denied claims?

This issue brief explores the complex dynamics of the for-profit healthcare industry—its benefits, its drawbacks, and the ethical questions it raises for investors and society alike.

Historical Context

The root of America's for-profit healthcare system can be traced back to the mid-20th century. In the aftermath of World War II, President Harry Truman proposed a national health insurance (NHI) plan to provide universal coverage. However, the American Medical Association (AMA), a lobbying group representing physicians, launched a powerful and well-funded campaign against the proposal, branding it as "socialized medicine" and a threat to physician autonomy. The AMA's campaign, managed by the political consulting firm Whitaker and Baxter, was the most expensive public relations effort in American history at the time. It distributed over 100 million pieces of literature and mobilized physicians nationwide to oppose NHI. This campaign not only defeated Truman's plan but also promoted the idea of voluntary private insurance as the "American way," leading to the widespread adoption of employer-sponsored health insurance and the entrenchment of private insurers in the healthcare system that we see today.

The Current Landscape of U.S. Healthcare

In a nutshell, what does U.S. healthcare look like for Americans today?

Today, the American healthcare system is comprised of both private and government programs. Medicare is a taxpayer-funded public health insurance program for people aged 65 or older and for individuals that may be under the age of 65 living with certain specified disabilities or conditions. Medicaid is a joint federal and state program that helps cover medical costs for eligible individuals with limited income and resources. While the federal government has general rules that all state Medicaid programs must follow, each state runs its own program, meaning eligibility requirements and benefits can vary from state to state. Outside of these programs, the United States Department of Veterans Affairs offers healthcare to eligible veterans.

If one does not meet eligibility requirements for government assisted programs, individuals can purchase private health insurance and most full-time employees can enroll in employee sponsored health plans for themselves and their families, generally at a lower cost than purchasing individual insurance.

The Current Landscape of the For-Profit Model

At the heart of any for-profit business is the primary goal of producing financial returns, or profits, for its owners and stakeholders. The for-profit healthcare industry seeks to achieve this by offering medical services through a vast range of outlets including insurance companies, private hospitals, pharmaceutical manufacturers, and medical device firms. No different than other industries operating in competitive markets, these entities set prices and shape their offerings based on consumer demand, innovation, and broader market forces.

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At its crux, the for-profit model is the alignment of healthcare delivery with business principles. However, this structure also introduces a complex set of trade-offs. The presence of stakeholders focused on return on investment can lead to strategic decisions that prioritize profitability, potentially at the expense of broader public health goals or even individual patient well-being.

This duality—balancing care with commercial interests—is central to understanding how for-profit healthcare functions. While it can foster rapid advancement and responsiveness to market needs, it also raises critical questions about equity, access, and the ethical implications of treating healthcare as a commodity.

Making the Case

A key strength of the for-profit healthcare model lies in its drive for innovation. Fueled by market competition, this constant pursuit pushes providers to find new and improved ways to deliver superior patient outcomes. In this environment, healthcare organizations are constantly challenged to evolve—not only to retain existing patient relationships and outperform competitors, but also to safeguard their financial sustainability.

In essence, the for-profit model creates a powerful alignment between financial incentives and medical progress, positioning it as a catalyst for transformative change in modern healthcare and a potentially very lucrative playing field for investors.

This evolution is often realized through investments in research and development, leading to the discovery of new treatments, technologies, and care models that enhance the patient experience and continue to improve clinical outcomes. Much like other industries, the promise of higher earning potential and career advancement attracts top-tier healthcare professionals to institutions that prioritize this innovation. This pool of skilled and experienced talent fosters a dynamic ecosystem of continuous learning, collaboration, and advancement.

As a result, patients benefit from elevated care quality, and at times reduced prices, driven by both the expertise of providers and the cutting-edge tools at their disposal. In essence, the for-profit model creates a powerful alignment between financial incentives and medical progress, positioning it as a catalyst for transformative change in modern healthcare and a potentially very lucrative playing field for investors.

Key Issues

While everyone's healthcare needs and experiences are different, the biggest concerns present in this for-profit system across the board boil down to affordability, equitable access, and transparency.

In pursuit of more attractive financial returns, for-profit healthcare entities often charge higher prices for services, medications, and insurance premiums. This profit-driven pricing structure contributes to the United States having the highest per capita healthcare spending globally—approximately $13,000 per person annually—yet still around 85 million people remain uninsured or underinsured. Many Americans will delay or go without necessary care due to the associated financial barriers, especially present for lower income individuals, who are disproportionately affected by chronic and acute health conditions and lack the means to afford consistent, quality care. About 60,000 Americans die each year because they can't get access to healthcare in a timely or financially feasible manner.

The financial complexity surrounding for-profit healthcare also often results in unclear pricing and billing practices, leaving patients to frequently encounter unexpected bills while struggling to understand the true cost of their care.

To exacerbate this issue, for-profit providers often focus on services and locations with higher returns on investments, leaving rural and underserved areas without adequate essential care. Combined with the fact that insurance is often tied to employment, this creates instability for low-wage workers and the unemployed, further reinforcing inequities.

The financial complexity surrounding for-profit healthcare also often results in unclear pricing and billing practices, leaving patients to frequently encounter unexpected bills while struggling to understand the true cost of their care. U.S. residents have been found more likely than global counterparts to report their insurance provider denying payments of a claim or paying out less than expected. This lack of transparency is yet another obstacle that deters individuals from seeking treatment. In America, 1 of 500,000 people go bankrupt each year due to crushing and unmanageable medical debt, raising serious ethical concerns about the prioritization of financial returns over patient well-being.

Attempts at Reform

The Affordable Care Act (ACA), commonly known as Obamacare, was signed into law in 2010 by President Obama with the primary goals of expanding access to affordable health insurance and protecting consumers from exploitative insurance practices. Among its key benefits are increased coverage for millions of Americans, built in protections for individuals with pre-existing conditions, and expanded access to preventive services and screenings.

However, the law has faced notable criticism. Some individuals have experienced higher premiums, and businesses have expressed concerns about increased costs and administrative burdens. Staunch critics, particularly from conservative ideologies, have objected to the tax increases and government mandates required to fund the program. Despite its significant impact on expanding healthcare access, the Affordable Care Act has remained a subject of ongoing debate, with both support and criticism coming from various political and economic perspectives regarding its cost, implementation, and long-term sustainability.

How Do Americans Feel About Their Healthcare?

According to Pew Research Center, public sentiment toward the U.S. healthcare system reflects growing concern and a strong desire for reform. A majority of Americans—63% to be exact—believe that it is the government's responsibility to ensure healthcare coverage for all. Despite opinions across the country differing on how coverage should be provided, with 36% favoring a single national program and 26% supporting a mix of private and public options, 67% of adult Americans today view the cost of healthcare as a major national problem—a 10-point increase from 2024 —with strong bipartisan agreement across Democrats (73%) and Republicans (61%) alike.

The underlying message is clear: Americans want a more accessible, affordable, and reliable healthcare system, and they want it now.

How Does the U.S. Stack Up?

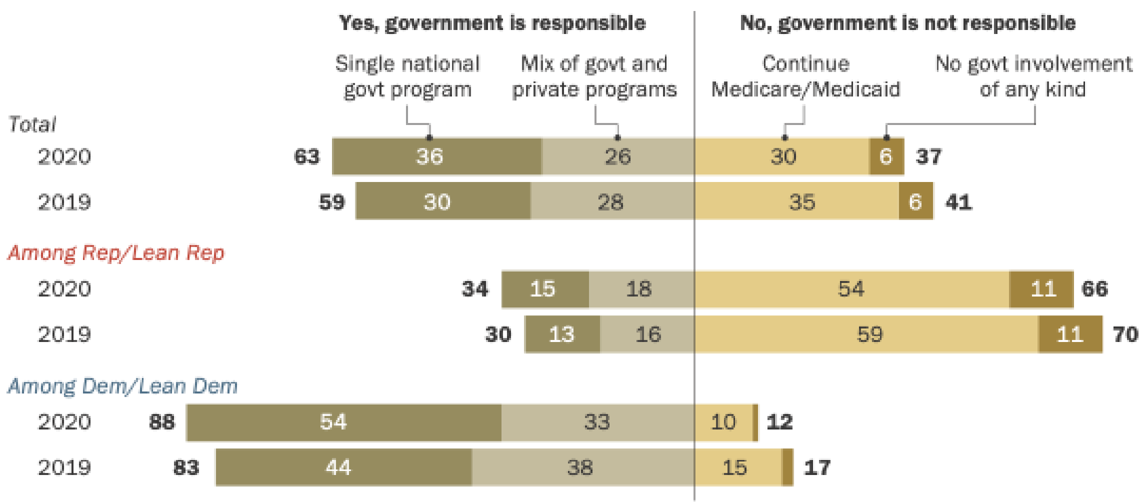
Weighing all pros and the cons of the for-profit healthcare model, America does not outperform its peers.

The Peter G. Peterson Foundation, a non-partisan organization focused on America's financial sustainability, released a report in 2024 comparing the cost and quality of the U.S. healthcare system to other wealthy OECD (The Organization for Economic Co-operation and Development) countries. The foundation highlights the two drivers of healthcare spending: utilization and price. Despite spending nearly twice as much on healthcare per capita, utilization rates in the United States do not differ significantly from the other countries sampled. Meaning the prices of these healthcare services is why Americans have to pay more for the same care as their foreign counterparts.

But more spending does not always equal better outcomes. The Foundation's report found that despite higher healthcare spending, America's health outcomes are not any better than those in other developed countries. Rather, the U.S.

Majority of Democrats favor a single national government program to provide health care coverage

Is it the federal government's responsibility to make sure all Americans have health care coverage? (%)



Note: No answer responses not shown.
Source: Survey of U.S. adults conducted July 27-Aug. 2, 2020.

PEW RESEARCH CENTER

Source: PEW Research Center Report: Increasing share of Americans favor a single government program to provide healthcare coverage.

actually performs worse in common health metrics like life expectancy, infant mortality, unmanaged diabetes, and safety during childbirth, as seen in the graph below.

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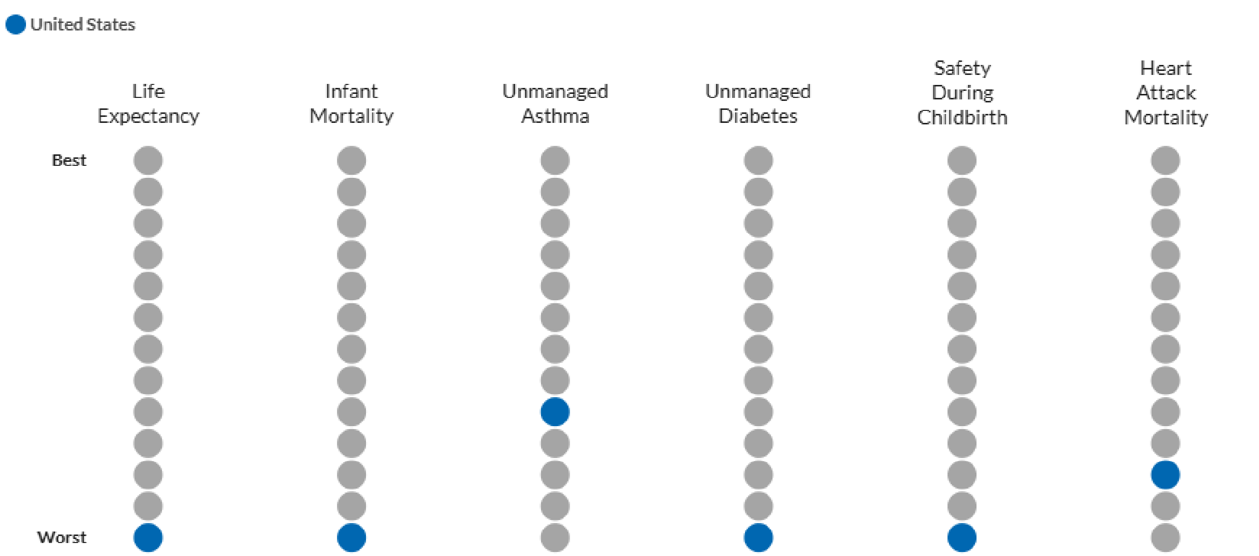
Given the disconnect between high spending and subpar health outcomes in the U.S., it becomes essential to examine how other developed nations manage their healthcare systems. To provide a clearer picture, the Commonwealth Fund conducted a comprehensive analysis in 2021 comparing the performance of healthcare systems across 11 high-income countries, offering valuable insights into where the U.S. stands—and where it falls short—on key measures of access, quality, equity, and overall health outcomes.

The analysis utilized indicators across five domains to determine healthcare effectiveness:

- Access to Care: Measuring affordability and timeliness.
- Care Process: Measures preventive care, safe care, coordinated care, engagement, and patient preferences.
- Administrative Efficiency: Referring to how well health systems reduce paperwork and other bureaucratic tasks that patients and clinicians face during care.
- Equity: Focusing on income-related disparities.
- Healthcare Outcomes: Referring to health outcomes that are most likely to be responsive to health care measured by infant mortality and lowest life expectancy after age 60.

The report found overwhelming evidence that despite spending far more of GDP on healthcare, 18.3%, the United States was ranked last in overall performance. The U.S. was ranked 11th out of the 11 countries for each feature area with the exception of the "care process" feature where they were ranked 2nd.

The United States has worse healthcare outcomes compared to other wealthy countries



Source: Organisation for Economic Co-operation and Development • Embed • Download image

Notes: Data are not available for all countries for all metrics. Data are for 2022 or latest available.

PETER G. PETERSON FOUNDATION

Source: Peter G. Peterson Report: How Does the U.S. Healthcare System Compare to Other Countries?

As a result of the study, The Commonwealth Fund identified four features to distinguish top performing countries:

1) They provide universal coverage and remove cost barriers;

2) They invest in primary care systems to ensure that high-value services are equitably available in all communities to all people;

3) They reduce administrative burdens that divert time, efforts, and spending from health improvement efforts; and

4) They invest in social services, especially for children and working-age adults.

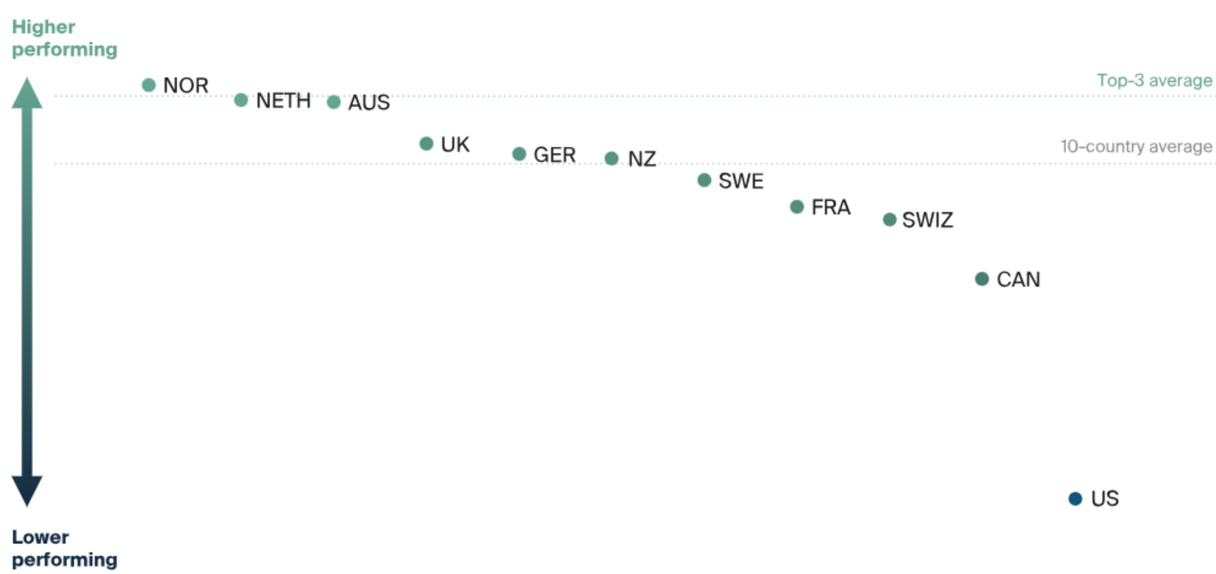
statistically beneficial aspect of the for-profit healthcare model appears to be the profit.

The for-profit healthcare industry sits at the intersection of innovation and ethical complexity. On one hand, the profit motive can drive efficiency, technological advancement, and improved services. Investors often argue that competition and financial incentives push companies to deliver better outcomes and expand access through innovation.

On the other hand, critics raise concerns that prioritizing shareholder returns may lead to cost-cutting at the expense of patient care, limited access for vulnerable populations, and a system where financial success can depend on people staying sick rather than getting well.

EXHIBIT 2

Comparative Health Care System Performance Scores



Source: The Commonwealth Fund's Report: Mirror, Mirror 2021: Reflecting Poorly Health Care in the U.S. Compared to Other High-Income Countries

This stark contrast between the United States' exceptionally high healthcare spending and its consistently poor performance across nearly all key indicators reveals a fundamental inefficiency in the for-profit model—demonstrating that a higher price tag does not necessarily translate to better care, broader access, nor improved health outcomes for the population. According to the data, the most

When healthcare companies are driven by shareholder returns, the line between patient care and profit can often blur.

This tension leads to a fundamental question: Is it ethical for patient health outcomes to be influenced by the demands of profit-driven stakeholders? Ultimately, the answer will depend on how well the system balances financial sustainability with its responsibility to patients.

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