

# The Corporate Practice of Medicine

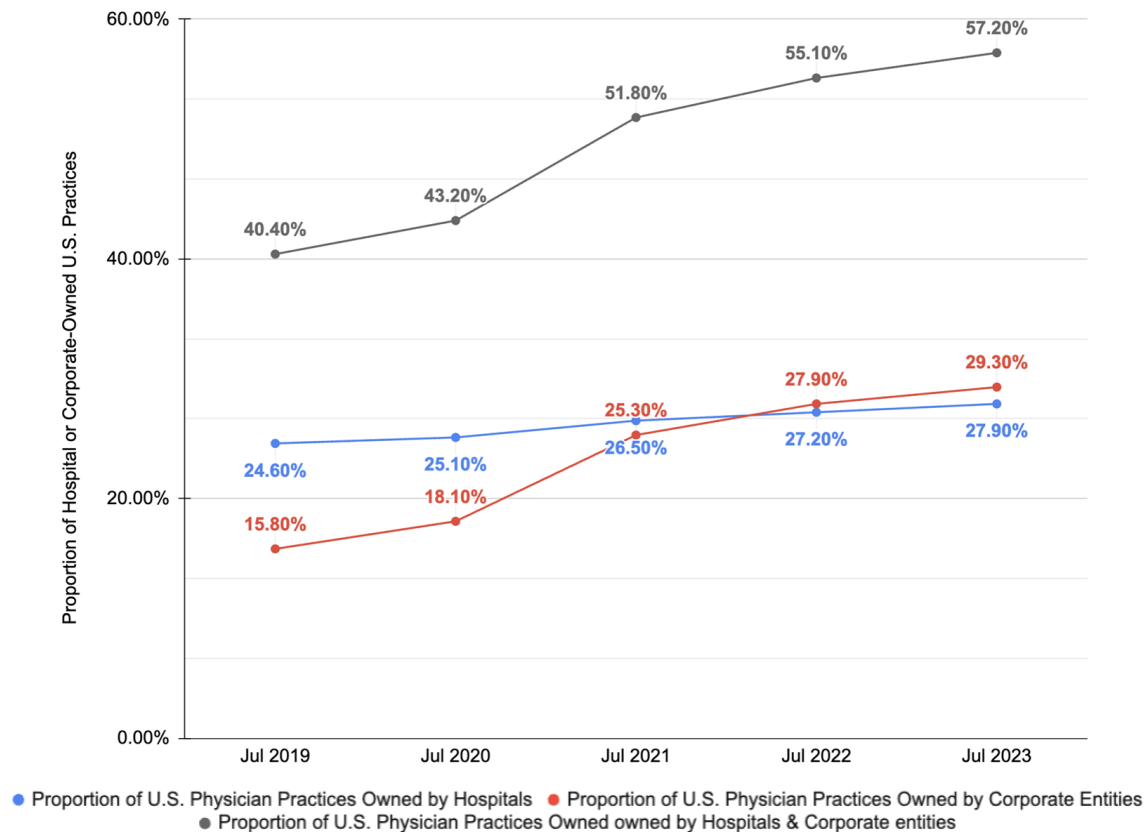
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Testimony on Senate Bill 951  
Oregon State Legislature  
April 29, 2025

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*The opinions and conclusions expressed in this testimony are the authors' alone and do not reflect those of Brown University, the Brown University School of Public Health, or any of the research sponsors.*

# Corporatization of Physician Practices



- The majority of physician practices are **owned** by hospitals or corporate entities (private equity, insurance companies, retailers)
- Corporate acquisition is growing
- Few physicians remain in independent practice
- 77.6% percent of physicians are **employed** by hospitals or corporate entities as of 2024

# Corporate Ownership of Physician Practices in Oregon

- **UnitedHealth Group-Optum**
  - Oregon Medical Group
  - Corvallis Clinic
- **Amazon**
  - One Medical
- **Walgreens / Cigna**
  - Summit Health
- **Private Equity**
  - United Derm Partners
  - Sound Physicians
  - Envision & TeamHealth
  - BestMed

**Oregon health officials give emergency OK to Corvallis Clinic's acquisition by insurance giant UnitedHealth Group**

Updated: Mar. 14, 2024, 1:01 p.m. | Published: Mar. 14, 2024, 12:33 p.m.

**Bend Memorial Clinic Formalizes Partnership, Takes New Name: Summit Medical Group Oregon - Bend Memorial Clinic**

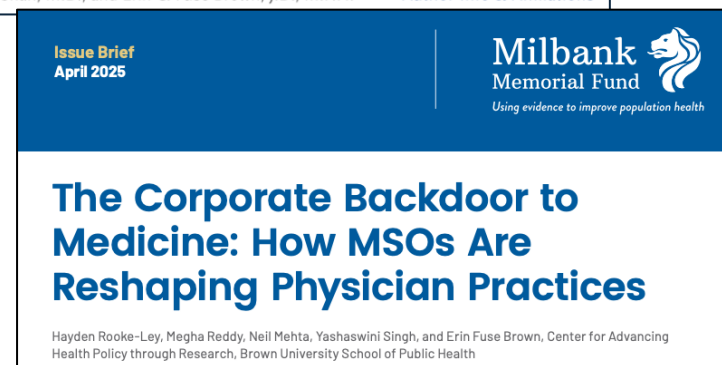
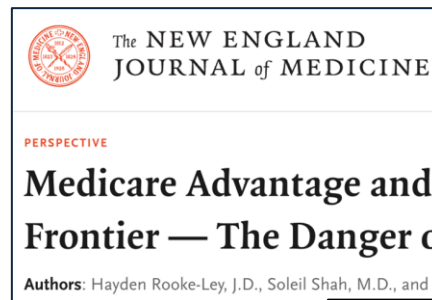
# Corporatization, Policy Concerns, and CPOM

## Policy Concerns

- Erosion of professional autonomy, morale, and trust
- Disruption in the physician-patient relationship
- Pressure to put profits over patients

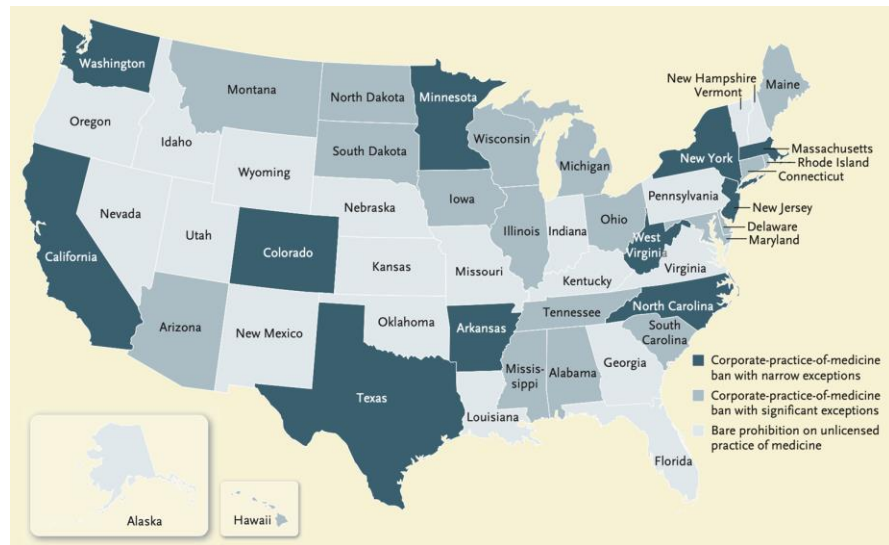
## Policy Response

State corporate practice of medicine laws (CPOM): ban unlicensed lay entities from owning, employing, or controlling medical



# Weakening of CPOM in Recent Decades

- States began to weaken the CPOM ban beginning in the 1970s, coinciding with the “managed care” revolution
- **Express exemptions for certain types of providers**
  - ◆ E.g., health maintenance organization (HMOs) and hospitals
  - ◆ **OR: hospitals and facilities exempt in AG advisory opinion (1975)**
- **Physician ownership of corporate structures relaxed**
  - ◆ Variation across Professional Corporations (PCs), Limited Liability Companies (LLCs) and Partnerships (LLPs)
  - ◆ **OR: PCs required to be majority owned by clinicians**



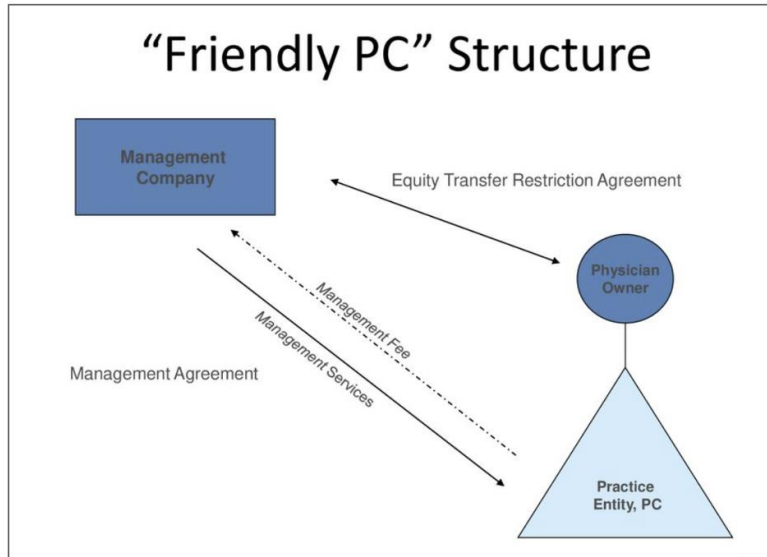
Source: Zhu J, Rooke-Ley H, Fuse Brown E. 2023. A doctrine in name only—strengthening prohibitions against the corporate practice of medicine. *NEJM* 389(11): 965-968.

Corporations began to “contract around” CPOM bans to exert *de facto* control over a medical practice they did not formally own

# Corporate Control Via Management Services Org. (MSO)

**MSO Model:** Corporate-owned management services organization (MSO) contracts to run the PC

**Friendly PC Model:** MSO installs “friendly physician” to run, and often to exclusively own, the PC



American Health Law Association Presentation (2017)

## Ways in which corporate MSO exerts control

- Stock restriction agreements, non-competes, gag clauses;
- Hiring/firing physicians and clinical staff, compensation, terms of employment;
- Setting work schedules and staffing levels;
- Dictating patient volume, visit length, diagnostic codes;
- Establishing clinical standards and protocols;
- Billing and collection policies; and
- Controlling payer contracting.

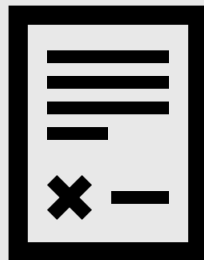
# Why CPOM Legislation May Be Helpful



## Codify Guidance and Case Law

Clarify the scope of CPOM

- Who does it apply to?
- Who may own or control medical practices?



## Address Contractual Workarounds

Clarify conduct and contract terms by MSOs (e.g., friendly physicians, contractual controls) that implicate CPOM

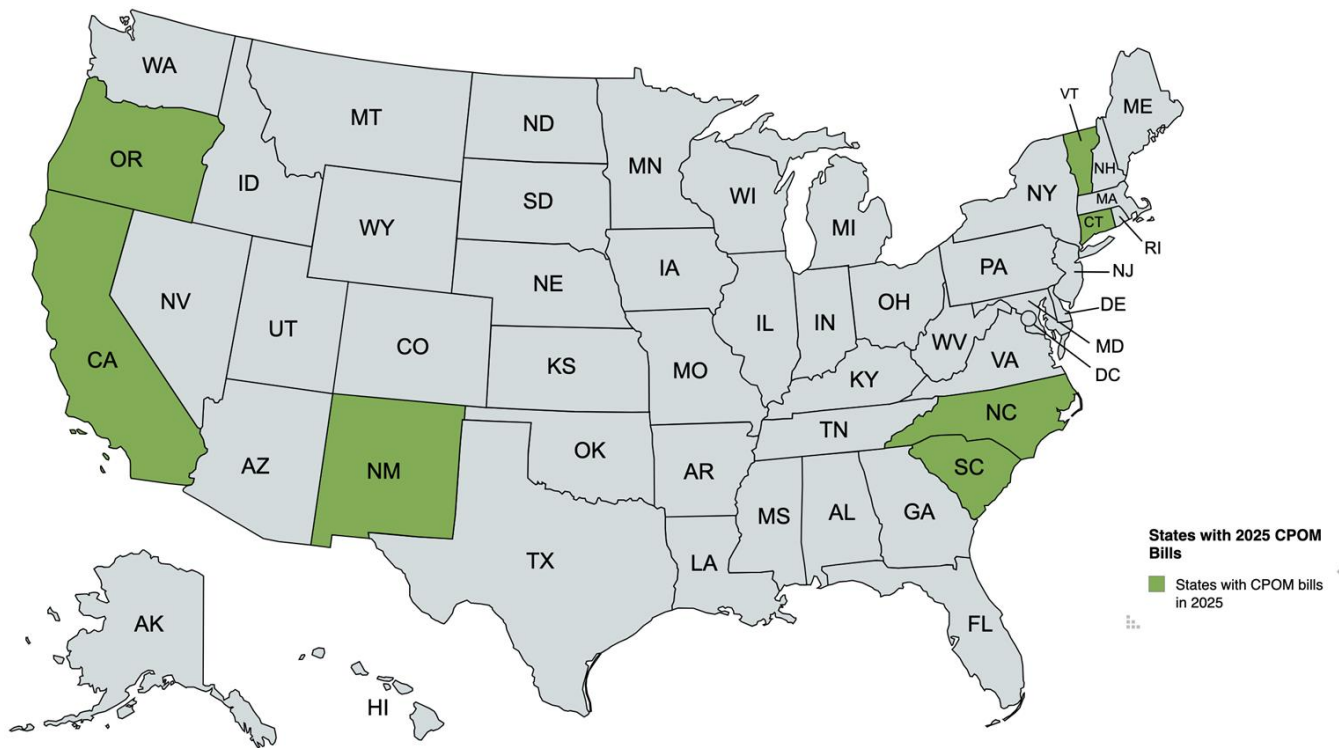


## Improve Enforcement

Allow private enforcement by employees or competitors to function as private attorneys general

# State CPOM bills introduced in 2025

1. CA: SB 351
2. CT: SB 261, HB 6570
3. NC: SB 570
4. NM: SB 450, HB 552
5. OR: SB 951
6. SC: S 46
7. VT: H 71





# Oregon's SB 951

## Regulates Friendly PC/MSO structure (does not ban MSOs)

*Per se* prohibitions on MSOs doing the following:

- Majority ownership in the medical practice
- Stock transfer restriction agreements
- Non-competes and gag clauses (applies to MSOs and hospitals)

*De facto* control: MSOs may not exercise ultimate decision making authority over activities that affect clinical decisions or care quality, including but not limited to:

- Personnel decisions, work schedules, time with patients
- Diagnostic coding decisions, clinical standards
- Billing and collection policies, price setting, payer contract negotiation

## Enforcement

Private enforcement (by aggrieved employee or competitor)



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