From the Desk of Senator Deb Patterson

SB 951 Frequently Asked Questions

What is the Corporate Practice of Medicine (CPOM) Doctrine?

The Corporate Practice of Medicine (CPOM) doctrine ensures that **licensed medical providers—not corporations—own and control medical clinics**. It was created in Oregon in 1947 to protect patients by keeping **clinical decisions in the hands of medical professionals who balance both clinical *and* business responsibilities,** rather than investors and executives who have a fiduciary duty to their shareholders to maximize profit. More than 30 other states, red and blue, have similar laws.

Oregon's CPOM law requires that **51% of a medical clinic be owned by licensed medical providers**—a more moderate standard than many other states, some of which require 100% physician ownership. **This bill does not change that standard.**

What is an MSO? How are MSOs used?

MSO stands for **Management Services Organization**—companies that provide "back office" administrative support to medical practices, such as scheduling, billing, and staffing.

MSOs can be **helpful partners** for medical clinics, allowing physicians to focus on patient care. However, some MSOs are used by private equity and large corporations to exploit loopholes in Oregon's CPOM law to exert covert control over clinic operations—a practice that violates the spirit and intent of current Oregon law.

What problem is this bill solving?

Corporate-backed and private equity-backed MSOs are **rapidly buying up medical practices in Oregon**, often through loopholes that let them **control clinics through the use of "paper owner" physicians, often called the "Captive Physician Model" or "Friendly Physician Model"**. They do this by directly employing the physician–who sometimes has no role in the clinic and lives outside of Oregon–in the MSO.

Consider this headline from The Oregonian:

BUSINESS

Optum, buyer of Eugene's Oregon Medical Group, tells patients to seek care elsewhere as physicians leave

Updated: Jan. 26, 2025, 9:42 a.m. | Published: Mar. 27, 2024, 2:08 p.m.

Under existing Oregon law, Optum could not "buy" the Oregon Medical Group. They did so through an MSO agreement which gave them de facto ownership and control,

circumventing Oregon's CPOM law. In response to the takeover, dozens of physicians left the practice (and many left the area), leaving over 10,000 patients without a primary care doctor.

A New England Journal of Medicine article found these private equity arrangements result in **higher costs, worse patient outcomes, and increased physician burnout**—with **no improvements to quality, access, or equity.**[1]

The same researchers provided three ways that states can help curb the corporatization of medicine[2], including:

1. **Close loopholes:** Extend physician-ownership requirements to limited-liability companies (LLCs) and limited-liability partnerships (LLPs), which can currently deliver medical services without such restrictions.
2. **Regulate the MSO Model:** Require that physician groups maintain ultimate control over clinical and business decisions, with restrictions on overlapping ownership between MSOs and practices (captive physician model).
3. **Limit restrictive contracts**: Prohibit noncompete clauses, nondisclosure agreements, gag orders, and stock-restriction agreements while protecting whistleblowers who report patient safety or ethical violations.

SB 951 does all three.

How do corporate investors bypass CPOM laws?

As mentioned above, one common method is the **"Captive Physician Model"**—where a corporate-backed MSO installs a physician as the paper owner of the clinic while **the corporation retains full operational control**. In some cases, this physician owns clinics across many states, does not practice medicine in those clinics, and is operating as a corporate executive with a medical degree.

Other tactics include:

- Non-compete agreements that prevent physicians from leaving their practice
- Stock transfer restriction agreements (STRAs) that give MSOs control over physician ownership shares
- MSOs making key clinical decisions that impact patient care like staffing levels, patient visit times, and pricing models

What does SB 951 do?

SB 951 **closes loopholes** in Oregon's CPOM laws to protect patients and ensure **medical professionals—not corporations—remain in charge of patient care.**

---

[1] Shah S, Rooke-Ley H, Fuse Brown EC. Corporate Investors in Primary Care — Profits, Progress, and Pitfalls. *N Engl J Med.* 2023;388(2):99-101. doi:10.1056/NEJMp2212841. Available from: https://www.nejm.org/doi/full/10.1056/NEJMp2212841

[2] *Zhu, J. M., Rooke-Ley, H., & Fuse Brown, E. (2023). A doctrine in name only — Strengthening prohibitions against the corporate practice of medicine. New England Journal of Medicine, 389(10), 965-968. https://doi.org/10.1056/NEJMp2306904*

The bill:

- Clarifies that **clinical operations** must always be controlled by licensed medical providers.
- Prohibits MSOs from having final say over **staffing levels, patient visit times, and clinical decisions.**
- Requires that physicians retain **veto power** over decisions that impact patient care – the core intent of Oregon's original CPOM policy.
- Limits non-compete agreements and other corporate tactics used to **control physician-owned clinics.**
- Ends the **"paper doctor" model** where a physician serves as a front for corporate control.

Does this bill ban MSOs?

No. MSOs can play an important role in helping clinics run smoothly. This bill does not seek to change that.

SB 951 simply ensures that **MSOs provide administrative services—not clinical control**. Physicians will still be able to partner with MSOs, but their right to **retain final authority over medical decisions is protected by this bill.**

There are MSOs in favor of this bill who have said publicly they can continue to operate under this model – **because their business model does not require them to control physician decision-making.**

Does this bill ban private equity or corporate investment?

No. Under SB 951, private equity firms and corporations can still invest in medical clinics — up to 49% ownership — but they cannot hold a controlling stake. This maintains the standard under current Oregon law.

Corporations and private equity firms can partner with physicians, provide capital, and offer management services — but doctors must have the final say over medical decisions and can veto investor recommendations.

The bill only targets investments in medical practices that result in "captive physician" arrangements, where doctors technically own the clinic on paper but have ceded control to corporate interests in practice.

What is exempt from the CPOM provisions? And why?

Section 1 of the bill addresses control provisions under the corporate practice of medicine doctrine, closing the dual employment/paper-doctor model loopholes. **This section does not change the status quo towards entities like hospitals and long-term care facilities that have been exempt from this law since 1975.** It also exempts telemedicine from some provisions as a recognition of their unique business model emerging from the pandemic.

- Hospitals: Excluded from CPOM by an AG decision since 1975; regulated under the Health Care Market Oversight (HCMO) program and other statutes, like the nurse staffing law.
- Long-term care and behavioral health providers: Exempt due to unique staffing models and significant regulatory oversight at both the state and federal levels.
- Telemedicine providers: Not exempt from requirements ensuring physicians retain de facto control, but acknowledged as having a unique business model where remote care often necessitates physician-owners being employed by centralized, out-of-state companies.
- Programs of All-Inclusive Care for the Elderly (PACE) clinics: Exempt due to comprehensive federal regulation designed to integrate medical and social services for seniors.

Will this bill disrupt access to care?

No. The bill includes a **three-year transition period** for clinics to come into compliance. Most clinics in this state, where physicians already retain ultimate control and are not employed by multinational corporations or private equity firms, will not be impacted. For clinics not in compliance, the bill does not preclude continued partnership; it simply requires that physicians retain ultimate control over clinical decision-making.

The rapid increase in corporate takeovers is already disrupting access to care—**this bill protects patients and strengthens Oregon's health care system.**

Consider these headlines…

From OPB:

Lane County patients turned away from Oregon Medical Group in possible corporate pinch

By Rebecca Hansen-White (KLCC)
April 9, 2024 6 a.m.

Thousands of patients in the Eugene Springfield area say they've been dropped by health care provider Oregon Medical Group, leaving them without primary care. They fear decisions made by out-of-state corporate owners may be to blame.

From the New York Times:

Corporate Giants Buy Up Primary Care Practices at Rapid Pace

Large health insurers and other companies are especially keen on doctors' groups that care for patients in private Medicare plans.

Who opposes the bill?

The bill's opponents are primarily large multinational corporations and private equity firms that currently use the loopholes in Oregon law to avoid physician control of clinics. **Importantly, we've engaged with every stakeholder that has reached out — regardless of their size or stance on this bill — to craft a legislative solution that protects physician control of medicine. The result is SB 951.**

Private equity-backed companies using MSOs to exert control over physician clinics also oppose the bill. Often, you will hear from physicians directly employed by these entities.

Why do some "Independent" Physician Groups oppose this bill?

A national group, the American Independent Medical Practice Association, has an Oregon subsidiary advocating against the bill. They have been reluctant to disclose which companies they represent (we have asked, and so has The Lund Report), but the national organization advocates for **private equity-backed management service organizations participation in the medical arena despite using the term "independent."**

What's going on with this? Despite having private equity and corporate influence, these organizations call themselves "independent" because they aren't affiliated with a hospital or other health care system in the state. **Importantly, the agreements made by these entities still circumvent Oregon's CPOM doctrine.**

When we say "independent", we usually mean not affiliated with or controlled by a larger entity – this organization uses the word "independent" in an entirely different way.