



STRENGTHENING
**CORPORATE PRACTICE OF
MEDICINE DOCTRINES** TO
Protect Patient Health

Increased consolidation, driven by hospitals and health systems that purchase or merge with other hospitals, physician practices, or other health care entities, has led to higher health care costs for people and families without improving health outcomes. While non-profit systems historically led much of this consolidation, corporate actors have become increasingly involved in health care, with private equity acquisitions of physician practices having increased by 645 percent between 2012 and 2021.

When these actors increase their market share, they're able to use this as leverage to negotiate higher rates from insurers, which translates to higher premiums and cost-sharing for patients. Corporations focused on higher profits may also prioritize high-revenue services like elective surgeries over community-oriented services, such as behavioral health or preventive care services. Driven by lucrative financial opportunities, these entities often reduce competition, entering into risky financial deals with acquired hospitals and provider practices in the pursuit of quick profits before exiting the market after their initial investment. This growing corporatization of health care has raised questions about the degree to which corporate interests influence medical decisionmaking and patient care.

A SOLUTION: STRENGTHENING
CORPORATE PRACTICE OF
MEDICINE DOCTRINES

Most states have corporate practice of medicine (CPOM) laws on the books to prohibit corporations and other non-physician entities from taking over medical practices, though state approaches vary widely. By requiring physician control of patient care, CPOM doctrine protects physicians from outside factors or influence, such as pressures to maximize profits, and ensures that clinical decision-making is made in the best interest of patients rather than financial investors. This helps to protect patients from rising concerns around the negative impact of corporate health care ownership on patient safety, care quality, and access to care.

Unfortunately, exemptions and loopholes exist to allow hospitals, private equity, and other entities to exert control over medical practices despite state CPOM doctrines. Corporate actors will often employ third party vendors like Management Services Organizations (MSOs) to remain in compliance with state CPOM laws, skirt regulations designed to keep physicians in charge of clinical decisionmaking, and exert pressure on clinical operations and procedures to maximize profits. In response, states have taken steps to more rigorously enforce existing CPOM regulations or update these laws entirely.



What is the corporate practice of medicine (CPOM) doctrine?

The CPOM doctrine is a rule that prohibits non-physicians from owning health care entities or controlling care decisions, ensuring that medical decisions made in these health care facilities are driven by what's best for patient care and not corporate profits or business interests.



BENEFITS OF STRENGTHENING CORPORATE PRACTICE OF MEDICINE DOCTRINES

The personalized care that patients demand and deserve can only be realized through an ownership model that prioritizes clinician ownership, patient safety, and physician and medical control of medical decisionmaking. Strengthening states' CPOM doctrines addresses some of the underlying trends toward health care consolidation by promoting transparency and limiting the ability of corporate actors, such as private equity, to run these facilities for financial gain. At the same time, these laws also promote provider autonomy, boost independent medical practices, and ensure that the care delivered is in the best interest of patients and not corporate bottom lines.

STATE CORPORATE PRACTICE OF MEDICINE DOCTRINE APPROACHES

States have a variety of options to strengthen CPOM doctrines in ways that fit their own individual needs and reflect unique dynamics in-state by:

- **Closing clinic ownership loopholes:** States can close loopholes in their current CPOM regulations to prohibit corporate ownership of facilities and address imbalanced financial incentives that benefit corporate actors.
- **Promoting independent clinical-decision making:** States can prohibit unlicensed entities and corporations from exerting profit-driven influence on provider's medical decisions and patient care by limiting the ways in which physician practices contract with MSOs and other third-party vendors.
- **Promoting ownership transparency:** Limited data often exists about the ownership structure of many health care entities. States can promote added transparency through legislation to disclose any affiliated corporate interests, including private equity, as well as any third-party vendors, such as MSOs.
- **Increasing enforcement authority:** States can give their Attorneys General explicit authority to investigate CPOM violations under existing state antitrust or deceptive trade practices statutes. States can also clarify and strengthen state medical boards' ability to investigate, review, and discipline corporate actors that violate state CPOM doctrines.

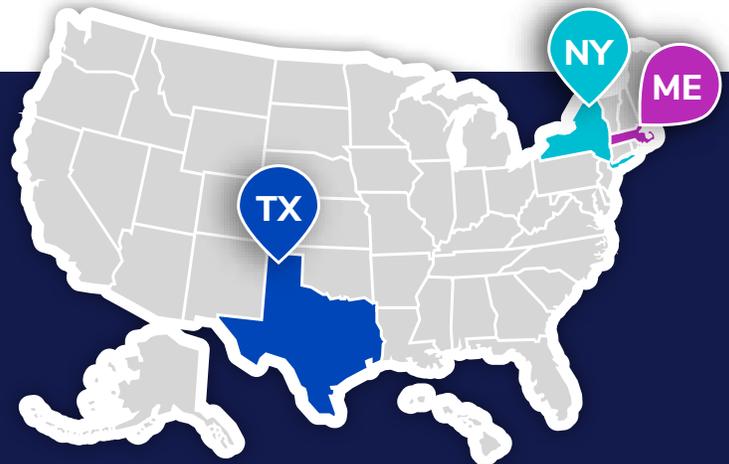
STATE SUCCESSES

CPOM laws vary by state. While more than a dozen states lack CPOM protections entirely, momentum exists nationwide to strengthen laws limiting corporate actors' ability to take over health care practices:

Massachusetts passed legislation to require corporate actors to submit quarterly reports detailing ownership arrangements and affiliations and testify annually before the state's Health Policy Commission.

New York, which already has some of the strongest state CPOM protections, passed legislation expanding state review of health care transactions to include health care MSOs.

Texas prohibits non-physician ownership or control of health care entities with strong enforcement by the Texas Medical Board. In effect, corporate actors are prohibited from practicing medicine in the state.



See [here](#) for a full list of states with similar policies

MOVING FORWARD

As states continue to explore ways to strengthen CPOM laws, it is important that hospitals, health care systems, and corporate actors are included within their scope. By closing loopholes and more rigorously enforcing current prohibitions, CPOM laws can provide helpful guardrails to better safeguard patient care and ensure meaningful protections for consumers from the negative impacts of corporate pressure.

