2026-31

RESOLUTION

Subject: Preserving Clinical Autonomy in Corporate & Private Equity-Owned Practices

Submitted by: Greater Louisville Medical Society

Referred to: Reference Committee

WHEREAS, the "Corporate Practice of Medicine" (CPOM) doctrine in Kentucky, established by legal precedent such as *Kendall v. Beiling* (1943), is intended to prevent commercial influence from superseding the physician's primary duty of loyalty to the patient[1]; and

WHEREAS, legal analysis published in the *Stanford Law Review* (2024) details how Private Equity (PE) firms circumvent these doctrines by acquiring practices through "Management Services Organizations" (MSOs), a structure that allows non-physician investors to control practice finances and operations via a "Friendly PC" model while evading regulatory oversight[2]; and

WHEREAS, a 2022 study published in *JAMA Health Forum* (Singh et al.) analyzing nearly 1 million patients found that PE acquisition of physician practices was associated with a 20.2% increase in costs charged to insurance and a 37.9% increase in new patient visits, indicating pressure to maximize volume and revenue over value-based care[3]; and

WHEREAS, further research in *JAMA Health Forum* (Bruch et al., 2023) indicates that PE-acquired practices are statistically more likely to alter workforce composition by replacing physicians with Advanced Practice Providers (APPs) to reduce labor costs, thereby effectively allowing financial entities to dictate clinical staffing ratios[4]; and

WHEREAS, a systematic review in the *British Medical Journal* (2023) concluded that private equity ownership is "most consistently associated with increases in costs to patients and payers" with "mixed to harmful" impacts on healthcare quality[5]; and

WHEREAS, Kentucky patients have a right to know if their physician's medical decisions are being influenced by a third-party investor whose primary fiduciary duty is to shareholders rather than patients; now, therefore, be it

RESOLVED, that KMA advocate for state legislation that modernizes and reinforces the Corporate Practice of Medicine doctrine by explicitly defining "Clinical Interference" to include any non-physician, unlicensed corporate entity exercising control over staffing ratios, clinical appointment duration, physician referral patterns, or the selection of medical devices, biologics, and pharmaceuticals; and be it further

RESOLVED, that KMA support legislation requiring "Truth in Ownership" transparency, mandating that any medical practice operating in the Commonwealth backed by a majority non-physician corporate equity or venture capital structure must clearly disclose its upstream ownership and management entity on its public website and in patient registration materials.

References:

1. *Kendall v. Beiling*, 295 Ky. 782, 175 S.W.2d 489 (1943).
2. Gupta A, Knight V, Zhu JM. Private Equity and the Corporatization of Health Care. *Stanford Law Review*. 2024;76.
3. Singh Y, Song Z, Polsky D, et al. Association of Private Equity Acquisition of Physician Practices With Changes in Health Care Spending and Utilization. *JAMA Health Forum*. 2022;3(9):e222886.
4. Bruch JD, Foot C, Singh Y, et al. Workforce Composition in Private Equity–Acquired vs Non–Private Equity–Acquired Physician Practices. *JAMA Health Forum*. 2023;4(10):e233420.
5. Borsa A, Bejarano G, Ellen M, Bruch JD. Evaluating trends in private equity ownership and impacts on health outcomes, costs, and quality: systematic review. *BMJ*. 2023;382:e075244.