

RESOLUTION

Subject: Transparency of Ownership and Preserving Clinical Autonomy

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 patient¹; 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 oversight²; 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 care³; 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 ratios⁴; 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 quality⁵; 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 continue to protect private medical practices in which physicians are the majority owners of the practice from unnecessary regulation; and be it further

RESOLVED, that KMA physician clinical autonomy in any corporate setting should be protected to allow the best medical judgement of the physician to promote quality patient care; and be it further

RESOLVED, that KMA use funds from the KMA Legal Trust Fund to research and report to the membership in 2027 possible physician autonomy and patient care issues resulting from private equity or other non-physician capital ownership of medical practices around the country; and be it further

RESOLVED, that KMA use funds from the KMA Legal Trust Fund to research possible regulatory and legislative actions that would protect physician autonomy and quality patient care in non-physician owned practices and facilities; and be it further

RESOLVED, that KMA advocate for policies that preserve physician-led care and clinical autonomy, prevent the inappropriate replacement of physicians with non-physician practitioners or technology, and prohibit physicians from being compelled to assume supervisory responsibilities or liability for care beyond their meaningful direction, control, or oversight.

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.