

Corporate Investors

Background

The AMA monitors consolidation among a variety of health care entities, including private equity firms, non-profit or for-profit companies (including hospitals and hospital systems), and other corporate entities that have acquired majority and/or controlling interests in physician practices.

Most studies done on the effects of corporate involvement in physician practices conclude that these transactions have led to higher prices for patients, while evidence on the impact on quality of care is mixed and therefore inconclusive. There are both risks and benefits of working with any corporate entity. Risks include loss of control over the physician practice for the physician-owner; loss of autonomy in decision-making; an emphasis on profit or meeting financial goals; potential conflicts of interest; and workplace uncertainties for non-owner physicians. Benefits include financially lucrative deals for physicians looking to exit ownership of their practices; access to capital for practice expenses or expansions; potentially fewer administrative burdens on physicians; and centralized resources for functions such as IT, marketing or human resources.

Private Equity Investment

Private equity firms apply several types of investment strategies. Traditional private equity firms utilize funds from leveraged buyouts to take a controlling stake in mature companies, venture capital firms invest in fledgling businesses, and growth equity firms partner with promising later-stage businesses to help them expand. Physician practices are being acquired with some regularity, affecting a range of medical specialties and garnering considerable attention. Hospitals, academic medical centers, large multispecialty groups, and corporate buyers frequently compete with private equity firms for the same physician practice targets. Corporate buyers may also partner with private equity investors or form consortia of buyers to acquire highly sought-after practices. According to the [AMA Physician Practice Benchmark Survey](#), 6.5 percent of physicians were participants in private equity ownership or investment arrangements in 2024.

Concerns regarding private equity investors have largely centered on the potential for subsequent increases in prices, service volume and internal referrals, as well as the use of unsupervised non-physician providers. Importantly, corporate investors are not all the same and can differ significantly in terms of their business models, culture and leadership.

Corporate Practice of Medicine

The term “corporate practice of medicine” encompasses complex legal issues that may mean different things to different people and vary widely by state. The doctrine is based on concerns that: (1) allowing corporations to practice medicine or employ physicians will result in the commercialization of the practice of medicine; (2) a corporation’s obligation to its shareholders may not align with a physician’s obligations to their patients; and (3) employment of a physician by a corporation may interfere with the physician’s independent medical judgement.

Issues to Consider

Physicians who are contemplating corporate relationships should consider the following guidelines:

- ❖ Physicians should consider how the practice's current mission, vision, and long-term goals align with those of the corporate investor and due diligence should be conducted that includes, at minimum, review of the corporate entity's business model, strategic plan, leadership and governance, and culture.
- ❖ External legal, accounting, and/or business counsels should be obtained to advise during the exploration and negotiation of corporate transactions. This could include retaining negotiators to advocate for best interests of the practice and its employees.
- ❖ Physicians should consider whether and how corporate relationships may require physicians to cede varying degrees of control and physicians should retain responsibility for clinical governance, patient welfare and outcomes, physician clinical autonomy, and physician due process under corporate relationships.
- ❖ Physicians should consider the potential impact of corporate relationships on physician and practice employee satisfaction and future physician recruitment.
- ❖ Physicians should have a clear understanding of compensation agreements, mechanisms for conflict resolution, processes for exiting corporate relationships, and application of restrictive covenants, including any changes in the scope of implementation of any current or proposed restrictive covenants based on the corporate relationship.
- ❖ Physicians should consider corporate procedures for medical staff representation on the board of directors and medical staff leadership selection as well as processes for conflict resolution between medical staff leadership and the corporate entity.
- ❖ Prior to entering into a relationship with a corporate entity, physicians and the corporate entity should explicitly identify the types of clinical and business decisions that need to remain in the ultimate control of the physician. Each individual physician should have the ultimate decision for medical judgment in patient care and medical care processes, including supervision of non-physician practitioners.
- ❖ Physicians should retain primary and final responsibility for structured medical education.

Where the AMA Stands

- ❖ The AMA maintains a leadership role that is supportive of all physicians and care delivery models, including practice arrangements involving corporate investors. Physicians have the right to enter into whatever contractual arrangements they deem desirable and necessary but should be aware of potential conflicts of interest.
- ❖ Safeguarding patient-centered care, clinical governance and physician autonomy should be of paramount importance to all physician practices, including those with corporate investors.
- ❖ The AMA supports improved transparency regarding corporate investment in physician practices and subsequent changes in health care prices.
- ❖ The AMA opposes federal legislation preempting state laws prohibiting the corporate practice of medicine.
- ❖ When a private medical practice is purchased by a corporate entity, patients should be informed of the change in ownership.
- ❖ The AMA supports capital reserve requirements and leverage standards that preserve access to care for patients and fulfillment of contractual obligations to physicians and trainees by providing stable financing for hospitals, clinics, and other health care facilities.

The AMA Council on Medical Service studies and evaluates the social and economic aspects of medical care and recommends policies on these issues to the AMA House of Delegates. Relevant Council on Medical Service reports include:

- ❖ [Council Report 3-A-25, Regulation of Private Equity in the Health Care Sector](#)
- ❖ [Council Report 2-I-22, Corporate Practice of Medicine](#)
- ❖ [Council Report 11-A-19, Corporate Investors](#)