AMERICAN MEDICAL ASSOCIATION INTEGRATED PHYSICIAN PRACTICE SECTION

Resolution: 1
(A-22)

Introduced by: IPPS Governing Council

Subject: Establishing Ethical Principles for Physicians Involved in Private Equity Owned Practices

---

WHEREAS, Private equity firms, either independently or through Practice Management Companies (PMCs), have identified healthcare as an opportunity for investment with a significant potential for financial return; and

WHEREAS, The operational success of a physician practice can be difficult under current payer and regulatory constraints; and

WHEREAS, The Covid-19 pandemic has further stressed the fragile nature of practice and has expanded investment and contracting strategies that a private equity and PMC may be able to provide[1]; and

WHEREAS, The potential for private equity funded PMCs to manage the operations of a physician practice to maximize payment and utilization while minimizing expenses can increase healthcare costs and may not improve care or outcomes[2]; and

WHEREAS, The potential for private equity/PMC-owned settings to make short-term profitability a priority can result in lower quality of care and higher Medicare costs[3]; and

WHEREAS, revenue enhancements sought in private equity arrangements can be achieved in a variety of ways, some of which include either lowering physician reimbursement, cutting practice support costs, and/or increasing the number of procedures performed per patient[4]; and

WHEREAS, If a particular specialty in a geographic area is significantly controlled by a private equity firm, participation with all payers, especially public payers, may be limited and reduce access to care and choice of physician, especially for those patients with complex and costly conditions[5], and

---

[1] Appelbaum, E & Batt, R. Private Equity Buyouts in Healthcare: Who wins, who loses? Institute for New Economic Thinking. Published online on March 25, 2020. https://www.ineteconomics.org/perspectives/blog/private-equity-buyouts-in-healthcare-who-wins-who-loses

[2] LaForgia, A., Bond, AM, Braut RT, et al. Association of physician management companies and private equity investment with commercial health care prices paid to anesthesia practitioners. *JAMA Intern Med*. Published online February 28, 2022. https://jamanetwork.com/journals/jamainternalmedicine/article-abstract/2789280?

[3] Jung, H., Casalino, L., Unruh, M., & Tyler Braun, R. Private equity ownership of nursing homes linked to lower quality of care, higher Medicare costs. Weill Cornell Medicine Office of External Affairs. Published online November 19, 2021. https://news.weill.cornell.edu/news/2021/11/private-equity-ownership-of-nursing-homes-linked-to-lower-quality-of-care-higher

[4] Crosson, F.J. Physician management companies—Should we care? *JAMA Internal Med.* Published online February 28, 2022. https://jamanetwork.com/journals/jamainternalmedicine/article-abstract/2789285?

[5] Resneck, J.S. Dermatology practice consolidation fueled by private equity investment: Potential consequences for the specialty and patients. *JAMA Dermatol*. Published online January, 2018. https://jamanetwork.com/journals/jamadermatology/article-abstract/2664345?

WHEREAS, The primacy of the care and welfare of a patient needs to be valued and preserved and should not be secondary to a financial interest, otherwise the potential to undermine patient trust in a physician's professional judgment and motives can lead to untoward, negative consequences; and

WHEREAS, AMA Policy H-160.891, Corporate Investors, addresses the relationship of and professional considerations around private equity investment or ownership in physician practice but does not adequately address the professional ethical considerations of the patient-physician relationship in these settings; therefore, be it

RESOLVED, That our American Medical Association study and clarify the ethical challenges and considerations regarding physician professionalism raised by the advent and expansion of private equity ownership or management of physician practices and report back on the status of any ethical dimensions inherent in these arrangements, including consideration of the need for ethical guidelines as appropriate. Such a study should evaluate the impact of private equity ownership, including but not limited to the effect on the professional responsibilities and ethical priorities for physician practices (Directive to Take Action).

Fiscal Note: Not yet determined

Received: 3/9/2022

RELEVANT AMA POLICY:

Corporate Investors (H-160.891)

1.Our AMA encourages physicians who are contemplating corporate investor partnerships to consider the following guidelines:
a. Physicians should consider how the practice's current mission, vision, and long-term goals align with those of the corporate investor.
b. Due diligence should be conducted that includes, at minimum, review of the corporate investor's business model, strategic plan, leadership and governance, and culture.
c. External legal, accounting and/or business counsels should be obtained to advise during the exploration and negotiation of corporate investor transactions.
d. Retaining negotiators to advocate for best interests of the practice and its employees should be considered.
e. Physicians should consider whether and how corporate investor partnerships may require physicians to cede varying degrees of control over practice decision-making and day-to-day management.
f. Physicians should consider the potential impact of corporate investor partnerships on physician and practice employee satisfaction and future physician recruitment.
g. Physicians should have a clear understanding of compensation agreements, mechanisms for conflict resolution, processes for exiting corporate investor partnerships, and application of restrictive covenants.
h. Physicians should consider corporate investor processes for medical staff representation on the board of directors and medical staff leadership selection.
i. Physicians should retain responsibility for clinical governance, patient welfare and outcomes, physician clinical autonomy, and physician due process under corporate investor partnerships.

2. Our AMA supports improved transparency regarding corporate investment in physician practices and subsequent changes in health care prices.

3. Our AMA encourages national medical specialty societies to research and develop tools and resources on the impact of corporate investor partnerships on patients and the physicians in practicing in that specialty.

4. Our AMA supports consideration of options for gathering information on the impact of private equity and corporate investors on the practice of medicine.

Citation: CMS Rep. 11, A-19

Health Plan and Fiscal Intermediary Insolvency Protection Measures (H-285.928)

(1) It is the policy of the AMA that health plans should be legally responsible to pay directly for physician services in the event of an insolvency of fiscal intermediaries like groups, independent practice associations, and physician practice management companies. (2) Our AMA continues to advocate at the state level for protective measures for patients and physicians who are adversely affected by health insurers and their fiscal intermediaries that declare insolvency, to include: (a) actuarially sound capitation rates and administrative costs; (b) submission of timely financial information by health plans to independent practice associations and medical groups; and (c) the establishment of financial and monetary standards for health plans, as well as for independent practice associations, and groups that assume financial risk unrelated to direct provision of patient care.

Citation: Res. 717, I-99; Reaffirmed: Res. 711, A-03; Reaffirmed: CMS Rep. 4, A-13