

## Federal Bill Targets Corporate Control of Physicians

On September 16, 2026, Democratic lawmakers introduced the Stop Corporate Takeovers of Physicians Act of 2026 in both chambers of Congress.<sup>1</sup> Led by Senators Elizabeth Warren (D-MA), Ron Wyden (D-OR), and Jeff Merkley (D-OR), along with Representatives Val Hoyle (D-OR), Alexandria Ocasio-Cortez (D-NY), and Suhas Subramanyam (D-VA), the bill would, for the first time, impose federal restrictions on the ownership and control of physician practices, including the management services organization (MSO) structures commonly used by private equity (PE) investors.<sup>2</sup> The bill is modeled on Oregon Senate Bill (SB) 951, a 2025 law widely characterized as the most restrictive of its kind in the U.S.<sup>3</sup> This Health Capital Topics article reviews the bill's key provisions, compares them to the Oregon law on which the bill is based, and considers the proposal's implications for physician practice arrangements.

### Background

The corporate practice of medicine (CPOM) doctrine, which generally prohibits corporations and other unlicensed entities from practicing medicine or employing physicians, has historically been a matter of state law, with approximately 33 states imposing some form of CPOM restriction.<sup>4</sup> In many of these states, PE investors have entered the physician practice market through an MSO arrangement, under which an investor-backed MSO provides administrative and operational support to a physician-owned professional corporation, allowing nonphysician investors to generate returns without technically owning the practice.<sup>5</sup> Critics, including the bill's sponsors, contend that these "friendly physician" arrangements allow corporate entities to control clinical operations, staffing decisions, and billing and coding practices while evading state CPOM bans.<sup>6</sup>

Oregon's SB 951, signed into law on June 9, 2025, sought to close this pathway by prohibiting MSOs and their affiliates from holding majority ownership interests in the practices they manage, serving (with limited exceptions) as practice directors or officers, controlling the transfer of practice shares, and exercising de facto control over specified clinical and business decisions. The law also voided most noncompete agreements for medical licensees and created a private right of action to enforce its restrictions.<sup>7</sup> Its MSO restrictions took effect for newly formed entities on January 1, 2026; entities that existed before the law's effective date have until January 1, 2029, to comply.<sup>8</sup> California has since enacted SB 351,

which prohibits PE firms and other financial investors from interfering in medical decisions,<sup>9</sup> and several other states introduced CPOM or PE oversight proposals in 2026.<sup>10</sup>

SB 951 received its first significant test in 2026. In March, Eugene Emergency Physicians, a 41-physician group, sued PeaceHealth after the health system moved to replace the group with Atlanta-based staffing firm ApolloMD, alleging that ApolloMD had installed a "friendly physician" as sole owner of a newly formed practice to evade the law's ownership restrictions.<sup>11</sup> Following court hearings at which the presiding judge indicated there was "ample evidence" that the parties were "arguably in violation" of the law, PeaceHealth abandoned the plan in May 2026.<sup>12</sup> The bill's sponsors cite this outcome as evidence of the Oregon law's effectiveness.<sup>13</sup>

The proposal also arrives amid continued consolidation of the physician workforce. As of January 1, 2026, 82.0% of U.S. physicians were employed by hospitals or other corporate entities.<sup>14</sup> Hospitals employed 59.7% of all physicians.<sup>15</sup> Corporate entities such as PE firms and health insurers employed the remaining 22.3%.<sup>16</sup>

### Ownership and MSO Restrictions

The federal bill would make it unlawful for any partnership or corporate entity that is not majority-owned and controlled by one or more licensees to own or control a medical practice, in whole or in part; employ or contract for the professional services of a licensee; or otherwise engage in the practice of medicine.<sup>17</sup> An entity would meet this standard only if licensees hold a majority of its ownership or membership interests and constitute a majority of its governing body.<sup>18</sup> The bill defines "licensee" to include not only physicians but also physician assistants, nurse practitioners, and other advanced practice providers authorized under state law to diagnose and treat patients.<sup>19</sup> Licensee owners would also need to be licensed and present in a state where the practice furnishes services and be "substantially engaged in delivering medical care," an active practice requirement that is uncommon under existing state law.<sup>20</sup> The ownership prohibition would not apply to nonprofit or public healthcare providers, hospitals, hospital-affiliated clinics, critical access hospitals, or rural emergency hospitals.<sup>21</sup> As a result, it would not reach the hospital employment arrangements that account for most employed physicians.<sup>22</sup>

Mirroring SB 951, the bill would bar an MSO and its shareholders, directors, officers, employees, and contractors from, among other things, owning shares in, or serving as a director, officer, or employee of, a medical practice; financing the acquisition of practice ownership interests; paying dividends from practice ownership interests; and controlling or restricting the sale or transfer of a practice's shares, interests, or assets.<sup>23</sup> MSOs would also be prohibited from exercising de facto control over a practice's administrative, business, or clinical operations in a manner that affects the nature or quality of care, including through "ultimate decision-making authority" over 12 enumerated matters, such as hiring and termination, licensee compensation, staffing levels, patient visit length, revenue targets, diagnostic coding, billing policies, prices, and payor contracting.<sup>24</sup> Any MSO agreement permitting such conduct would be void and unenforceable.<sup>25</sup>

The bill would further permit an MSO to enter into, amend, or renew a management services agreement only if the practice negotiated the contract at arm's length, through legal counsel and financial advisors it selected independently of, and free of any financial conflict of interest with, the MSO.<sup>26</sup> Compensation under the agreement would also need to reflect Fair Market Value (FMV) as determined by the Federal Trade Commission (FTC).<sup>27</sup> While FMV is a well-established standard under the federal Stark Law and Anti-Kickback Statute,<sup>28</sup> the bill does not specify how the FTC would determine FMV, a question it appears to leave to FTC rulemaking.<sup>29</sup>

### **Clinician Protections**

The bill's clinician protections would apply to more entities than its ownership restrictions. Any noncompete, nondisclosure, or nondisparagement agreement entered into by a licensee, healthcare provider, or MSO would be void and unenforceable, subject to an exception for noncompetes between a practice and a licensee holding 25% or more of its ownership interests.<sup>30</sup> Healthcare providers would also be prohibited from interfering with licensees' clinical judgment, such as by specifying the time a licensee may spend with a patient, determining whether a patient is admitted or placed in observation status, or controlling the diagnosis codes a licensee enters into the medical record.<sup>31</sup> As the bill defines "health care provider" as any entity that delivers healthcare services, these protections would apply to hospitals and nonprofit providers that are exempt from the ownership prohibition.<sup>32</sup>

### **Enforcement and Preemption**

The bill would establish overlapping enforcement mechanisms. Violations would be treated as violations of an FTC rule defining an unfair or deceptive act or practice, and the FTC's enforcement authority would expressly extend to nonprofit organizations,<sup>33</sup> which generally fall outside the FTC's jurisdiction.<sup>34</sup> Persons injured by a violation could bring a private action for treble damages and attorney's fees, and state attorneys general could sue on behalf of state residents.<sup>35</sup> A court finding a violation in any of these actions would be required to order the violator to cease and desist, divest the entity where applicable, and disgorge revenue received from that entity during the violation period.<sup>36</sup> The bill would also add violations to the grounds for permissive exclusion from federal healthcare programs under Section 1128(b) of the Social Security Act.<sup>37</sup>

This express grant of authority is notable given recent challenges to the FTC's rulemaking authority over employment terms. In August 2024, a federal district court set aside the FTC's rule banning most noncompete agreements after concluding that the agency had exceeded its statutory authority.<sup>38</sup> The FTC abandoned its defense of that rule in September 2025.<sup>39</sup>

The bill would not preempt state laws that impose equal or more stringent ownership, control, or MSO requirements, or that afford equal or greater protections to licensees, effectively establishing a federal floor that states could exceed.<sup>40</sup> Its requirements would take effect one year after enactment.<sup>41</sup> Unlike SB 951, which gave preexisting arrangements until 2029 to comply, the bill contains no separate transition period for existing arrangements.<sup>42</sup> Legal analysts have noted that the bill's provisions "could be particularly consequential for organizations using MSO structures" because they address not only formal ownership but also "the degree of operational and financial control exercised through management agreements."<sup>43</sup>

### **Conclusion**

Given the compressed legislative calendar ahead of the November 2026 midterm elections, legal analysts have observed that enactment "would require significant additional congressional action," characterizing the bill instead as a "federal policy marker" for future congressional and state-level debates.<sup>44</sup> Regardless of its near-term trajectory, the bill marks a shift in federal policy toward physician practice consolidation, from transaction reporting and transparency to direct regulation of who may own and control medical practices.<sup>45</sup> By pairing the Oregon framework with FTC enforcement, treble damages, mandatory divestiture, and federal healthcare program exclusion, the bill would substantially raise the stakes for MSO arrangements, while its clinician protections would extend its reach well beyond PE-backed practices.

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- 7 Health Capital Topics, Vol. 18, Issue 6 (June 2025).
- 8 “S.B. 951” Oregon Legislative Assembly, 2025 Regular Session, Enrolled, § 9, <https://olis.oregonlegislature.gov/liz/2025R1/Downloads/MeasureDocument/SB951/Enrolled> (Accessed 9/22/26); “Oregon Bans Corporate Control of Physicians” Health Capital Topics, Vol. 18, Issue 6 (June 2025), [https://www.healthcapital.com/hcc/newsletter/06\\_25/HTML/OR/convert\\_oregon-bans-corp-control-of-physicians.php](https://www.healthcapital.com/hcc/newsletter/06_25/HTML/OR/convert_oregon-bans-corp-control-of-physicians.php) (Accessed 9/22/26).
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- 15 *Ibid*.
- 16 *Ibid*.
- 17 “Stop Corporate Takeovers of Physicians Act of 2026” 119th Cong. § 2(a)(1) (September 16, 2026), <https://www.warren.senate.gov/wp-content/uploads/2026/09/Stop-Corporate-Takeovers-of-Physicians-Act-for-circ.-2026.pdf> (Accessed 9/22/26), p. 2.
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- 19 119th Cong. § 2(d)(3), p. 12.
- 20 119th Cong. § 2(c), p. 11; Holland & Knight LLP, September 17, 2026.
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- 24 119th Cong. § 2(b)(2)(A)(viii), p. 9-11.
- 25 *Ibid*, p. 11.
- 26 119th Cong. § 2(b)(2)(A)(vi)(I), p. 8.
- 27 119th Cong. § 2(b)(2)(A)(vi)(II), p. 9-11.
- 28 “Definitions” 42 C.F.R. § 411.351; “Exceptions” 42 C.F.R. § 1001.952.
- 29 119th Cong. § 2(e)(1)(B)(v), p. 16.
- 30 119th Cong. § 2(b)(1)(A), p. 3-4.
- 31 119th Cong. § 2(b)(1)(B), p. 5-6.
- 32 119th Cong. § 2(d)(2), p. 11-12.
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- 35 119th Cong. § 2(e)(2)-(3), p. 16-17.
- 36 119th Cong. § 2(e)(4), p. 17.
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- 42 *Ibid*, p. 18; “S.B. 951” Oregon Legislative Assembly, 2025 Regular Session, Enrolled, § 9, <https://olis.oregonlegislature.gov/liz/2025R1/Downloads/MeasureDocument/SB951/Enrolled> (Accessed 9/22/26).
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