AMERICAN ECONOMIC LIBERTIES PROJECT

OUT OF PRACTICE:
How Capital Costs and Corporate Power Are Destroying Independent Medicine

Olivia Webb Kosloff
Alice Qin
May 2026

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INTRODUCTION: A LOSS OF INDEPENDENCE

Americans' day-to-day interaction with the health care system used to look very different. For most of American history, physicians who wanted to practice could find a community that needed care and hang their shingle. As recently as the early 1980s, more than three-fourths of physicians were practice owners.[1] In 2024, only a little over a third of all physicians were owners.[2]

Younger physicians can see the trends and are much less likely to start a practice, or to join an independent practice. In 2012, over 40% of physicians under the age of 45 were practice owners; by 2022, that figure had dropped to less than a third.[3] These trends have also had an outsize impact on primary care physicians. In 2024, fewer than 50% of all family medicine physicians owned an independent practice, and just over a third of internal medicine physicians and pediatricians did.[4] Rural areas have also suffered as practices have been forced to consolidate or close due to lack of revenue. Between 2019 and 2024, more than 40% of independent practices in rural areas either closed or were acquired.[5]

How did we get here?

Decades of deliberate policy decisions have incentivized industry consolidation, transforming the U.S. physician workforce from overwhelmingly independent to overwhelmingly employed by corporate entities. A 2024 survey found that approximately 70% of physicians and medical students said consolidation was negatively impacting patient care, and 50% of physicians who experienced a merger or acquisition said it had negatively affected their job satisfaction.[6]

While there has been a wealth of research focusing on consolidation in various layers of the health care system, such as mergers between hospitals, another driver of consolidation has been underexplored: it has become more expensive for independent physicians to both start and maintain their practices. In part, this is because of the cost of capital.

Historically, physicians could rely on personal savings and financing from community banks to launch their practices. Today, however, the rising burden of medical debt and widespread bank mergers have made these traditional financing avenues less viable. At the same time, many practices have also struggled to access sufficient, affordable capital to weather emergency shocks — including the pandemic and the hack and prolonged outage of Change Healthcare's ability to process physician reimbursements in 2024.

The sustainability of independent practices is also under threat. Independent physicians have limited bargaining power when negotiating reimbursement rates with increasingly consolidated and powerful commercial payors. When asked why they sold their practices, surveyed physicians ranked the ability

1 Carol K. Kane, "Recent Changes in Physician Practice Arrangements: Shifts Away from Private Practice and Towards Larger Practice Size Continue Through 2022," American Medical Association, 2023, https://www.ama-assn.org/system/files/2022-prp-practice-arrangement.pdf.

2 Carol K. Kane, "Physician Practice Characteristics in 2024: Private Practices Account for Less Than Half of Physicians in Most Specialties," American Medical Association, 2025, https://www.ama-assn.org/system/files/2024-prp-pp-characteristics.pdf.

3 Carol K. Kane, "Recent Changes in Physician Practice Arrangements: Shifts Away from Private Practice and Towards Larger Practice Size Continue Through 2022," American Medical Association, 2023, https://www.ama-assn.org/system/files/2022-prp-practice-arrangement.pdf.

4 Carol K. Kane, "Physician Practice Characteristics in 2024: Private Practices Account for Less Than Half of Physicians in Most Specialties," American Medical Association, 2025, https://www.ama-assn.org/system/files/2024-prp-pp-characteristics.pdf.

5 "Rural Areas Face Steep Decline in Independent Physicians and Practices," Physicians Advocacy Institute, https://www.physiciansadvocacyinstitute.org/Portals/0/assets/docs/PAI-Research/PAI-Avalere%20Report%20on%20Rural%20Physician%20Ownership%20Trends%20-%20final.pdf.

6 "2024 Survey of America's Current and Future Physicians," The Physicians Foundation, 2024, http://physiciansfoundation.org/wp-content/uploads/2024-Survey-of-Americas-Current-and-Future-Physicians.pdf.

to better negotiate higher payment rates as the top reason.[7] Declining reimbursements impede these practices' financial viability at every stage, including their ability to access startup and emergency capital.

This paper will explore the policy drivers of physician consolidation, the cost of capital for independent practices, and policy solutions to level the playing field.[8]

We propose a six-pronged approach to address the unequal burden that independent primary care practices face:

1. Expanding access to startup and emergency capital
2. Standardizing reimbursements across the health care system
3. Closing loopholes to end the corporate practice of medicine
4. Structurally separating payment rails from payors
5. Closing the industrial loan company (ILC) loophole
6. Reforming medical schools and student debt

WHY IS INDEPENDENT PRACTICE IMPORTANT?

Supporting independent practices is critical to boosting patients' access to low-cost, high-quality care, as well as supporting local economies.

Private practices provide more affordable health care

Research shows that physician services delivered within health systems can cost between 12% to 26% more than care provided by independent practices.[9] Private practices lower patient costs in part by improving their condition enough to obviate the need for additional care. For instance, research has shown that independent practices have lower rates of preventable hospital admissions and readmissions.[10]

Health care consolidation in general and physician practice acquisitions by corporate entities in particular raise costs — with a mixed impact on quality of care, meaning that higher prices are not reliably

7 "2024 Survey of America's Current and Future Physicians," The Physicians Foundation, 2024, http://physiciansfoundation.org/wp-content/uploads/2024-Survey-of-Americas-Current-and-Future-Physicians.pdf.

8 The research for this article included interviews with five physicians, conducted during the summer of 2025.

9 Jake Miller, "Care Costs More in Consolidated Health Systems," *Harvard Catalyst*, Feb. 1, 2023, https://catalyst.harvard.edu/news/article/care-costs-more-in-consolidated-health-systems/.

10 J. Michael McWilliams et al., 2013, "Delivery System Integration and Health Care Spending and Quality for Medicare Beneficiaries," *JAMA Internal Medicine*, 173(15), 1447, https://doi.org/10.1001/jamainternmed.2013.6886; Lawrence P. Casalino et al., 2014, "Small Primary Care Physician Practices Have Low Rates of Preventable Hospital Admissions," Health Affairs, 33(9), 1680–1688, https://doi.org/10.1377/hlthaff.2014.0434.

correlated with better care.[11] Hospitals are incentivized to acquire physician practices in part because they can then add junk facility fees to medical bills, raising patients' costs compared with truly independent providers.[12]

Private practices provide higher-quality and more personalized care

Patients are much more likely to get care tailored to their needs from independent physicians, who have more autonomy over their clinical decision-making, including care protocols, scheduling, and appointment duration.[13] Physician-owned practices also spend more time on patient care compared to hospital-owned practices.[14] Independent primary care is especially important; as the site of many patients' first point of contact with the health care system, it can be an underappreciated but important component of counseling patients in an era of declining public trust in medicine.[15]

Additionally, increased physician autonomy within private practices can help address physician shortages: loss of autonomy is often cited as a reason physicians leave medicine.[16] Some surveys have shown that independent physicians report being happier with their work than employed physicians.[17] Overall, research shows that independent practices are better able to improve quality of care without increasing physician burnout.[18]

Private practices strengthen local economies

Private practices are small businesses that contribute to their communities' economic vitality and have closer ties to the area. An acquisition — especially by a corporate entity like a private equity firm — may provide a quick infusion of capital but does not necessarily entail more stability. More than 20% of health care companies — which include medical practices, hospitals, nursing homes, and others — that filed for bankruptcy in 2023 were short-term investments held by private equity firms.[19]

Private practices' ability to support local economies is especially important in rural areas, where the historic Medicare and Medicaid cuts included in the One Big Beautiful Bill Act (OBBBA) are likely to

11 "America's Health Care Consolidation Crisis: A Ledger of Harms and Framework for Advancing Economic Liberty for All," American Economic Liberties Project, October 2024, https://www.economicliberties.us/wp-content/uploads/2024/10/10-24-AELP-healthcare-ledger.pdf; Laurence C. Baker, M. Kate Bundorf, and Daniel P. Kessler, "Vertical Integration: Hospital Ownership of Physician Practices is Associated with Higher Prices and Spending," *Health Affairs*, vol. 33, no. 5, https://doi.org/10.1377/hlthaff.2013.1279.

12 Donna Rosato, "The Surprise Hospital Fee You May Get Just for Seeing a Doctor," *Consumer Reports*, June 13, 2019, https://www.consumerreports.org/fees-billing/surprise-hospital-fee-just-for-seeing-a-doctor-facility-fee/.

13 Diane Rittenhouse et al., "Supporting and Promoting High-Performing Physician-Owned Private Practices: Voices from the Front Lines," American Medical Association, Oct. 22, 2021, https://www.ama-assn.org/system/files/mathematica-ama-white-paper.pdf.

14 Fabrizio Toscano et al., 2020, "How Physicians Spend Their Work Time: an Ecological Momentary Assessment," *Journal of General Internal Medicine*, 35(11), 3166–3172, https://doi.org/10.1007/s11606-020-06087-4.

15 Roy H. Perlis et al., 2024, "Trust in Physicians and Hospitals During the COVID-19 Pandemic in a 50-State Survey of US Adults," JAMA Network Open, 7(7), e2424984–e2424984, https://doi.org/10.1001/jamanetworkopen.2024.24984.

16 Patsy Newitt, "5 reasons physicians are turning away from medicine," *Becker's ASC Review*, June 26, 2024, https://www.beckersasc.com/asc-news/5-reasons-physicians-are-turning-away-from-medicine/; Steven Furr, "Physicians Need Freedom to Practice the Way We Want," *American Academy of Family Physicians*, July 18, 2024, https://www.aafp.org/news/blogs/aafp-voices/practice-autonomy.html.

17 Kelly Gooch, "Hospital-employed physicians less satisfied with work than independent physicians, survey finds," Becker's Hospital Review, Nov. 19, 2018, https://www.beckershospitalreview.com/quality/hospital-physician-relationships/hospital-employed-physicians-less-satisfied-with-work-than-independent-physicians-survey-finds/.

18 Lisa S. Rotenstein et al., 2023, "Association of Clinician Practice Ownership With Ability of Primary Care Practices to Improve Quality Without Increasing Burnout," *JAMA Health Forum* 4, no. 3 (March 31, 2023): e230299, https://doi.org/10.1001/jamahealthforum.2023.0299.

19 Andrew Schlafly, 2024, "The Harm from Private Equity's Takeover of Medical Practices and Hospitals," *Missouri Medicine* 121, no. 5 (Sep–Oct 2024): 328–332, https://www.ncbi.nlm.nih.gov/pmc/articles/PMC11482842/.

drive closures of rural hospitals and pharmacies, increasing the number of care deserts.[20] On average, the health care sector accounts for 14% of total employment in rural communities.[21]

Despite clear benefits for patients and providers, independent physicians continue to sell their practices to hospitals, health systems, and corporate entities, driven by structural factors from policy pressures to the cost of capital.

POLICY DRIVERS OF CONSOLIDATION

Over the past several decades, policy choices have incentivized consolidation between practices, as well as acquisitions of practices by health systems and private equity purchasers.

One early driver was the "managed care revolution" of the 1990s, policies that responded to high health care inflation by prioritizing top-down care management, based on the theory that highly integrated health systems could provide efficient, quality care.[22] Even after managed care lost favor due to rationing and care denials, the wave of consolidation continued. Consolidation as a path to efficient care management was embedded in the incentive structure of the Affordable Care Act, passed in 2010, contributing to the ongoing acquisitions of individual practices by health systems.[23] Indeed, between 2008 and 2016, the share of private practices owned by a hospital increased by over 70%.[24] The ACA also incentivized vertical integration in the form of acquisitions of health systems and providers by insurers. This resulted in a few Big Medicine corporate giants, including UnitedHealth Group, CVS/Aetna, and Cigna/ExpressScripts.[25]

Around the same time, private equity also began to look toward health care as a profit center. In 2006, a consortium of private equity buyers, led by then-Senate Majority Leader Bill Frist and including Bain Capital, KKR, and the private equity arm of Merrill Lynch, decided to buy HCA, the largest U.S. for-profit hospital system, in a record-breaking transaction of $33 billion.[26] The investors paid themselves billions in dividend recapitalizations and then in 2011 took the corporation public again in the country's then-largest PE-backed initial public offering.[27]

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20 David M. Cutler, "The Worst Piece of Health Care Legislation Ever," *JAMA Health Forum*, Aug. 28, 2025, doi:10.1001/jamahealthforum.2025.4626.

21 Bipartisan Policy Center, *Confronting Rural America's Health Care Crisis,* Bipartisan Policy Center, October 2024, https://bipartisanpolicy.org/report/confronting-rural-americas-health-care-crisis/.

22 Cara S. Lesser et al., 2003, "The End of an Era: What Became of the 'Managed Care Revolution' in 2001?," *Health Services Research* 38, no. 1 Pt 2 (February 2003): 337–55, https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1360889/.

23 Lucas Kunce et al., *The Courage to Learn: A Retrospective on Antitrust and Competition Policy During the Obama Administration and Framework for a New Structuralist Approach,* American Economic Liberties Project, January 2021, https://www.economicliberties.us/wp-content/uploads/2021/01/Courage-to-Learn-Final.pdf.

24 Zack Cooper et al., "Hospitals are gobbling up physician practices–and health care prices are rising as a result," Tobin Center for Economic Policy, July 2025, https://tobin.yale.edu/research/hospitals-are-gobbling-physician-practices-and-health-care-prices-are-rising-result.

25 Adam J. Fein, "Mapping the Vertical Integration of Insurers, PBMs, Specialty Pharmacies, and Providers: A May 2024 Update," *Drug Channels* (blog), May 7, 2024, https://www.drugchannels.net/2024/05/mapping-vertical-integration-of.html.

26 Andrew Ross Sorkin, "HCA Buyout Highlights Era of Going Private," *New York Times*, July 25, 2006, https://www.nytimes.com/2006/07/24/business/worldbusiness/24iht-hca.2277168.html.

27 "KKR & Bain To IPO HCA at $30 Per Share – Mega IPO, Sponsors To Make 25x on Deal," *Business Insider*, March 4, 2011, https://www.businessinsider.com/kkr-and-bain-to-ipo-hca-at-30-per-share--mega-ipo-sponsors-to-make-25x-on-deal-2011-3.

The number of health care transactions exploded. In 2012, there were 75 private equity deals to acquire physician practices; by 2021, that number had risen to several hundred.[28] Between 2019 and 2024, corporate entities acquired more than 36,000 private practices, and hospitals acquired more than 7,000 .[29]

Insurance conglomerates such as UnitedHealth Group currently sit on top of the health care market, having gained tremendous market power through acquisitions of smaller competitors, as well as vertical integration with various entities (including providers) along the health care supply chain. In fact, UnitedHealth Group's subsidiary Optum employs or is affiliated with 90,000 physicians, or 10% of the U.S. physician workforce, as of 2023.[30] This constitutes nearly 3% of all primary care physicians in the U.S., and as many as 35-40% of primary care doctors in certain localities.[31]

COST OF CAPITAL AS A KEY DRIVING FORCE BEHIND THE DECLINE OF PRIVATE PRACTICES

Starting a private practice used to be more financially viable. The average medical student took on much less debt.[32] There were far more small, community banks.[33] With more community banks came more options for favorable loans, as community banks are better able to weigh the probable financial success of a small business than larger, more impersonal banks.[34] Without community banks, small businesses are more likely to experience functional monopoly pricing from the few loan offers they receive.[35] Community banks were also more likely to offer Small Business Administration (SBA) loans, which are directly offered and negotiated through the lender and partially guaranteed by the federal government with terms that ensure the loan isn't overly punitive to the borrower.[36]

Many aspects of this process have since changed. Recent medical school graduates have loan repayment pressure,[37] and they may lack the business acumen to start their own practice, preferring the relative safety of shift-based work.[38]

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28 Richard M. Scheffler et al., "Monetizing Medicine: Private Equity and Competition in Physician Practice Markets," American Antitrust Institute, July 10, 2023, https://www.antitrustinstitute.org/wp-content/uploads/2023/07/AAI-UCB-EG_Private-Equity-I-Physician-Practice-Report_FINAL.pdf.

29 "Updated Report: Hospital and Corporate Acquisition of Physician Practices and Physician Employment 2019-2023," Physicians Advocacy Institute, April 2024, https://www.physiciansadvocacyinstitute.org/Portals/0/assets/docs/PAI-Research/PAI-Avalere%20Physician%20Employment%20Trends%20Study%202019-2023%20Final.pdf.

30 Kelsey Peck, "How Private Equity Is Reshaping Medicine," *MedPage Today*, Sept.18, 2023, https://www.medpagetoday.com/special-reports/features/107598.

31 Andis Robeznieks, "Optum, Other Health Insurers Are Gaining More and More Control of Primary Care Across the Country, Study Finds," *Medical Economics*, May 9, 2023, https://www.medicaleconomics.com/view/optum-other-health-insurers-are-gaining-more-and-more-control-of-primary-care-across-the-country-study.

32 Melanie Hanson, "Average Medical School Debt," EducationData.org, Sept. 14, 2025, https://educationdata.org/average-medical-school-debt.

33 "Prepared Remarks of CFPB Director Rohit Chopra at the Peterson Institute for International Economics Event on Revitalizing Bank Merger Review," Consumer Financial Protection Bureau, March 21, 2024, https://www.consumerfinance.gov/about-us/newsroom/prepared-remarks-cfpb-director-rohit-chopra-at-the-peterson-institute-for-international-economics-event-on-revitalizing-bank-merger-review/; Michael Eggleston, "Small Business Lending Trends and Banking Deserts, 2019-23," Federal Reserve Bank of St. Louis, Sept. 23, 2025, https://www.stlouisfed.org/on-the-economy/2025/sep/small-business-lending-trends-banking-deserts.

34 Eldar Beiseitov, "Small Banks, Big Impact: Community Banks and Their Role in Small Business Lending," Federal Reserve Bank of St. Louis, Oct. 20, 2023, https://www.stlouisfed.org/publications/regional-economist/2023/oct/small-banks-big-impact-community-banks-small-business-lending.

35 Adam J. Levitin, "Predatory Small-Business Lending: Market and Regulatory Failures," *Yale Journal on Regulation*, vol. 42, issue 2, 2025, https://www.yalejreg.com/wp-content/uploads/05.-Levitin.-Article.-Print.pdf.

36 Ibid.

37 American College of Physicians, *Written Testimony for the House Small Business Committee on Medical Debt,* 2019, https://www.acponline.org/sites/default/files/acp-policy-library/testimony/written_testimony_for_house_small_business_committee_medical_debt_2019.pdf.

38 American Medical Association, *Physician Practice Characteristics and Financial Sustainability,* AMA, 2022, https://www.ama-assn.org/system/files/mathematica-ama-white-paper.pdf.

The burden of student loans

One physician who started a family medicine practice in Texas in 2023 said that his father was able to save enough money for a down payment on an SBA loan for his own physician practice just by working in the summer months during medical school. The son, however, had to work shifts at several hospitals for two years during residency to acquire enough savings to do the same. In 1978, the average medical school graduate had $13,500 ($66,000, adjusted for inflation) in debt, compared to $216,600 today.[39]

Student loans are a barrier to starting independent practices now, and the situation is likely to get worse. OBBBA, passed in 2025, significantly curtailed federal student loans for postgraduate education, including medical school.[40] This will pressure students to use higher-cost private loans, making it more difficult to save enough and maintain adequate credit scores for opening a practice.

The decline of community banking

Furthermore, banking consolidation has significantly affected lending to independent physicians. Community banks have traditionally been stalwart lenders to small businesses like physician practices; they have closer relationships with community members, possess a stronger understanding of their local markets, and are more likely to provide favorable terms through relationship banking.[41] However, decades of bank mergers have constrained the supply of community banks, hurting small business lending. Research has shown that the decline of community banks has resulted in increased cost of credit for small businesses due to less favorable terms and lower loan amounts.[42] Research has also shown that large banks are more likely to lend to large firms, while small banks are more likely to lend to small firms; by reducing the number of small banks, consolidation in the banking industry has likely stymied investment in small businesses, including independent practices.[43]

A higher overall cost of capital

Research has also repeatedly demonstrated that capital costs more for small businesses compared with larger corporations. According to one study, firms that had less than $50 million in assets paid interest rates that were on average 1% higher than those of firms with more than $5 billion in assets.[44] Furthermore, small firms had to provide more collateral to obtain loans — 70% of credit lines for firms with assets over $5 billion were unsecured, compared with fewer than 5% of credit lines to small firms.[45] The largest health care systems have billions of dollars in assets, vastly larger than independent physician offices.[46]

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39 Melanie Hanson, "Average Medical School Debt," EducationData.org, Sept. 14, 2025, https://educationdata.org/average-medical-school-debt.

40 Association of American Medical Colleges, "Proposed Changes to Federal Student Loans Could Worsen the Doctor Shortage," *AAMC News*, August 2023, https://www.aamc.org/news/proposed-changes-federal-student-loans-could-worsen-doctor-shortage.

41 Federal Reserve Bank of Kansas City, "The Critical Role of Community Banks," *Community Banking Bulletin*, 2023, https://www.kansascityfed.org/banking/community-banking-bulletins/the-critical-role-of-community-banks/.

42 American Economic Liberties Project, *Bank Merger Policy Must Change,* June 2023, https://www.economicliberties.us/wp-content/uploads/2023/06/062023_AELP_BankMerger_Brief_R2.pdf.

43 Naomi Fulop et al., "The Impact of Private Equity Investment on Health Care: A Systematic Review," *European Management Journal* 38, no. 6 (2020): 915–930, https://www.sciencedirect.com/science/article/pii/S0261560620302370.

44 National Bureau of Economic Research, "Lenders Treat Large and Small Firms Differently," *NBER Digest*, February 2021, https://www.nber.org/digest/202102/lenders-treat-large-and-small-firms-differently.

45 Ibid.

46 Blake Madden, "113 of the Largest Health Systems Ranked by Revenue as of 2023," *Hospitalogy*, April 11, 2024, https://hospitalogy.com/articles/2024-04-11/113-largest-health-systems-by-revenue-2023/.

Recent market shocks and onerous terms

Recent shocks have exacerbated this imbalance in capital costs. During the pandemic, many practices experienced rapid drops in both patient volume and revenue. The Federal Reserve's interest rate hikes since 2022 have also put significant financial strains on small businesses.[47] Small businesses are more vulnerable to rate hikes because they are more likely to have variable (or "floating") rate loans compared with larger companies; roughly half of small business debt is floating rate, compared to 25% for large businesses.[48]

According to an interviewee, a physician who started a family medicine practice in Texas around 2010, banks have started to categorize physician practices as higher-risk entities — demanding higher interest rates and other unfavorable terms — because of these financial stresses.

Even when large banks offer reasonable rates, they may impose terms in transactions that restrict borrowers' ability to access other credit options. For example, one interviewee, a primary care practice owner in Pennsylvania, initially obtained a bundle of real estate and practice financing loans from a large bank, having selected this option due to relatively low interest rates. Unbeknownst to the practice owner, the process allowed the bank to secure a first lien on the practice itself, beyond real estate assets. When the practice later attempted to seek loans from alternative lenders, they were unable to do so, as the original bank refused to release its first lien position.

Between market shocks and more difficult loan conditions, physician practices have limited options for emergency capital infusions. According to the Texas family medicine practice owners, they struggled to access capital when faced with an unexpected expense recently. Several banks denied their loan application. Eventually, they were able to obtain an SBA loan, but only at a high variable interest rate that ranges from roughly 10% to 17%. This stands in significant contrast to their experience 10 years ago, when they were easily able to obtain a standard, fixed-rate loan from a large bank to purchase medical equipment.

Without access to emergency capital, some practices turn to the banking structures that health care conglomerates are increasingly offering.[49] In 2024, the claims processing giant Change Healthcare, which acts as a middleman for physicians to be reimbursed for their services from insurers, was hacked. At the time, Change was handling an estimated half of all medical transactions in the U.S., and the hackers stole the sensitive medical information of an estimated one-third of all Americans.[50] Change was frozen for weeks, throwing many physician practices that were dependent on Change to process their claims into a cash-flow crisis.[51]

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47 Goldman Sachs Global Investment Research, "The Impact of Higher Rates on Small Businesses," Oct.16, 2023, https://www.gspublishing.com/content/research/en/reports/2023/10/16/86420194-1c0b-4c3c-ba94-eb127f9acae1.html.

48 Measured by comparison of Bloomberg data for floating rate debt as share of total outstanding debt for Russell 2000 with S&P 500. Torsten Slok, "Small-Cap vs. Large-Cap Earnings Expectations," Apollo Academy, July 22, 2024, https://www.apolloacademy.com/small-cap-vs-large-cap-earnings-expectations/.

49 Emma Freer, "UnitedHealth Group Is a Bank: How Policymakers Can Protect Independent Physician Practices from Becoming Loan Shark Bait," *American Economic Liberties Project,* Dec. 18, 2025, https://www.economicliberties.us/our-work/unitedhealth-group-is-a-bank-how-policymakers-can-protect-independent-physician-practices-from-becoming-loan-shark-bait/.

50 Natasha Lomas, "How the Ransomware Attack at Change Healthcare Went Down: A Timeline," *TechCrunch*, Jan. 27, 2025, https://techcrunch.com/2025/01/27/how-the-ransomware-attack-at-change-healthcare-went-down-a-timeline/; U.S. House Committee on Energy and Commerce, "What We Learned from the Change Healthcare Cyber Attack," March 2024, https://energycommerce.house.gov/posts/what-we-learned-change-healthcare-cyber-attack.

51 David Dayen, "UnitedHealth Exploits Emergency After Change Healthcare Ransomware Attack," *The American Prospect*, March 10, 2024, https://prospect.org/2024/03/10/2024-03-10-unitedhealth-exploits-emergency-change-ransomware-oregon/.

In response, Change Healthcare's parent company, UnitedHealth Group, extended interest-free emergency loans through its financial services arm, Optum Bank, to more than 10,000 providers.[52] Then-CEO of UnitedHealth Group, Andrew Witty, said that the loans wouldn't have to be repaid until the practices self-reported that their finances had stabilized.[53] But less than 11 months later, UnitedHealth Group suddenly demanded immediate loan payments and threatened to garnish recipients' reimbursements if the loans were not paid back within a few days.[54]

Hospitals and private equity firms have leveraged shocks like the Change hack and the pandemic to acquire vulnerable practices.[55] Policymakers have largely stayed on the sidelines, even as funding from the CARES Act benefited private equity firms and other corporate entities vastly more than independent businesses like physician practices, fueling predatory purchases.[56]

Declining reimbursements and the "chickenization" of health care

Independent practices' struggle to access capital has also been driven by the downstream effects of this increased consolidation: lessened negotiating power and subsequently lower reimbursement rates for independent providers.

Access to any sort of capital hinges on a demonstration of financial viability — if a firm's business model is perceived as risky or unviable, such access will be constrained. Unfavorable reimbursement rates are a key threat to the financial viability of independent primary care practices — and by extension, their access to capital.

As the health care market has consolidated, the health care industry has increasingly exhibited characteristics of "chickenization." "Chickenization" refers to an abusive market structure created by both horizontal and vertical integration, where only a few firms exert dominant control. The term was originally coined to describe the chicken farming industry, in which the chicken processor reaps the gains of a booming industry, while costs and risks are shifted downward to the chicken farmers doing the real, productive work.[57] Notably, chicken farmers are often contractually prevented from communicating with one another regarding prices, restricting their ability to bargain with processors for fair payment.[58]

In health care, vertically integrated conglomerates wield their market power to demand untenably low reimbursement rates from independent physician practices in exchange for inclusion in their networks. Many practices accept these rates for fear of losing access to the conglomerates' beneficiaries, who likely make up a large share of their patient population. Furthermore, physicians based in a hospital setting receive an additional "facility fee" from the payor to cover the overhead of the hospital location.

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52 Emma Freer, "UnitedHealth Group Is a Bank: How Policymakers Can Protect Independent Physician Practices from Becoming Loan Shark Bait," *American Economic Liberties Project,* Dec. 18, 2025, https://www.economicliberties.us/our-work/unitedhealth-group-is-a-bank-how-policymakers-can-protect-independent-physician-practices-from-becoming-loan-shark-bait/.

53 Ibid.

54 Anna Wilde Mathews and Dave Michaels, "UnitedHealth Group Sends Demands for Hack-Loan Repayments," *Wall Street Journal*, 2024, https://www.wsj.com/articles/unitedhealth-group-sends-demands-for-hack-loan-repayments-9a26376c.

55 David Dayen, "UnitedHealth Exploits Emergency After Change Healthcare Ransomware Attack," *The American Prospect*, March 10, 2024, https://prospect.org/health/2024-03-10-unitedhealth-exploits-emergency-change-ransomware-oregon/.

56 American Economic Liberties Project, *Corporate Power Quick Takes No. 1: CARES Act Explainer,* April 2020, https://www.economicliberties.us/wp-content/uploads/2020/04/Corporate-Power-Quick-Takes_1_CARES-Act-Explainer.pdf.

57 Christopher Leonard, *The Meat Racket: The Secret Takeover of America's Food Business,* 2014, Simon & Schuster.

58 Ibid.

This incentivizes independent physicians to join hospital groups. In a 2025 survey, 81% of physicians agreed that the reimbursement status quo is a driver of the decline in independent practices.[59]

Conglomerates are also incentivized to favor their affiliated providers. For instance, a STAT News investigation found UnitedHealthcare reimburses its Optum providers above-market rates, making it even harder for Optum's independent competitors to keep their doors open.[60] Another study found that Optum-affiliated physicians are reimbursed 17% more on average — and 61% more in areas where Optum has a large market share.[61]

Physicians who speak out face retaliation, including in the form of network exclusion, meaning that they are excluded from being in-network with certain payors, further threatening their independent practice's financial viability.[62] It is also difficult for private practices to obtain information about the rates their peers are receiving, due to contractual obligations (e.g., gag clauses) preventing practices from sharing information about rates to third parties.[63] Consequently, their bargaining abilities are significantly restricted.

As reimbursements decline, it becomes more difficult for independent practices to keep their doors open, and for prospective practices to secure startup capital. This phenomenon is occurring even as patient demand increases, with primary care clinicians reporting that they are often overwhelmed by patient need.[64]

Increased costs associated with being independent

The costs associated with running an independent practice are increasing. The HITECH Act of 2009 incentivized electronic health record system adoption, which can be costly for a small practice to maintain.[65] The administrative burden in tracking metrics and reporting for value-based care models also requires technical infrastructure and clinical support staff, which increases practice overhead (and clinician burnout).[66]

Getting paid has also become an increasingly expensive proposition, especially for small practices. More extensive prior authorization requirements, more claims denials, and more documentation requirements all increase the load on independent practices and their staff. For physicians who wish to reduce or offload their administrative burden, selling their practices to hospitals or other corporate entities can be appealing.

Independent practices struggle to compete for talent against larger corporate entities; just under half of physicians whose practices were sold listed the ability to "better compete for employees in the labor

59 *Physician Compensation Report 2025,* Doximity, 2025, https://www.doximity.com/reports/physician-compensation-report/2025.

60 Bob Herman, "UnitedHealth's Higher Payments to Optum Providers Turn Expenses into Profits," *STAT*, Nov. 25, 2024, https://www.statnews.com/2024/11/25/unitedhealth-higher-payments-optum-providers-converts-expenses-to-profits/.

61 Bob Herman, "UnitedHealth Pays Its Optum Physicians 17 Percent More Than Other Doctors," *STAT*, Nov. 3, 2025, https://www.statnews.com/2025/11/03/unitedhealth-pays-its-optum-physicians-17-percent-more/.

62 Reed Abelson, "UnitedHealth Faces Growing Criticism Over Its Dominance in Health Care," *New York Times*, July 12, 2025, https://www.nytimes.com/2025/07/12/business/unitedhealth-insurance-criticism.html.

63 Thomas L. Greaney, "Hospital Consolidation and the Decline of Competition in Health Care," Faculty Scholarship, UC Law San Francisco, 2017, https://repository.uclawsf.edu/cgi/viewcontent.cgi?article=2099&context=faculty_scholarship; U.S. Government Accountability Office, *Physician Workforce: Key Issues Affecting Supply and Demand,* GAO-10-701, July 2010, https://www.gao.gov/products/gao-10-701.

64 Commonwealth Fund et al., *COVID-19 Impact Survey: National Executive Summary, Series 37,* October 2023, https://static1.squarespace.com/static/5d7ff8184cf0e01e4566cb02/t/652568cf9056d72ff4f705cf/1696950479892/C19+Series+37+National+Executive+Summary+vF.pdf.

65 Suzanne Felt-Lisk et al., "Toward Understanding HER Use in Small Physician Practices," *Medicare & Medicaid Research Review*, Fall 2009, https://pmc.ncbi.nlm.nih.gov/articles/PMC4195064/.

66 American Medical Association, *Physician Practice Characteristics and Financial Sustainability,* AMA, 2022, https://www.ama-assn.org/system/files/mathematica-ama-white-paper.pdf.

market" as an "important" or "very important" reason behind the sale.[67] This recruiting challenge is driven in part by the trends noted above that are deterring younger graduates from starting their own practices, including student loan burdens.

POLICY RECOMMENDATIONS

Preserving independent physician practices requires facilitating their access to startup and emergency capital as well as standardizing reimbursement rates so that they can compete on a level playing field.

Supporting startup credit and access to capital

Congress should establish and allocate funding for an SBA loan program exclusive to independent physician practices that would offer a higher percentage of guarantees for loans, with the aim of promoting lower down payment requirements and interest rates. Congress should do so by expanding funding for the SBA more broadly, rather than by lowering the percentage of guarantees for other industries.

Because SBA loans are mediated by lenders, especially preferred lenders, which can make loan decisions without SBA approval, it is important to promote independent physician practices' access to lenders themselves. Community banks play an important role in small business lending and should be protected from the forces of consolidation that have been at work in the banking industry for the last several decades. Bank regulators should revive bank merger enforcement, including updating the Bank Merger Guidelines, considering the size of other banks remaining in the market, and requiring Community Reinvestment Act compliance for a defined period of time past the merger.[68] Regulators should also consider a wider range of nonprice harms associated with excessive consolidation, including impacts to the stability of the financial system and the effective subsidy that "too big to fail" banks receive, given assumptions by financiers that megabanks will be bailed out.[69]

Independent physicians also need access to non-predatory emergency and stopgap capital. Some federal pandemic relief programs, like the Paycheck Protection Program (PPP) and the Provider Relief Fund (PRF), helped physician groups stay afloat during the Covid-19 pandemic.[70] The PPP extended low-interest and potentially forgivable loans to small businesses to cover payroll costs in the short term, while the PRF disbursed grants to health care providers to cover lost revenue due to the pandemic.

Congress must ensure that emergency loans are distributed by community banks as much as possible, rather than through megabanks or nonbank financial institutions like Optum Bank. PPP loans are a model, although there is always room for improvement; businesses applied through an approved PPP lender, while the SBA guaranteed the loan. The first two waves of PPP loans were distributed by a mix of lenders, with 45% of the loans being distributed through lenders with less than $10 billion in assets, and 36% of the loans being distributed through lenders with more than $50 billion in assets.[71] None-

67 Carol K. Kane, "Physician Practice Characteristics in 2024: Private Practices Account for Less Than Half of Physicians in Most Specialties," American Medical Association, 2025, https://www.ama-assn.org/system/files/2024-prp-pp-characteristics.pdf.

68 American Economic Liberties Project, *Bank Merger Policy Must Change,* June 2023, https://www.economicliberties.us/wp-content/uploads/2023/06/062023_AELP_BankMerger_Brief_R2.pdf.

69 Marc Labonte, "Systemically Important or 'Too Big to Fail' Financial Institutions," Congressional Research Service, R42150, Sept. 24, 2018, https://www.congress.gov/crs-product/R42150.

70 "HHS Provider Relief Fund – Payments Received & Attested," TAGGS HHS, accessed Feb. 9, 2026, https://taggs.hhs.gov/Coronavirus/Providers.

71 U.S. Small Business Administration, *Paycheck Protection Program (PPP) Report,* Aug. 10, 2020, https://www.sba.gov/sites/default/files/2020-08/PPP_Report%20-%202020-08-10-508.pdf.

theless, the top lenders by dollars spent were the largest banks in the U.S., which may have partially contributed to the fact that PPP loans primarily went to urban, white business owners.[72]

Standardizing reimbursements across the health care system

Congress should pass legislation that standardizes health care reimbursement rates according to geographic region and caps price growth according to inflation, both of which would lessen the incentive to consolidate and ensure independent physician practices can compete on a level playing field with Big Medicine.[73] Doing so would remove the need for providers to bargain or negotiate with insurers altogether, while promoting much-needed transparency in reimbursement rates.

Alternatively, as stopgap measures, Congress could pursue site-neutral payment in federal health care programs, which would equalize prices for the same service regardless of where it is provided. The Centers for Medicare and Medicaid Services took a small step toward site-neutral payments in the 2026 Outpatient Prospective Payment System final rule, by announcing that hospital-based drug administration would be reimbursed at the same rate as drugs administered in a physician office — but there is far more to be done to bring prices in line across sites of care.[74] Another option is Rep. Jim Banks' (R-IN) proposed Hospital Competition Act of 2020, which would require hospitals in highly concentrated markets to accept Medicare rates from commercial insurers.[75]

Closing loopholes to ban corporate practice of medicine (CPOM)

Most states have CPOM laws that require certain types of medical practices to be owned and operated by licensed medical professionals.[76] They are intended to prevent conflicts of interest between corporate owners' profit motives and medical professionals' ethical obligations to their patients, while ensuring that corporate owners cannot interfere in clinical decision-making. However, corporate entities have developed loopholes, such as owning the management services organization (MSO) that runs the administrative side of physician practices.[77] State legislatures should strengthen their CPOM laws to close this loophole; Oregon's 2025 legislation on this topic is a model.[78]

Meanwhile, Congress should establish a federal CPOM ban and repeal the Health Maintenance Organization Act of 1973, which pressured states to create exceptions to their existing CPOM laws.[79]

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72 "What We Are Learning About Firms That Received PPP Loans," Tax Policy Center, 2020, https://taxpolicycenter.org/taxvox/what-we-are-learning-about-firms-received-ppp-loans-2020.

73 American Economic Liberties Project, "Tools to Challenge Big Medicine: Set Standard Rates for Healthcare Services," accessed Jan. 3, 2026, https://www.economicliberties.us/tools-to-challenge-big-medicine-set-standard-rates-for-healthcare-services/.

74 Centers for Medicare & Medicaid Services, "Calendar Year 2026 Hospital Outpatient Prospective Payment System (OPPS) and Ambulatory Surgical Center Payment System," 2025, https://www.cms.gov/newsroom/fact-sheets/calendar-year-2026-hospital-outpatient-prospective-payment-system-opps-ambulatory-surgical-center.

75 Hospital Competition Act of 2020, H.R. 8098, 116th Cong., introduced on Aug. 25, 2020, https://www.congress.gov/bill/116th-congress/house-bill/8098/text.

76 "Corporate Practice of Medicine (CPOM) 50-State Guide," MedPath Compliance Group, Feb. 1, 2025, https://www.medpathcompliance.com/post/corporate-practice-of-medicine-cpom-50-state-guide.

77 Jane M. Zhu, Hayden Rooke-Ley, and Erin Fuse Brown, "A Doctrine in Name Only — Strengthening Prohibitions against the Corporate Practice of Medicine," *The New England Journal of Medicine*, vol. 389, no. 11, Sept. 9, 2023, DOI: 10.1056/NEJMp2306904.

78 Press Release, "*Oregon Passes First-in-the-Nation Bill to Block Corporate Takeovers of Medical Practices,"* 2023, https://www.oregonlegislature.gov/house-democrats/Documents/Oregon%20Passes%20First-in-the-Nation%20Bill%20to%20Block%20Corporate%20Takeovers%20of%20Medical%20Practices.pdf.

79 Erin C. Fuse Brown and Mark A. Hall, "Private Equity and the Corporatization of Health Care," *Stanford Law Review*, March 2024, https://review.law.stanford.edu/wp-content/uploads/sites/3/2024/03/Fuse-Brown-Hall-76-Stan.-L.-Rev.-527.pdf.

Structurally separating payment rails from payors

UnitedHealth Group's ownership of payment rails, including Change Healthcare and pharmacy benefit manager OptumRx, allows the corporation insight into client data and financial information that outstrips that of its competitors, creating an unfair marketplace.[80] But UHG is not the only payor to benefit from the vertical integration of platform and payments processors. Other payors also own PBMs, group purchasing organizations, pharmaceutical manufacturers, pharmacies, and provider groups, which gives them an unfair advantage over independent providers and smaller players.[81] Structural separation, as called for by Sens. Elizabeth Warren (D-MA) and Josh Hawley (R-MO) in their Break Up Big Medicine Act, would help restore some competitive features of the payor and payments marketplace and reduce the power that corporations have over independent physicians.[82]

Closing the industrial loan company (ILC) loophole

UnitedHealth Group's Optum has its origins in an industrial loan company (ILC), a nonbank regulatory structure that allows Optum to offer loans and financial products to clients.[83] ILCs operate without oversight from the Federal Reserve due to their exclusion from the definition of a bank under the Bank Company Holding Act.[84] Legislation to close this loophole, like the Close the Shadow Banking Loophole Act, introduced by former Sen. Sherrod Brown and others in 2023, is needed and should apply to existing and future ILCs.[85]

Reforming medical schools and student debt

The current system of medical school education was developed over a century ago and requires physicians-to-be to spend years on coursework that may not be helpful in the long term, and no time at all on how to build an independent practice or operate as a community physician. As physician and Affordable Care Act framer Zeke Emanuel has pointed out, the fourth year of medical school is effectively a "costly gap year" structured around applying for residency programs, volunteering, and taking elective classes.[86] By streamlining the coursework, the fourth year could be eliminated.

Congress should also expand medical student loan repayment and forgiveness programs to make it less daunting to take on additional debt and to ease the financial pressure of running a practice. These updates to the curriculum and loan options are especially vital given the caps on federal student loans passed in OBBBA.[87]

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84 Saule T. Omarova and Tahyar E. Margaret, "That Which We Call a Bank: Revisiting the History of Bank Holding Company Regulations in the United States," Cornell Law Faculty Publications, Paper 1012, 2012, https://scholarship.law.cornell.edu/cgi/viewcontent.cgi?article=2482&context=facpub.

85 Kennedy Brown, "Colleagues Reintroduce Bill to Ensure a Fair and Competitive Banking System," U.S. Senate Committee on Banking, Housing, and Urban Reforms, Dec. 15, 2023, https://www.banking.senate.gov/newsroom/majority/brown-kennedy-colleagues-reintroduce-bill-to-ensure-a-fair-and-competitive-banking-system.

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87 Harvard University Student Financial Services, "2025 Changes to Federal Student Loans," accessed Jan. 3, 2026, https://sfs.harvard.edu/2025-changes-federal-student-loans.

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