AMERICAN ECONOMIC LIBERTIES PROJECT

Executive Summary

Out of Practice: How Capital Costs and Corporate Power are Destroying Independent Medicine

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EXECUTIVE SUMMARY

INTRODUCTION

The once-common independent physician is increasingly rare. Consolidation driven by large hospital systems, insurance conglomerates, and private equity has systematically squeezed out the small practices that until very recently formed the backbone of American health care. The results are higher costs and worsened access for patients, while doctors are burning out under corporate medicine's thumb.

Washington has had every opportunity to reverse the decline of the independent physician practice. Instead, it accelerated it. In 2025, the One Big Beautiful Bill Act delivered the killing blow to untold numbers of physician practices that were on the precipice, cutting crucial Medicare and Medicaid funding.[1]

Independent physicians desperately need access to affordable capital to keep their practices afloat. But the loss of community banks to consolidation has made that difficult to obtain — even as health care conglomerates are increasingly operating as their own banks, offering predatory and unsustainable loans and vacuuming up the practices that are unable to stay afloat.[2]

Independent practices are better for patients and providers, and they serve as a bastion of lower-cost, higher-quality care, especially compared to monopolized Big Medicine. Independent practices should be allowed to flourish.

To achieve this, Congress must pursue two broad and related goals: making it easier for independent practices to access affordable capital, and righting the policies that favor corporate medicine and leave independent practices financially worse off. This includes increasing access to community banks and favorable loan terms, structurally separating vertically consolidated health care conglomerates that use their increased negotiating power to demand higher rates, and standardizing health care reimbursement rates while capping price growth.

WHAT HAPPENED?

The costs of running an independent medical business have risen steadily as administrative and technological costs have grown. At the same time, these businesses have come under increased pressure as their diminishing negotiating power results in lower reimbursement rates. Medical school student loans have exploded in size, with average debt increasing 1,505% between 1978 and 2025; the average medical school graduate in 2025 owed nearly $250,000.[3] Practically speaking, this means many newer doctors are unable or unwilling to take on additional loans to purchase or maintain practices. Over the same period, the community banks that were traditionally more likely to extend favorable

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

2 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/; Olivia Webb Kosloff and Emma Freer, "The Bank of Big Medicine," The American Prospect, Feb. 11, 2026, https://prospect.org/2026/02/11/bank-medicine-health-insurers-united-health-optum-financial/.

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

capital terms to small business owners were acquired by corporate banks, reducing the availability of affordable capital.[4]

Amid these national trends, independent physicians have weathered a series of shocks, including the Covid-19 pandemic and the 2024 Change Healthcare hack. The latter caused a severe cash-flow crisis for physicians using Change, the nation's largest claims processor, as they were unable to access the service for weeks.[5] UnitedHealth Group, the owner of Change, offered emergency loans to providers[6] — only to unexpectedly demand repayment less than a year later.[7] These unfavorable loan terms were enabled by UHG's use of an industrial loan company (ILC) to offer financial products outside the typical regulatory oversight applied to banks.[8] With physicians' offices struggling to stay afloat under these unfair conditions, UnitedHealth Group, private equity firms, and other conglomerates began purchasing assets at fire-sale prices.[9]

As a result of all this, the number of independent physician practices has plummeted. In the early 1980s, more than three-fourths of physicians were practice owners.[10] In 2024, only a little over a third of all physicians were.[11] 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.[12] Rural areas have also suffered as practices have been forced to consolidate or close due to revenue shortfalls; between 2019 and 2024, more than 40% of independent practices in rural areas either closed or were acquired by larger players.[13]

This matters to both our personal health and the greater economy. Independent practices boost patients' access to low-cost, high-quality care while supporting local economies. They spend more time on patient care than hospital-owned practices and have lower rates of preventable hospital admissions and readmissions, resulting in lower total costs to the overall health care system, even as they keep their patients healthier.[14] Independent practices also provide more affordable care; one study found that health systems cost patients and payors 12-26% more than independent providers.[15]

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4 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/.

5 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.

6 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/; Olivia Webb Kosloff and Emma Freer, "The Bank of Big Medicine," The American Prospect, Feb. 11, 2026, https://prospect.org/2026/02/11/bank-medicine-health-insurers-united-health-optum-financial/.

7 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.

8 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/.

9 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/.

10 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.

11 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.

12 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.

13 "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.

14 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.

15 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/.

On the labor side, research shows that independent practices improve the quality of care without increasing physician burnout.[16] Independent physicians and those who work for physician-owned practices also report being happier with their work.[17]

POLICY RECOMMENDATIONS

- **Congress should standardize health care reimbursement rates according to geographic region and cap price growth according to inflation.** Under the current system, consolidated health systems and large physician groups have more negotiating power than independent practices, winning them higher reimbursement rates. This is a major driver of physician consolidation.[18] Standardizing rates would remove the financial benefit of consolidation while helping keep prices at a sustainable level.

- **Congress and the Centers for Medicare and Medicaid Services should implement site-neutral payment policies.** Currently, procedures and services provided on the grounds of a health system are reimbursed at a higher rate, even for low-acuity care that did not require a hospital setting.[19] Site-neutral payment policies would keep prices standard across the site of care. This will remove another financial incentive that drives consolidation by health systems.

- **Congress should structurally separate vertically consolidated health care conglomerates.** Increasingly large health care conglomerates — for example, UnitedHealth Group, which operates as a payor while employing physicians and owning a payments processor — should be broken up, as outlined in the Break Up Big Medicine Act.[20] This will even the playing field, making it easier for independent practices to thrive.

- **Bank regulators should revive bank merger enforcement.** Community banks are a critical factor in keeping small businesses afloat, including independent physician practices. The current bank merger enforcement regime does not take adequate account of the harms to small businesses associated with excessive bank consolidation.

- **Congress should pass legislation closing the industrial loan company loophole.** Under the Bank Company Holding Act, industrial loan companies (ILCs) are excluded from the definition of a bank, reducing oversight of a financial instrument that large conglomerates are increasingly using to offer unfavorable financial products,[21] including UnitedHealth Group's loans to physician practices following the Change Healthcare hack.

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16 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.

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 "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.

19 Christopher Whaley, Dakota Rome L. Paul, and Jared Perkins, "Addressing Site-of-Care Payment Differentials in the U.S. Health Care System," Brown University, https://cahpr.sph.brown.edu/sites/default/files/documents/Site%20Neutral%20Payment%20Policy%20Brief-6.pdf.

20 Break Up Big Medicine Act, S. 3822, 119th Congress, 2026, https://www.congress.gov/bill/119th-congress/senate-bill/3822/text.

21 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.

CONCLUSION

Decades of policies incentivizing consolidation have made it all too difficult to be an independent doctor, and job satisfaction has plummeted accordingly. The cost of capital exacerbates these issues by making it nearly impossible financially to set up, build, and sustain an independent practice. The cost of capital must be reduced — by structurally separating vertically consolidated health care conglomerates and mega-banks, encouraging the existence of community banks, and capping health care prices to ensure independent physicians can compete on a level playing field.

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