



To: Senators on the Oregon Senate Committee on Healthcare

Re: Support for HB 4130

We are the dermatology and radiology board members of Take Medicine Back responding to a requested letter representing dermatologists and radiologists in support of House Bill 4130. We strongly support HB 4130, which seeks to place restraints on the corporate practice of medicine (CPOM) in Oregon. We understand that corporations, including private equity-backed groups, oppose the bill and have asked their physicians to reach out in opposition.

Corporations have found loopholes to successfully navigate around CPOM laws to structure relationships with physicians by forming a **management service organization (MSO)** and a **professional medical corporation (PMC)**. The MSO and PMC enter a contract in which the PMC agrees to provide professional services and the MSO agrees to provide administrative and management services in exchange for a fixed fee or percentage of medical practice revenue.

As part of their "work-around" to remain "physician-owned" on paper, the PMC is completely owned by a "friendly physician" and employs the physicians and nonphysician practitioners in the group. The "friendly physician" and other physicians in the group can have equity stakes in the MSO alongside the nonphysician investors and they all hope to profit handsomely when the group is sold to another investor. However, when nonphysician investors have majority ownership (holding greater than 50% of the equity) in the MSO, the physicians become captive employees and, with their minority voice, often condone decisions by nonphysician management because they desire the eventual financial windfall from the sale of their equity. In this arrangement, "physician ownership" is minority ownership and complies with the state CPOM laws on paper only, even when it is clearly in violation of the original intent of CPOM laws.

HB 4130 aims to close the loopholes that allow corporations to circumvent the intent of the law, ensuring physicians have a majority voice at the table and to act in the best interest of their patients. **To be clear, HB 4130 does not exclude non-physician corporations from investing in the healthcare system with a minority stake, it simply prevents non-physician corporations from practicing medicine.**

Historically, there have been at least 40 dermatology private equity-backed groups across the country and they are continuing to expand rapidly. Private equity has had a significant impact in dermatology. Some private equity firms have [acquired physicians and employed nonphysician practitioners with outlier practice patterns](#). An analysis of dermatology practices acquired by private equity between 2016 and 2020 found [total healthcare spending increased after private equity acquisition](#) compared to non-private equity-acquired practices, which could be due to managerial changes or upcoding to optimize revenues. Also, after acquiring practices, private equity-backed groups have [significant yearly increases in the number of nonphysician practitioners but not physicians](#) because they are more profitable for corporations to employ.





The two main private equity-backed groups in Oregon are **United Derm Partners (comprising Bend Dermatology Clinic, Dermatology Clinic of Oregon, and Dermatology Associates)** backed by Frazier Healthcare Partners and **Frontier Dermatology (formerly Silver Falls Dermatology)** backed by A&M Capital. These groups are acquiring practices and expanding quickly not only in Oregon but also Alaska, Washington, Idaho, Oregon, Georgia, California, Nevada, and Texas – so they can sell to the next investor for a financial windfall. [Private equity penetration is highest in dermatology.](#) In fact, the [American Antitrust Institute](#) implicated **Frontier Dermatology as having more than 30% or 50% of market share in Salem, Oregon.**

The specialty of radiology has also been affected by corporatization and private equity, triggering a [White Paper from the American College of Radiology](#) in 2019 acknowledging that “the corporatization trend in radiology presents a rapid shift in the market requiring appropriate analyses, education, and safeguards.” Since 2019, corporate acquisitions have worsened. The major PE-backed groups in radiology are RadPartners (which recently acquired Mednax Radiology), **Rayus Radiology**, Envision Healthcare, and US Radiology Specialists. Specific PE-backed groups like Rayus Radiology backed by Wellspring Capital now have over 3000 employees and are continuing their rapid acquisition patterns, particularly in the Pacific Northwest. They boast that “consolidation in the industry provides us with an opportunity to drive the conversation,” but the conversation revolves around a voracious business model that churns through radiologists and patients to make large profits for shareholders; it is not about improved patient care or patient safety.

The robust corporate opposition to this bill confirms that corporate profiteers rely on control of physicians through ownership, as they engage in the corporate practice of medicine in order to drive their profits. This is dangerous, unethical, and must be ended.

Signed:

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