

My name is Howard Schulman, MD. I have been an general internist/adult primary care physician in Rhode Island since 1995. I am testifying **for H 7721** dealing with private equity firms buying medical practices here in Rhode Island and regulating the “corporate practice of medicine”.

Although I very much wanted to testify in person at the hearing on 4/9/26 I have an orientation for a new course that I am teaching at the Medical School tonight from 5-7 pm that I must attend. I will try to make it over after the orientation is over.

This is a very difficult Bill for me to offer testimony on, because many of the concepts and a lot of the terms are new to me. Although I have practiced medicine in Rhode Island for 30 years, working under the control of private equity is a new concept.

The state has just been through a disaster with private equity ownership of Roger Williams and Fatima Hospital. This Bill aims to prevent something similar happening with medical practices outside of hospitals. Many of the medical practices already bought out by private equity have very large market shares of the Rhode Island healthcare economy, which appeals to private equity. Over the past 10-15 years, a large amount of very expensive and lucrative medical care has moved out of the hospital setting, especially orthopedics and GI.

The core of this bill is an attempt to reduce private equity firms' control over the practices. There's a term called the medical service organization or MSO, which is used by private equity to control a medical practice. But since there are State laws that prohibit people or companies from practicing medicine without a medical license, private equity firms use medical service organizations or MSO's to bypass these prohibitions.

In the senate health committee testimony on this bill we heard three physicians in different practices, all owned by private equity, for all intents and purposes, testify that they owned their own practices. While this may be legally true, in reality, more often than not, this may not be true, and I strongly suspect that over time, this lack of control will become more and more apparent, just like it took a few years to become apparent after Roger Williams and Fatima were bought by private equity.

A typical strategy by private equity firms involves hiring a so-called friendly licensed physician, who is given control over the MSO and medical practice, so what this bill does is makes sure that the people in control of the practice are actually practicing medicine in the state and have control of their practice. I'm also told that whether or not the MSO owns the physical assets, like the building and equipment, is very important.

In general, one major problem with having private equity buying out medical practices is that while the existing owners of the practice get payouts somewhere in the range of two to \$3 million a piece, physicians and other providers who come after them do not get this payout and are left on the hook paying out the controlling private equity company. Unhappy and burned out providers with high turnover is the usual result.

Private equity likes to operate in secrecy. This bill is a first attempt to do something about this and ensure for that future Rhode Islanders have good quality healthcare at reasonable costs.

Spending on healthcare is something like 18% of our economy, and for all the profits going to out-of-state owners, I imagine the state is missing taxation on that income. Additionally, all the money going to out of state corporate investors doesn't get reinvested and reused in the local economy as far as buying a house here, buying groceries, raising a family, shopping, and spending money in local businesses. Or even re-investing in the local Rhode Island healthcare economy.

I am guessing that our own Department of Health needs to be much more involved in the corporatization of healthcare in Rhode Island. I have no information on this, but I'm concerned that they may not have the legal manpower to handle this.