



To: Senate Committee on Health & Human Services  
From: Care New England Health System  
Date: March 3, 2026  
Subject: Opposition to S 2459

Dear Chairwoman Murray members of the Committee,

Care New England (CNE) Health System is a trusted, integrated health care organization that fuels the latest advances in medical research, attracts the nation’s top specialty-trained doctors, features nationally recognized services and cutting-edge programs, and engages in the important discussions people need to have about their health. CNE is helping to transform the future of health care, providing a leading voice in the ongoing effort to ensure the health of the individuals and communities we serve. With over 8,000 employees throughout Rhode Island, we are the fourth-largest employer and second-largest health system in the Ocean State.

CNE wants to acknowledge the intent of the Sen. Ujifusa. The desire to protect clinical autonomy, increase transparency in healthcare ownership, and guard against inappropriate corporate influence over medical decision-making is both understandable and laudable. Rhode Islanders deserve confidence that medical decisions are made by licensed professionals exercising independent clinical judgment. **We share that goal.**

However, while the intent is principled, S 2459 represents one of the most sweeping structural interventions in Rhode Island’s healthcare marketplace in decades. Its practical effect would be to destabilize the employed physician model that underpins nearly every hospital system in this state.

This legislation would not simply regulate management services organizations (MSOs) or private equity arrangements. It would fundamentally disrupt the governance, financing, and operational structures of hospital-based physician employment across Rhode Island. Because of this, **CNE opposes S 2459** as it would be severely detrimental to health systems for several key operational, financial, and structural reasons.

### **1. The Bill Mischaracterizes the Employed Physician Model**

Rhode Island’s hospital systems employ physicians not to control medical decision-making, but to ensure financial stability of essential service lines and support academic medicine and residency training. Our health systems integrate care across inpatient, outpatient, behavioral health, and community settings and we sustain sometimes unprofitable but mission-critical specialties such as OB/GYN, psychiatry, trauma, and primary care.

Hospital systems are not passive financial entities. They are highly regulated healthcare delivery organizations subject to:

- CMS Conditions of Participation
- State licensure oversight by the Rhode Island Department of Health
- Quality reporting requirements
- EMTALA obligations
- Charity care mandates
- Residency accreditation standards

To equate hospital employment with improper corporate control ignores the regulatory reality and mission-driven structure of nonprofit health systems.

## 2. Employment Is the Dominant National Model

Today, approximately **77% of physicians nationally are employed by hospitals, health systems, or other corporate entities**<sup>1</sup>. Rhode Island reflects this national trend. This shift occurred because:

- Administrative complexity has increased dramatically
- Compliance requirements have multiplied
- Electronic health records and cybersecurity require capital scale
- Value-based contracting demands integrated infrastructure
- Independent practice economics have become increasingly unsustainable

Legislation that dismantles employment structures does not restore a stable independent marketplace. It disrupts the model under which the majority of physicians now practice.

## 3. The Physician Pipeline Reality

Approximately **68% of graduating medical residents express a preference for hospital or health system employment**<sup>2</sup>. New physicians enter practice with significant educational debt, a preference for predictable income, an expectation of team-based, integrated care environments, and a desire for institutional infrastructure and support.

Rhode Island already competes with Massachusetts and Connecticut for physician talent. Creating statutory barriers to employment models preferred by physicians will impair recruitment in a state already facing workforce shortages. **In a projected national physician shortage environment, states that create structural instability will lose competitively.**

## 4. Financial Reality: Health Systems Subsidize Physician Practices

This is perhaps the most critical issue. CNE invests **tens of millions of dollars annually** to support our employed physician practices. In many cases:

- Professional fee revenue does not fully cover practice expenses
- Primary care operates at thin or negative margins
- Behavioral health reimbursement remains structurally inadequate
- Obstetrics faces high malpractice and staffing costs
- Certain medical specialties operate below break-even

Health systems absorb these deficits to preserve community access. If Rhode Island health systems are no longer able to employ and govern these practices within an integrated nonprofit framework, there will likely be **inadequate professional revenue to keep many practices open**, independent viability is not economically realistic under current reimbursement levels, and cross-subsidization becomes structurally, and potentially legally, impossible. The likely outcome would not be a renaissance of independent practice. Contrary, it would lead to practice closures, reduced access in primary care and behavioral health, contraction of OB services, increased emergency department utilization, and further strain on Rhode Island's fragile healthcare infrastructure

---

<sup>1</sup> <https://www.advisory.com/daily-briefing/2024/04/16/pai-avalere-ec#:~:text=In%20total%2C%20503%2C113%20physicians%20were,throughout%202021%2C%20the%20report%20found.>

<sup>2</sup> <https://www.ama-assn.org/medical-residents/transition-resident-attending/residents-entering-final-year-peek-job-market>

## **5. Governance Mandates Create Structural Instability**

The bill requires that physicians hold majority voting shares, control boards of directors, and serve as officers. These mandates are incompatible with nonprofit hospital governance structures, existing bond covenants and lender requirements, enterprise compliance programs, and systemwide quality and risk oversight

Hospitals bear enterprise liability and fiduciary responsibility. Governance authority must align with financial and legal accountability. Separating responsibility from authority creates operational instability and increases financial risk.

## **6. The Bill Ignores Modern Integrated Care Delivery**

Healthcare today is organized around Accountable Care Organizations (for CNE, Integra), value-based contracting, population health management, integrated behavioral health, shared electronic health record platforms, and coordinated ambulatory and inpatient service lines. Restricting system governance over employed physician groups undermines integration efforts that improve quality metrics, reduce readmissions, lower total cost of care, and enable shared financial risk models.

Modern care delivery requires alignment—not structural fragmentation.

## **7. Clinical Autonomy Is Already Protected**

Physicians within hospital systems operate under several difference bylaws, laws, and standards, including medical staff bylaws, peer review protections, RI licensing standards, Federal fraud and abuse laws, and CMS requirements for physician-led oversight

Clinical decision-making authority resides with licensed professionals today. There is no demonstrated systemic suppression that warrants dismantling employment structures statewide.

## **8. Financial and Legal Consequences**

S 2459 introduces \$10,000 per day penalties, private rights of action up to \$500,000 per violation, extensive reporting mandates, and public disclosure of sensitive governance and financial data. If enacted, this will increase our litigation exposure, administrative burden, capital uncertainty, and borrowing risk.

In a reimbursement environment already below regional benchmarks, additional structural instability weakens Rhode Island's healthcare competitiveness.

## **Strategic Risk to Rhode Island & Moving Forward**

At a time when Federal reimbursement remains unstable, uncertainty out of Washington D.C., looming Medicaid cuts from HR 1, workforce shortages and primary care infrastructure erosion, Rhode Island simply cannot afford structural experimentation that destabilizes its core delivery systems. S 2459 sweeps broadly across nonprofit, mission-driven hospital systems that serve as the backbone of care in our state.

To avoid physicians leaving out of state, practices closing, even more challenges in recruiting workforce, and even reduced patient access, there is a more constructive path to take if the legislature seeks to address concerns regarding private equity ownership, restrictive non-compete agreements, transparency in ownership structures, and oversight of MSOs. These objectives can be achieved through targeted, proportionate reforms and not sweeping, destabilizing measures in S 2459. A broad prohibition on hospital-employed physician governance is not the appropriate mechanism.

## Conclusion

S 2459 is grounded in understandable concerns about protecting physicians and patients. We respect that intent. However, as drafted, S 2459 would:

- Upend the dominant employment model for physicians
- Undermine recruitment in a shortage environment
- Eliminate tens of millions of dollars in annual health system subsidies supporting community practices
- Force closures of financially fragile service lines
- Ultimately reduce access to care for Rhode Islanders

**CNE opposes S 2459 and** stands ready to work collaboratively on targeted solutions that protect clinical autonomy without destabilizing Rhode Island's healthcare delivery system. If you have any questions, please feel free to reach out to Robert Dulski, Director of Government Affairs for CNE, [RDulski@CareNE.org](mailto:RDulski@CareNE.org).

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Dulski".

Robert Dulski  
Director, Government Affairs  
Care New England