The Texas Physician Independence and Patient Protection Act

What it does, in plain English. A guide for legislators, staff, and anyone who has ever sat in an exam room.

> **The one-sentence version:** If you hold the medical license and you carry the responsibility when something goes wrong, you make the medical decisions and you keep the money patients pay for your care. Nobody who does not hold a license gets to run your practice from behind a contract.

The problem this bill fixes

Texas has banned corporations from practicing medicine for over a hundred years: a company cannot own a doctor's practice, employ a doctor to treat patients, or stand between a doctor and a patient. Your doctor answers to you, not to shareholders.

Over the last fifteen years that rule has been hollowed out without ever being repealed. Investment firms found a workaround. They form a "management company," put one friendly doctor's name on the practice as the owner on paper, and write contracts that give the management company control over everything that matters: hiring and firing, pay, patients per hour, coding and billing, and whether the practice can ever be sold. The doctor owns the practice the way a tenant owns an apartment.

The same thing happened inside hospitals. Most Texas hospitals cannot employ doctors directly, so they hire a staffing company to run the ER, anesthesia, or the hospitalist service. Several of the largest are owned by private equity funds. Roughly one in four emergency departments in the country is run this way, and two of the biggest companies went bankrupt in 2023 and 2024.

What the bill does, in nine sentences

- **Writes the hundred-year-old rule into one clear chapter of law** so a judge or the Medical Board no longer has to piece it together from scattered statutes and old cases.
- **Lists exactly what a management company may do** (payroll, billing, rent, IT, scheduling, marketing) **and exactly what it may not do** (control medical decisions, own the practice, set doctors' pay, take a cut of the profits).
- **Keeps medical decisions with doctors**, including how much time to spend with a patient, how many patients to see, and whether a patient is seen by a physician or by a nurse practitioner or physician assistant.
- **Requires a doctor who supervises other doctors to be qualified and chosen by them**, not appointed by a corporation because he or she will say yes.
- **Lets any licensed physician staff an ER** on individual training and experience, and forbids paying a family medicine or internal medicine doctor less for the same ER work.
- **Keeps the money with the people who earned it:** fees for a doctor's care belong to the doctor's practice; outsiders may take only a fair, fixed price for real services.
- **Requires hospitals to contract directly with doctors or doctor-owned groups** for ER, anesthesia, and other coverage, not with staffing companies.
- **Ends physician noncompetes** so a doctor who refuses to cut corners can leave and keep practicing in town.
- **Gives the rules teeth:** void contracts, lawsuits, Board discipline, and felony prosecution of an executive whose policy overrides a doctor's judgment and hurts a patient.

Section by section, without the legalese

The bill creates a new Chapter 166 in the Occupations Code. Here is each part in everyday terms.

Part of the bill	What it means
Subchapter A **Definitions**	Defines the players: the doctor, the practice, the management company (MSO), the staffing company, the hospital, the medical director, and the private equity fund. The important one is **"control."** If you own 10 percent or more of a practice, or you can fire the doctor who owns it on paper, the law treats you as in control no matter what the contract says.
Subchapter B **Decisions that belong to doctors**	Nobody without a license may direct a doctor's diagnosis, treatment, prescribing, referrals, coding, chart notes, or what the doctor tells the patient. Nobody may impose patient-per-hour quotas or billing targets as a condition of pay or scheduling. Nobody may replace the physicians in an emergency room or ICU with lesser-trained staff without the physicians' and medical staff's written consent. Every emergency room must have a physician physically present (small rural hospitals can apply for a published waiver). Patients have the right to know whether the person treating them is a physician and to ask for one.
Subchapter B **Who may work in an ER**	Any Texas-licensed physician may staff an emergency room if the hospital's medical staff finds him or her individually qualified. No hospital, staffing company, or insurer may require emergency-medicine board certification, exclude a family medicine or internal medicine doctor because of specialty, or pay that doctor less per hour or per shift than an emergency-medicine doctor for the same work. Pay can still differ for individual reasons such as years of ER experience. Existing trauma-center rules are left alone.
Subchapter B **The right to say no**	A doctor may decline any surgery, procedure, admission, discharge, or treatment he or she judges unsafe, not needed, or beyond the staffing or equipment on hand. No hospital CEO or administrator may fire, cut the hours of, pull privileges from, or open a sham peer review on a doctor for saying no, for pushing for safer staffing, or for advocating for a patient. Any such move within a year is presumed retaliation; the hospital must prove otherwise with clear evidence and a hearing by physicians in the same specialty. A retaliatory peer review loses its legal immunity. The doctor gets privileges and schedule restored by a judge while the case is pending, plus back pay and damages. A CEO who fires a doctor for refusing a case, or orders someone else to do the procedure, and a patient is hurt, faces the same felony as any other executive who practices medicine without a license.
Subchapter B **Medical directors**	A medical director is the doctor who supervises other doctors in a department. The bill says that person must be trained in that specialty, have at least five years of practice after residency, still work shifts in that department, and be approved by a majority vote of the doctors he or she will direct. Those doctors can remove the director by a two-thirds vote. A director cannot be paid a bonus for cutting physician staffing or pushing volume, and cannot be fired for refusing to carry out an order the law forbids.

Part of the bill	What it means
Subchapter C Management companies	Management companies stay legal. The bill lists what they may provide (offices, equipment, payroll, billing, IT, marketing, contract help, purchasing, HR) and what they may not do (own any piece of the practice, employ doctors to practice medicine, control the sale of the practice, sit on both sides of the table, take a share of profits). Their fee must be set in advance at a fair market price. A company owned entirely by Texas doctors is exempt from the ownership rules.
Subchapter C Who keeps the money	Fees for medical care belong to the doctor's practice the moment they are earned. Someone who does not hold a license and does not carry the malpractice risk may be paid only a fair fee for services, fair rent, or ordinary loan interest. Any deal where an outsider's take goes up as the doctor sees more patients is fee splitting, is void, and the doctor can sue to get the money back.
Subchapter D Noncompetes and gag clauses	A doctor's noncompete agreement is void. A doctor who leaves may notify his or her patients and keep treating them. Contracts cannot stop a doctor from reporting unsafe conditions to the Medical Board, talking to patients about who owns the practice, or testifying. Firing a doctor within six months of a protected complaint is presumed to be retaliation, and the employer has to prove otherwise.
Subchapter E Sunlight	Every management agreement, and every side agreement that goes with it, is filed with the Texas Medical Board. The Board posts who owns the management company and who owns the practice, so the public can see it; the contracts themselves stay confidential and are used only for enforcement. Practices with outside owners post a plain-language notice in the lobby. The Board reports to the Legislature every year.
Subchapter F Enforcement	A contract that breaks the rules is void. The Attorney General can sue, seek fines of up to $10,000 per day per practice, and claw back money. Doctors, practices, and patients who are harmed can sue for damages, an injunction, and attorney's fees, with triple damages if the violation was knowing. Doctors who knowingly front for an illegal arrangement face Board discipline, with leniency for those who come forward.
Subchapter F Executives who practice medicine	Practicing medicine without a license has been a felony in Texas for a century. The bill says that a CEO, COO, or other executive who knowingly sets a policy that controls a doctor's medical, staffing, or patient-volume decisions is doing exactly that. It is a third-degree felony; if the policy causes a patient bodily injury, second degree; if it causes a death, first degree. The company is prosecuted alongside the executive, cannot insure or reimburse the fine, and is barred from managing practices or holding hospital contracts for ten years. The local district attorney prosecutes, with the Attorney General's help.
Subchapter G Exemptions	Hospitals, nonprofit health corporations, community health centers, medical schools, and government hospitals keep the employment authority they already have. But no exemption lets anyone override a doctor's medical decisions, appoint an unqualified medical director, or divert professional fees.

Part of the bill	What it means
Subchapter H CEO bonuses	A hospital may not pay its CEO or any executive a bonus tied to how many patients each doctor sees, cutting doctor hours or staffing, raising the nurse-practitioner-to-doctor ratio, shrinking the payment to the ER group, or billing intensity. Bonuses tied to safety, mortality, infections, readmissions, patient experience, or the hospital's overall finances are fine. The CEO also cannot pressure the ER group through the contract, the subsidy, or a rebid to hit those numbers. Every year the hospital's doctors vote by secret ballot on the executive bonus plan; a plan they reject pays nothing. The plan, the vote, and the bonuses paid are filed with the state and posted. A bonus paid without the vote is clawed back, and whoever reports it is protected and can share in any penalty.
Subchapter G No hiding behind a nonprofit	Texas lets hospitals employ doctors through a state-certified "nonprofit health organization" that is supposed to be run by physicians. In practice the hospital or a management company funds and runs it. The bill says that shell gets no free pass: any deal between it and a management company or investor is covered, its board must be elected by the doctors it employs, it must keep its own fees and set its own doctors' pay by vote, and using a nonprofit or any other entity as a front for something the law forbids is itself a violation. The Medical Board must pull the organization's certificate if it's being used that way.
Subchapter H Hospital contracts	A hospital, freestanding ER, or surgery center may get its physician coverage only from a doctor, a group owned entirely by doctors, its own lawful employees, or a medical school. It may not hire a staffing company or private-equity-owned group to run a department. The doctors already working there get notice and a chance to bid when the contract comes up, the medical staff gets 90 days' notice and a say before a department contract is cancelled, and the hospital must post who is providing its ER physicians.

What the bill does not do

- **It does not ban management companies.** A doctor's practice can still hire an outside company to run its billing, payroll, offices, and computers. The company just cannot run the practice.
- **It does not ban outside money.** Investors can still lend to practices, lease them buildings and equipment, and sell them services at a fair price. They cannot own the practice or skim its profits.
- **It does not touch how hospitals employ doctors today.** Nonprofit health corporations, rural and critical-access hospitals, hospital districts, and medical schools keep the employment rights they already have under existing law.
- **It does not tell doctor-owned groups how to pay their own doctors.** A group owned entirely by physicians can use productivity pay if its physicians choose to.
- **It does not take effect overnight.** New arrangements must comply on September 1, 2027. Existing management deals have until September 1, 2030. Existing hospital coverage contracts have until September 1, 2029, or their next renewal. Sitting medical directors have until September 1, 2028 to qualify and be confirmed by their colleagues.
- **It does not touch nurse practitioners' or physician assistants' licenses or scope of practice.** It only says that the decision to use them in place of a physician belongs to physicians, not to a budget office.

Who is affected

Who	What changes for them
Patients	Gain the right to know who is treating them, to ask for a physician, to see who owns their doctor's practice, and to sue if a corporate arrangement harmed them.
Physicians	Regain final say over medical and staffing decisions, keep the fees they earn, choose their own medical directors, can staff an ER regardless of specialty at equal pay for equal work, and can leave a bad arrangement without a noncompete.
Doctor-owned practices and groups	Largely unaffected. Can still use a management company for back-office work. Become the only kind of group eligible to hold a hospital coverage contract.
Management companies (MSOs)	Must give up any ownership, profit share, or control over clinical and staffing decisions by the transition date, and must register their contracts with the Medical Board.
Private equity firms	May lend, lease, and sell services. May no longer own or control physician practices or hold hospital department contracts in Texas.
Hospitals, freestanding ERs, surgery centers	Must contract directly with doctors or doctor-owned groups, keep a physician on site in the ER, give the medical staff notice before cancelling a department contract, and post who provides their ER physicians.
Texas Medical Board	Registers management agreements, posts ownership, takes complaints, subpoenas records, and disciplines physicians who front for illegal arrangements.
Attorney General and HHSC	The AG enforces against companies that are not licensed physicians. The Health and Human Services Commission enforces the hospital-contract rules through facility licensing.

Questions people ask

Isn't this already illegal in Texas?

The principle is. The enforcement is not. No Texas statute says what a management company may and may not do, the Medical Board has no clear power to investigate companies that are not licensed doctors, and no one has ever been required to file these contracts anywhere. The result is a rule everyone cites and no one enforces. This bill turns the principle into a checklist with a referee.

Won't this cut off money that small practices need?

No. A practice can still borrow, lease, and buy services from anyone. What it cannot do is sell its decision-making or its profits to someone who does not hold a license. That is the same rule that applies to law firms in every state: a lawyer can rent an office from anyone, but cannot be owned by a hedge fund.

How will hospitals staff their emergency rooms without staffing companies?

The same way most of them did fifteen years ago and many still do: by contracting with a group of emergency physicians who own their own practice. Those groups can be large and can use a management company for billing and scheduling. The only thing that changes is who holds the contract and who keeps the money. Existing contracts get until September 2029 or their next renewal, whichever comes first.

Why ban noncompetes when the Legislature just limited them in 2025?

The 2025 law (one year, five miles, a buyout capped at a year's pay) was a compromise with employers. It still means a doctor who objects to a quota has to pay a year's salary or move. A doctor who cannot leave cannot push back. Several states, including California, have banned physician noncompetes outright and their hospitals still have doctors. The bill applies only to new contracts and keeps one narrow exception: a doctor who sells his or her own practice to another doctor can agree not to reopen next door for a year.

What is wrong with a corporation appointing the medical director?

Nothing, if the director is qualified and answers to the doctors in the department. The problem is a director chosen for loyalty to the budget rather than skill at the bedside, who has never worked a shift in that department, and who can be removed the moment he or she sides with the physicians. The bill sets a floor: trained in the specialty, five years of practice, still seeing patients there, and confirmed by a vote of the doctors being directed.

Does the physician-in-every-ER rule close rural hospitals?

It is not meant to, and the bill builds in a delay and a waiver. It takes effect September 2028, and a hospital in a county under 50,000 people can get a published waiver if it shows no physician is reasonably available. The point is that a decision to run an ER without a physician should be a public one, not a quiet budget cut.

Why should everyday Texans care?

Because the pressure on the doctor is pressure on you. When the fees for your visit flow to a fund that needs a return in three years, the only lever left is to see more patients in less time, code every visit as high as it will go, and replace the doctor with someone cheaper. The bill does not make care free or fast. It makes sure the person deciding how much time you get is the person who went to medical school and will be held responsible if you are harmed.

Key dates

November 9, 2026	Bill pre-filing opens for the 90th Legislature.
January 12, 2027	Session convenes.
March 12, 2027	Last day to file bills.
September 1, 2027	Effective date. Applies to all new contracts and to all decisions made under any contract from this day forward.
September 1, 2028	Sitting medical directors must qualify and be confirmed. Physician-present ER rule takes effect.
September 1, 2029	All hospital physician-coverage contracts must comply.
September 1, 2030	All pre-existing management company arrangements must comply.

Prepared by a Texas emergency physician for members of the 90th Legislature; summarizes the draft as of November 2, 2026. Not a Texas Legislative Council document and not legal advice. Where this summary and the bill text differ, the bill controls.