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## Envision leaves California, dodging major private equity verdict



Envision Healthcare, a top private equity-backed emergency physician staffing company, is exiting California and avoiding a lawsuit that threatened the legality of its business model in the state.

The Nashville, Tennessee-based company had been battling the American Academy of Emergency Medicine, which [sued in 2021](#) after Envision Healthcare won a contract that the American Academy of Emergency Medicine Physician Group previously held at Placentia-Linda Hospital in Placentia, part of the Orange-based University of California, Irvine Health system.

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The case attracted nationwide attention from healthcare advocates and lawmakers increasingly concerned about [mergers and acquisitions in healthcare](#), who saw it as a [possible test case](#) to revive century-old [laws against corporate practice of medicine](#) as tools to restrain consolidation.

Envision Healthcare argued that the medical society and the American Academy of Emergency Medicine Physician Group were simply upset about losing a major customer in UCI Health, but the lawsuit alleged the company's business model violated California's corporate practice of medicine statute.

The American Academy of Emergency Medicine and its physician group announced Wednesday that Envision Healthcare was leaving the state, that the case would be dismissed as moot, and that the company had agreed to pay a portion of the academy's legal fees.

*[Related: Lawmakers eye Gilded Age laws to tame healthcare consolidation](#)*

Envision Healthcare confirmed its departure from California but denied the lawsuit was a factor.

"As a leading medical group, Envision continuously assesses the states in which we operate to ensure we are supporting the delivery of high-quality, affordable care and making a meaningful impact in the communities we serve," the company said in a statement. "Envision previously decided to exit all its management services and administrative operations in California, where we have been decreasing our footprint over the past several years."

A lawyer for the American Academy of Emergency Medicine Physician Group, David Millstein, said he believed Envision Healthcare didn't want to see a negative, potentially precedent-setting verdict that might threaten its business more generally.

"I'm not sure Envision will say they moved out of California because their entire practice model was challenged, and would have implications throughout the country, but from our perspective and in our opinion, they left to because they don't want to have a judgment against them," Millstein said.

The plaintiffs originated the lawsuit in the Superior Court of California but Envision Healthcare successfully petitioned to remove the case to the U.S. District Court for the Northern District of California.

At issue in the case were statutes that say corporate entities or lay people cannot control medical practices. About two-thirds of states have similar laws on the books, many of which date back to the Gilded Age.

Nevertheless, private equity investors such as KKR & Co., which [bought Envision Healthcare](#) for \$9.9 billion in 2018, have acquired [a growing share of medical practices](#). The Envision Healthcare deal went poorly, and the company filed for [bankruptcy last year](#), from which it [emerged](#) from in

November. The company is no longer wholly owned by KKR & Co. and has institutional investors and a board of directors.

Private equity firms get around the old prohibitions in several ways. The most common mechanism is establishing a professional corporation-management services organization, known as the PC-MSO model or the friendly physician model. Under these arrangements, a doctor or doctors sign agreements for management services organizations to run their operations. The management services organizations are controlled by corporations or private equity groups, which theoretically leave decisions that affect care to the physicians.

Companies such as CVS Health subsidiary Oak Street Health and Amazon subsidiary One Medical also employ such models.

The American Academy of Emergency Medicine alleged in its complaint that Envision Healthcare investors were calling the shots on issues that affected care.

Millstein said while the case is moot, some early decisions by Judge Charles Breyer suggested the academy had a very good chance of winning.

"The judge said if we can prove what we allege, this is a classic case — the friendly physician model of Envision — is a classic case of corporate practice of medicine," Millstein said. "We could have proved every one of those allegations, but Envision's leaving the state doesn't allow that."

Since the lawsuit is not being decided, it cannot set a precedent. Still, attorneys, [lawmakers](#) and [regulators](#) who have been taking increasingly hard looks at consolidation in healthcare have been watching closely.

More lawsuits are likely, and state legislatures will continue considering stiffer corporate practice of medicine bills, Millstein said. Oregon, for example, came close last year and is expected to revisit the issue in its 2025 legislative session, he said.

"Healthcare lawyers all around the country pretty much were aware of this challenge to the private equity model," Millstein said. "There'll be another one. It's just kind of a matter of time. And the vulnerabilities, I think, of that model have kind of been exposed."

Envision Healthcare "fully disagrees" with Millstein's assessment, and "continues to vigorously deny" the American Academy of Emergency Medicine Physician Group's claims, the company said in a statement.

The company argues its business model is commonplace across the healthcare sector and has survived previous legal challenges.

"Envision operates with high ethical standards that put patients' health and safety first," the statement said. "Envision is focused on supporting clinicians and the patients they serve, and clinicians exercise their independent clinical judgment and work with patients to provide care based on their unique needs. The healthcare community should be working together to solve pressing medical challenges, improve the U.S. healthcare system and make sure patients have access to care."