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Tennessee Allows Hospital-Based Physician Employment and Licensure of Anesthesiologist Assistants

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What's Changed?

Tennessee Governor Bill Lee signed [House Bill No. 979](#) into law on May 21, 2025, enacting significant changes to Tennessee's corporate practice of medicine prohibition. Prior to this law, certain hospital-based physicians – including radiologists, anesthesiologists, pathologists, and emergency physicians – were prohibited from being directly employed by hospitals in Tennessee pursuant to Tenn. Code Ann. § 63-6-204. This direct employment limitation resulted in these types of physicians being employed by third-party groups that contracted with hospitals to provide these services. Under the new law, hospitals in certain counties will now be permitted to employ these hospital-based physicians directly.

Separately, anesthesiologist assistants have historically been prohibited from practicing in Tennessee. With the passage of the new law, Tennessee has authorized the licensure and practice of anesthesiologist assistants in the state, making it the 23rd state to do so.

Who's Feeling the Impact?

With respect to the employment of radiologists, anesthesiologists, pathologists, and emergency physicians, effective July 1, 2025, the corporate practice of medicine restriction will no longer apply to hospitals located in counties with a population of 105,000 or less, according to the [2020 Federal Census](#). Only 13 of Tennessee's 95 counties will be unaffected by this change: Shelby, Davidson, Knox, Hamilton, Rutherford, Williamson, Montgomery, Sumner, Sullivan, Wilson, Blount, Washington, and Bradley. Hospitals in counties with a population exceeding 105,000 may continue to employ licensed physicians other than radiologists, anesthesiologists, pathologists, and emergency physicians.

Additionally, the new law allows children's hospitals to directly employ board-certified or board-eligible radiologists, anesthesiologists, pathologists, and emergency physicians. Further, a research hospital may employ radiologists, anesthesiologists, or pathologists under the same terms and conditions as other physicians. The statute defines a "research hospital" as a hospital in which 50 percent or more of the inpatients treated in the previous calendar year were treated under research protocols. Lastly, the new law notes that physicians may be employed by (i) professional corporations and (ii) non-profit organizations that have medical education and research as purposes in conjunction with an accredited medical school in Tennessee, whose physician-employees practice through a faculty practice plan.

Why Should Health Care Providers Care?

This law will likely alter the dynamics between hospitals and these hospital-based specialists. Hospitals that choose to directly employ these physicians should ensure their employment agreements are structured to comply with the Physician Self-Referral Law, Anti-Kickback Statute, and applicable state laws. Hospitals must also ensure that the physicians retain sufficient control over their medical judgment and referral decisions and that the physicians' employment does not, for example, interfere in a manner that unnecessarily increases costs to the patients for medical services provided.

Permitting the licensure and practice of anesthesiologist assistants in Tennessee may help meet the increasing demand for anesthesia professionals in the state. However, some argue that the impact could be limited in practice, as anesthesiologist assistants are required to work pursuant to delegation by and under the supervision of physician anesthesiologists.

What's Your Next Move?

Hospitals interested in realigning their employment relationships to directly employ physicians should take steps to ensure compliance with relevant state and federal laws to mitigate risks associated with a direct employment relationship.

For additional guidance on House Bill No. 979 and assistance evaluating hospital-physician employment relationships, please contact [K. Scott Newman](#), [Tenia L. Clayton](#), [Mary Grace Griffin](#), or any member of the Baker Donelson [Health Law](#) Group.

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