

HB 4130 -6 STAFF MEASURE SUMMARY

House Committee On Behavioral Health and Health Care

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Meeting Dates: 2/7, 2/19

WHAT THE MEASURE DOES:

The measure updates Oregon's corporate practice of medicine standards to keep decisions regarding the administration of a health care business separate from decisions regarding the delivery of health care. It also clarifies the use of noncompletion agreements and other disciplinary actions by a health care business against physicians.

Corporate Practice of Medicine (Sections 1 - 3)

- Prohibits official of professional organization from voting shares in professional corporation on issue that impacts management services organization with which professional corporation has contract
- Prohibits professional corporation organized for purpose of practicing medicine from removing director via process other than majority vote of stakeholders with specified exceptions
- Prohibits professional corporation organized for purpose of practicing medicine from, through corporate documents or other agreement, restricting the transfer of shares of the professional corporation and specifies corporate actions prohibition applies to
- Clarifies elements of shareholder agreement required to relinquish or transfer control or professional corporation's assets, business operations, or clinical decisions
- Clarifies professional corporation officers that must be licensed by health care professional regulatory boards

"Management Services Organization" Definition (Section 5)

- Defines "management services organization"

Violations (Section 6)

- Authorizes the Oregon Health Authority (OHA) to refer evidence regarding a violation of corporate practice of medicine regulations to the Secretary of State (SOS) for investigation
- Authorizes SOS to dissolve or revoke registration of business that violates corporate practice of medicine regulations
- Clarifies SOS dissolution authority

Professional Medical Entities (Section 7)

- Defines "professional medical entity" for purposes of measure
- Requires professional medical entity to disclose to OHA identity of each person that owns 10 percent or more of outstanding shares of professional medical entity
- Requires OHA to make information public on OHA website

Holding Entities (Sections 8 - 10)

- Defines "holding entity"
- Applies corporate practice of medicine regulations to limited liability company, limited liability partnership, and holding entity

Noncompetition (Sections 12 - 13)

- Prohibits use of noncompetition agreement, nondisclosure agreement, and nondisparagement agreement with specified exceptions

Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Trends in consolidation and private equity investment in health care and impacts on care quality
- History and context of corporate practice of medicine laws

EFFECT OF AMENDMENT:

-6 **Replaces the measure.** Adds definition of "professional corporation" for purposes of the measure. Clarifies prohibitions on shareholders, directors, and officers of professional corporations and establishes exceptions for professional corporations solely and exclusively engaged in specified fields or areas. Adds exception for hospital and hospital-affiliated entity that provides outpatient health under the control of a hospital. Clarifies definitions of "management services organization" and "professional medical entity" for purposes of measure. Clarifies permitted penalties SOS may impose for violations of prohibited acts. Clarifies definitions of "holding entity," and "medical purpose."

BACKGROUND:

The corporate practice of medicine doctrine is a concept arising from state medical practice acts and prohibits corporations from practicing medicine. The doctrine is based on the policy that allowing corporations to practice medicine would result in the commercialization of health care. It also acknowledges the fact that a corporation's duties and obligations are to its shareholders and that duty could conflict with the interests of the patient or provider. Over 30 states have some form of prohibition on the corporate practice of medicine.