

HB 4130 A STAFF MEASURE SUMMARY**Carrier:** Rep. Bowman**House Committee On Behavioral Health and Health Care****Action Date:** 02/19/24**Action:** Do pass with amendments. (Printed A-Eng.)**Vote:** 7-4-0-0**Yeas:** 7 - Bowman, Dexter, Javadi, Nelson, Nosse, Pham H, Tran**Nays:** 4 - Conrad, Diehl, Goodwin, Yunker**Fiscal:** Has minimal fiscal impact**Revenue:** No revenue impact**Prepared By:** Brian Nieubuurt, LPRO Analyst**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 noncompetition agreements and other disciplinary actions by a health care business against physicians.

Detailed Summary

Requires all officers of a professional corporation, except the secretary and treasurer, to be licensees of the Oregon Medical Board or Oregon State Board of Nursing. Defines “management services organization” (MSO). Prohibits a shareholder, director, or officer of a corporation organized for the purpose of practicing medicine (“professional corporation”) from taking specified actions in relation to an MSO that the professional corporation has a contract with, including:

- Owning or controlling shares in both the professional corporation and MSO
- Setting the terms of employment of a physician the professional corporation employs
- Removing a director or officer except by majority vote of shareholders with specified exceptions for fiduciary duty violations, Oregon Medical Board disciplinary actions, and fraud
- Relinquishing control over assets, business operation, or clinical practices or decisions
- Giving a proxy to vote the shares of the professional corporation

Exempts shareholders who have control over less than five percent of shares or whose share ownership is incidental. Exempts specified professional corporations, including:

- Corporations solely and exclusively engaged in telemedicine
- PACE organizations
- Mental health or substance use disorder crisis line providers
- Urban Indian health programs
- Recipients of a Tribal Behavioral Health or Native Connections program grant
- Specified behavioral health care providers
- Hospitals

Permits the Oregon Health Authority (OHA) to submit to the Secretary of State a complaint regarding violation of corporate practice of medicine laws. Specifies SOS disciplinary authority for violations of corporate practice of medicine laws. Allows a professional corporation up to seven years to remove grounds for SOS discipline. Permits OHA to apply to circuit court for order to stay a merger or acquisition that OHA determines will violate corporate practice of medicine standards. Requires company organized for a medical purpose and holding entity to comply with corporate practice of medicine requirements for professional corporations. Makes noncompetition, nondisclosure, and nondisparagement agreements void and unenforceable with specified exceptions.

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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:

Replaces the measure.

BACKGROUND:

The corporate practice of medicine doctrine is a concept arising from state acts to prohibit 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.

The corporate practice of medicine has attracted increased attention recently in response to the growing role of corporations, particularly private equity investors, in health care markets. In Oregon, examples of this include UnitedHealth Group [purchasing Oregon Medical Group](#) and [trying to buy the Corvallis Clinic](#), and [Amazon purchasing One-Medical](#).