

HB 4130-6
(LC 9)
2/19/24 (TSB/DJ/ps)

Requested by Representative BOWMAN

**PROPOSED AMENDMENTS TO
HOUSE BILL 4130**

1 On page 1 of the printed bill, delete line 3 and insert “58.381, 60.754 and
2 63.074; and prescribing an effective date.”.

3 After line 3, insert:

4 “Whereas the State of Oregon since 1947 has recognized that a conflict
5 exists between the economic imperatives of for-profit corporations and other
6 business entities and the need for patient-centered medical care; and

7 “Whereas an Oregon Supreme Court decision banned corporations from
8 owning medical practices, practicing medicine or employing physicians for
9 that reason; and

10 “Whereas many business entities have sought to circumvent the ban
11 through complex ownership structures, contracting practices and other
12 means, particularly in recent years; and

13 “Whereas the State of Oregon must protect the health, safety and welfare
14 of residents of this state by responding to initiatives that threaten to usurp
15 or have the effect of usurping the medical judgment of physicians and other
16 practitioners in this state in favor of cost-cutting and profit-making, often
17 at the expense of and in opposition to the best interests of patients; and

18 “Whereas some business entities have sought to silence criticism of their
19 operations and management practices through nondisclosure, noncompetition
20 and nondisparagement agreements and other devices that stifle reporting of
21 and accountability for these operations and practices; and

1 “Whereas to protect the best interests of patients in this state, and enable
2 medical practitioners to exercise medical judgment free from interference
3 from those who are not licensed to practice medicine in this state, the Leg-
4 islative Assembly must prohibit business entities from practicing medicine
5 or employing actively practicing physicians and other practitioners and us-
6 ing noncompetition agreements, nondisclosure agreements and
7 nondisparagement agreements to restrict reasonable and honest criticism;
8 and

9 “Whereas the Legislative Assembly supports existing exemptions for pro-
10 fessional corporations and hospitals that are organized specifically for the
11 purpose of practicing medicine or providing medical services, and are
12 majority-owned and managed by physicians and other practitioners who can
13 exercise medical judgment without interference; now, therefore,”.

14 Delete lines 5 through 13 and delete pages 2 through 14 and insert:

15 **“SECTION 1.** ORS 58.375 is amended to read:

16 **“58.375. (1)(a) As used in this section, ‘professional corporation’**
17 **means a professional corporation organized for the purpose of prac-**
18 **ticing medicine or a foreign professional corporation with authority**
19 **to transact business in this state that is organized for the purpose of**
20 **practicing medicine.**

21 **“(b) As used in subsection (6) of this section, ‘control’ has the**
22 **meaning given that term in ORS 732.548.**

23 **“[(1)] (2) In a professional corporation [*organized for the purpose of prac-***
24 ***ticing medicine*]:**

25 **“(a) Physicians who are licensed in this state to practice medicine must**
26 **hold the majority of each class of shares that are entitled to vote.**

27 **“(b) Physicians who are licensed in this state to practice medicine must**
28 **be a majority of the directors.**

29 **“(c) All officers except the secretary and treasurer, if any, must be phy-**
30 **sicians who are licensed in this state to practice medicine. The same person**

1 may hold any two or more offices.

2 “(d) Except as otherwise provided by law, the Oregon Medical Board may
3 expressly require that physicians who are licensed in this state to practice
4 medicine hold more than a majority of each class of shares that is entitled
5 to vote.

6 “(e) Except as otherwise provided by law, the Oregon Medical Board may
7 expressly require that physicians who are licensed in this state to practice
8 medicine be more than a majority of the directors.

9 “(f)(A) **A shareholder, director or officer of a professional corpo-
10 ration may not:**

11 “(i) **Own or control shares in, serve as a director or officer of, be
12 an employee of or an independent contractor with, or otherwise par-
13 ticipate in managing both the professional corporation and a manage-
14 ment services organization with which the professional corporation
15 has a contract; or**

16 “(ii) **Participate in hiring, terminating, evaluating the performance
17 of, setting work schedules or compensation for, or otherwise specifying
18 terms of employment of a physician that the professional corporation
19 employs or may employ while at the same time owning or controlling
20 shares in, serving as a director of, being an employee of or an inde-
21 pendent contractor with or otherwise participating in managing a
22 management services organization with which the professional corpo-
23 ration has a contract.**

24 “(B) **Subparagraph (A) of this paragraph does not apply to a share-
25 holder in the professional corporation if the shareholder does not own
26 or control more than five percent of the shares of or interest in the
27 professional corporation, does not serve as a director of the profes-
28 sional corporation, does not participate in managing the professional
29 corporation and:**

30 “(i) **Does not serve as a director of, or participate in managing, the**

1 **management services organization;**

2 **“(ii) Is an employee of, or is a party to a contract for services with,**
3 **the management services organization and provides to the manage-**
4 **ment services organization services that are compensated at the mar-**
5 **ket rate for such services and that are entirely consistent with the**
6 **shareholder’s professional obligations, ethics and duties to the profes-**
7 **sional corporation and the shareholder’s patients; and**

8 **“(iii) Owns shares in either the professional corporation or the**
9 **management services organization incidentally and without relation**
10 **to the shareholder’s compensation as an employee of, or under a con-**
11 **tract for services with, the management services organization.**

12 **“(C) Subparagraph (A) of this paragraph does not apply to the**
13 **shareholders, directors or officers of a professional corporation if the**
14 **professional corporation owns a majority of the interest in the man-**
15 **agement services organization.**

16 **“(D) Subparagraph (A) of this paragraph does not apply to a pro-**
17 **fessional corporation if the professional corporation is solely and ex-**
18 **clusively:**

19 **“(i) Engaged in the practice of telemedicine, as defined in ORS**
20 **677.494, without a physical presence in this state;**

21 **“(ii) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect**
22 **on the effective date of this 2024 Act, that has a contract with the**
23 **Department of Human Services to carry out a program of all-inclusive**
24 **care for the elderly;**

25 **“(iii) A mental health or substance use disorder crisis line provider;**

26 **“(iv) An urban Indian health program in this state that is funded**
27 **under 25 U.S.C. 1601 et seq., as in effect on the effective date of this**
28 **2024 Act;**

29 **“(v) A recipient of a Tribal Behavioral Health or Native Connections**
30 **program grant from the federal Substance Abuse and Mental Health**

1 **Services Administration; or**

2 **“(vi) An entity that provides behavioral health care, other than a**
3 **hospital, that the Oregon Health Authority has certified to provide**
4 **behavioral health care and that is a licensed opioid treatment pro-**
5 **gram, a qualified medical provider that primarily provides office-based**
6 **and medication-assisted treatment services, a provider of withdrawal**
7 **management services or a sobering center.**

8 **“(3)(a) Except as provided in paragraph (b) of this subsection, a**
9 **professional corporation may not provide in the professional**
10 **corporation’s articles of incorporation or bylaws, or by means of a**
11 **contract or other agreement or arrangement, for removing a director**
12 **described in subsection (2)(b) of this section from the professional**
13 **corporation’s board of directors, or an officer described in subsection**
14 **(2)(c) of this section from an office of the professional corporation,**
15 **except by a majority vote of the shareholders described in subsection**
16 **(2)(a) of this section or, as appropriate, a majority vote of the directors**
17 **described in subsection (2)(b) of this section.**

18 **“(b) A professional corporation may remove a director or officer by**
19 **means other than a majority vote of the shareholders described in**
20 **subsection (2)(a) of this section or a majority vote of the directors**
21 **described in subsection (2)(b) of this section if the director or officer**
22 **that is subject to removal:**

23 **“(A) Violated a duty of care, a duty of loyalty or another fiduciary**
24 **duty to the professional corporation;**

25 **“(B) Was the subject of a disciplinary proceeding by the Oregon**
26 **Medical Board in which the board suspended or revoked the director’s**
27 **or officer’s license to practice medicine in this state; or**

28 **“(C) Engaged in fraud, misfeasance or malfeasance with respect to**
29 **the director’s or officer’s performance of duties for or on behalf of the**
30 **professional corporation.**

1 **“(4)(a) Except as provided in paragraph (d) of this subsection, a**
2 **professional corporation may not by means of a contract or other**
3 **agreement or arrangement, by providing in the professional**
4 **corporation’s articles of incorporation or bylaws, by forming a sub-**
5 **sidary or affiliated entity or by other means relinquish control over**
6 **or otherwise transfer de facto control over the professional**
7 **corporation’s assets, business operations, clinical practices or deci-**
8 **sions or the clinical practices or decisions of a physician that the**
9 **professional corporation employs or with whom the professional cor-**
10 **poration has a contract.**

11 **“(b) Methods of relinquishing or transferring control over a pro-**
12 **fessional corporation that are prohibited under paragraph (a) of this**
13 **subsection include, but are not limited to:**

14 **“(A) Selling, restricting the sale of, encumbering or transferring**
15 **substantially all of the professional corporation’s shares or assets;**

16 **“(B) Issuing shares of stock in the professional corporation, in a**
17 **subsidiary of the professional corporation or an entity affiliated with**
18 **the professional corporation, or paying dividends;**

19 **“(C) Controlling hiring or termination of, setting of work schedules**
20 **or compensation for, or otherwise specifying terms of employment of**
21 **employees who are licensed to practice medicine in this state or who**
22 **are licensed in this state as physician assistants or nurse practitioners;**

23 **“(D) Controlling staffing levels for any location that serves pa-**
24 **tients;**

25 **“(E) Advertising the professional corporation’s services under the**
26 **name of an entity that is not a professional corporation;**

27 **“(F) Controlling diagnostic coding decisions, establishing clinical**
28 **standards directly or by suggestion or protocol or making policies for**
29 **patient, client or customer billing and collection;**

30 **“(G) Limiting access to, taking control from or otherwise obscuring**

1 from a physician the prices, rates or amounts the professional corpo-
2 ration charges for the physician's services; or

3 “(H) Controlling the negotiation, execution, performance, enforce-
4 ment or termination of contracts with third-party payors or persons
5 that are not employees of the professional corporation.

6 “(c) The methods described in paragraph (b) of this subsection do
7 not prohibit:

8 “(A) Collection of quality metrics as required by law or in accord-
9 ance with an agreement to which the professional corporation is a
10 party; or

11 “(B) Setting criteria for reimbursement under a contract between
12 the professional corporation and an insurer.

13 “(d) A professional corporation may relinquish or transfer control
14 over the professional corporation's assets, business operations, clinical
15 practices or decisions only if:

16 “(A) The professional corporation executes a shareholder agreement
17 exclusively between or among and for the benefit of a majority of
18 shareholders who are physicians licensed in this state to practice
19 medicine and the shareholder agreement complies with the provisions
20 of ORS 60.265; or

21 “(B) The professional corporation is solely and exclusively:

22 “(i) Engaged in the practice of telemedicine, as defined in ORS
23 677.494, without a physical presence in this state;

24 “(ii) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect
25 on the effective date of this 2024 Act, that has a contract with the
26 Department of Human Services to carry out a program of all-inclusive
27 care for the elderly;

28 “(iii) A mental health or substance use disorder crisis line provider;

29 “(iv) An urban Indian health program in this state that is funded
30 under 25 U.S.C. 1601 et seq., as in effect on the effective date of this

1 **2024 Act;**

2 **“(v) A recipient of a Tribal Behavioral Health or Native Connections**
3 **program grant from the federal Substance Abuse and Mental Health**
4 **Services Administration; or**

5 **“(vi) An entity that provides behavioral health care, other than a**
6 **hospital, that the Oregon Health Authority has certified to provide**
7 **behavioral health care and that is a licensed opioid treatment pro-**
8 **gram, a qualified medical provider that primarily provides office-based**
9 **and medication-assisted treatment services, a provider of withdrawal**
10 **management services or a sobering center.**

11 **“[(2)] (5) A professional corporation that is not organized for the pur-**
12 **pose of practicing medicine** may be a shareholder of a professional corpo-
13 ration organized for the purpose of practicing medicine solely for the purpose
14 of effecting a reorganization as defined in the Internal Revenue Code.

15 **“[(3)(a)] (6)(a) The provisions of subsections [(1) and] (2) to (5) of this**
16 **section do not apply to:**

17 **“(A) A nonprofit corporation that is organized under [Oregon law] the**
18 **laws of this state** to provide medical services to migrant, rural, homeless
19 or other medically underserved populations under 42 U.S.C. 254b or 254c, as
20 in effect on [January 1, 2018] **the effective date of this 2024 Act;**

21 **“(B) A health center that is qualified under 42 U.S.C. 1396d(1)(2)(B), as**
22 **in effect on [January 1, 2018] the effective date of this 2024 Act,** that op-
23 erates in compliance with other applicable state or federal law; [or]

24 **“(C) A professional corporation that is solely and exclusively a**
25 **hospital, as defined in ORS 442.015, or is a hospital-affiliated entity**
26 **that provides outpatient health services and that is owned, operated**
27 **or controlled by, or is under common ownership, operation or control**
28 **with, a hospital; or**

29 **“[(C)] (D) Except as provided in paragraph (b) of this subsection, a for-**
30 **profit or nonprofit business entity that is incorporated or organized under**

1 the laws of this state, that provides the entirety of the business entity’s
2 medical services through one or more rural health clinics, as defined in 42
3 U.S.C. 1395x, as in effect on [*January 1, 2018*] **the effective date of this**
4 **2024 Act**, and that operates in compliance with state and federal laws that
5 apply to rural health clinics.

6 “(b) A business entity is exempt under this subsection for a period of up
7 to one year after the business entity establishes a rural health clinic, even
8 though the rural health clinic that the business entity establishes does not
9 meet all of the elements of the definition set forth in 42 U.S.C. 1395x, as in
10 effect on [*January 1, 2018*] **the effective date of this 2024 Act**, if during the
11 one-year period an applicable certification for the rural health clinic is
12 pending.

13 **“SECTION 2.** ORS 58.376 is amended to read:

14 “58.376. (1)(a) As used in this section[,]:

15 “(A) ‘Licensee’ means an individual who has a license as a physician or
16 a license as a physician assistant from the Oregon Medical Board or who
17 has a license as a nurse practitioner from the Oregon State Board of Nurs-
18 ing.

19 “(B) ‘Professional corporation’ means a professional corporation
20 that is organized for the purpose of allowing physicians, physician as-
21 sistants and nurse practitioners to jointly render professional health
22 care services or a foreign professional corporation with authority to
23 transact business in this state that is organized for the purpose of al-
24 lowing physicians, physician assistants and nurse practitioners to
25 jointly render professional health care services.

26 “(b) As used in subsections (5)(d)(C) and (7)(d)(B)(iii) of this section,
27 ‘control’ has the meaning given to that term in ORS 732.548.

28 “(2)(a) In a professional corporation [*that is organized for the purpose of*
29 *allowing physicians, physician assistants and nurse practitioners to jointly*
30 *render professional health care services*], licensees must:

1 “[(a)] (A) Hold a majority of each class of shares of the professional
2 corporation that is entitled to vote; and

3 “[(b)] (B) Be a majority of the directors of the professional corporation.

4 **“(b) All officers of a professional corporation, except the secretary
5 and treasurer, if any, must be licensees. The same person may hold
6 any two or more offices.**

7 “(3) An individual whom the professional corporation employs, or an in-
8 dividual who owns an interest in the professional corporation, may not direct
9 or control the professional judgment of a licensee who is practicing within
10 the professional corporation and within the scope of practice permitted under
11 the licensee’s license.

12 “(4) A licensee whom the professional corporation employs, or a licensee
13 who owns an interest in the professional corporation, may not direct or
14 control the services of another licensee who is practicing within the profes-
15 sional corporation unless the other licensee is also practicing within the
16 scope of practice permitted under the licensee’s license.

17 **“(5)(a) A shareholder, director or officer of a professional corpo-
18 ration may not:**

19 **“(A) Own or control shares in, serve as a director or officer of, or
20 otherwise participate in managing both the professional corporation
21 and a management services organization with which the professional
22 corporation has a contract; or**

23 **“(B) Participate in hiring, terminating, evaluating the performance
24 of, setting work schedules or compensation for, or otherwise specifying
25 terms of employment of a licensee that the professional corporation
26 employs or may employ while at the same time owning or controlling
27 shares in, serving as a director of, or otherwise participating in man-
28 aging a management services organization with which the professional
29 corporation has a contract.**

30 **“(b) Paragraph (a) of this subsection does not apply to a shareholder**

1 in the professional corporation if the shareholder does not own or
2 control more than five percent of the shares of or interest in the pro-
3 fessional corporation, does not serve as a director of the professional
4 corporation, does not participate in managing the professional corpo-
5 ration and:

6 “(A) Does not serve as a director of, or participate in managing, the
7 management services organization;

8 “(B) Is an employee of, or is a party to a contract for services with,
9 the management services organization and provides to the manage-
10 ment services organization services that are compensated at the mar-
11 ket rate for such services and that are entirely consistent with the
12 shareholder’s professional obligations, ethics and duties to the profes-
13 sional corporation and the shareholder’s patients; and

14 “(C) Owns shares in either the professional corporation or the
15 management services organization incidentally and without relation
16 to the shareholder’s compensation as an employee of, or under a con-
17 tract for services with, the management services organization.

18 “(c) Paragraph (a) of this subsection does not apply to the share-
19 holders, directors or officers of a professional corporation if the pro-
20 fessional corporation owns a majority of the interest in the
21 management services organization.

22 “(d) Paragraph (a) of this subsection does not apply to a profes-
23 sional corporation if the professional corporation is solely and exclu-
24 sively:

25 “(A) Engaged in the practice of telemedicine, as defined in ORS
26 677.494, without a physical presence in this state;

27 “(B) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect
28 on the effective date of this 2024 Act, that has a contract with the
29 Department of Human Services to carry out a program of all-inclusive
30 care for the elderly;

1 “(C) A hospital, as defined in ORS 442.015, or a hospital-affiliated
2 entity that provides outpatient health services and that is owned, op-
3 erated or controlled by, or is under common ownership, operation or
4 control with, a hospital;

5 “(D) A mental health or substance use disorder crisis line provider;

6 “(E) An urban Indian health program in this state that is funded
7 under 25 U.S.C. 1601 et seq., as in effect on the effective date of this
8 2024 Act;

9 “(F) A recipient of a Tribal Behavioral Health or Native Con-
10 nections program grant from the federal Substance Abuse and Mental
11 Health Services Administration; or

12 “(G) An entity that provides behavioral health care, other than a
13 hospital, that the Oregon Health Authority has certified to provide
14 behavioral health care and that is a licensed opioid treatment pro-
15 gram, a qualified medical provider that primarily provides office-based
16 and medication-assisted treatment services, a provider of withdrawal
17 management services or a sobering center.

18 “(6)(a) Except as provided in paragraph (b) of this subsection, a
19 professional corporation may not provide in the professional
20 corporation’s articles of incorporation or bylaws, or by means of a
21 contract or other agreement or arrangement, for removing a director
22 described in subsection (2)(a)(B) of this section from the professional
23 corporation’s board of directors, or an officer described in subsection
24 (2)(b) of this section from an office of the professional corporation,
25 except by a majority vote of the shareholders described in subsection
26 (2)(a)(A) of this section or, as appropriate, a majority vote of the di-
27 rectors described in subsection (2)(a)(B) of this section.

28 “(b) A professional corporation may remove a director or officer by
29 means other than a majority vote of the shareholders described in
30 subsection (2)(a)(A) of this section or a majority vote of the directors

1 **described in subsection (2)(a)(B) of this section if the director or offi-**
2 **cer that is subject to removal:**

3 **“(A) Violated a duty of care, a duty of loyalty or another fiduciary**
4 **duty to the professional corporation;**

5 **“(B) Was the subject of a disciplinary proceeding by the regulatory**
6 **board that governs the director’s or officer’s practice as a licensee in**
7 **which the board suspended or revoked the director’s or officer’s li-**
8 **cense; or**

9 **“(C) Engaged in fraud, misfeasance or malfeasance with respect to**
10 **the director’s or officer’s performance of duties for or on behalf of the**
11 **professional corporation.**

12 **“(7)(a) Except as provided in paragraph (d) of this subsection, a**
13 **professional corporation may not by means of a contract or other**
14 **agreement or arrangement, by providing in the professional**
15 **corporation’s articles of incorporation or bylaws, by forming a sub-**
16 **sidary or affiliated entity or by other means relinquish control over**
17 **or otherwise transfer de facto control over the professional**
18 **corporation’s assets, business operations, clinical practices or deci-**
19 **sions or the clinical practices or decisions of a physician, physician**
20 **assistant or nurse practitioner that the professional corporation em-**
21 **ployes or with whom the professional corporation has a contract.**

22 **“(b) Methods of relinquishing or transferring control over a pro-**
23 **fessional corporation that are prohibited under paragraph (a) of this**
24 **subsection include, but are not limited to:**

25 **“(A) Selling, restricting the sale of, encumbering or transferring**
26 **substantially all of the professional corporation’s shares or assets;**

27 **“(B) Issuing shares of stock in the professional corporation, in a**
28 **subsidiary of the professional corporation or an entity affiliated with**
29 **the professional corporation, or paying dividends;**

30 **“(C) Controlling hiring or termination of, evaluations of perform-**

1 **ance of, setting of work schedules or compensation for, or otherwise**
2 **specifying terms of employment of employees who are licensed to**
3 **practice medicine in this state or who are licensed in this state as**
4 **physician assistants or nurse practitioners;**

5 **“(D) Controlling staffing levels for any location that serves pa-**
6 **tients;**

7 **“(E) Advertising the professional corporation’s services under the**
8 **name of an entity that is not a professional corporation;**

9 **“(F) Controlling diagnostic coding decisions, establishing clinical**
10 **standards directly or by suggestion or protocol or making policies for**
11 **patient, client or customer billing and collection;**

12 **“(G) Limiting access to, taking control from or otherwise obscuring**
13 **from a physician, physician assistant or nurse practitioner the prices,**
14 **rates or amounts the professional corporation charges for the**
15 **physician’s, physician assistant’s or nurse practitioner’s services; or**

16 **“(H) Controlling the negotiation, execution, performance, enforce-**
17 **ment or termination of contracts with third-party payors or persons**
18 **that are not employees of the professional corporation.**

19 **“(c) The methods described in paragraph (b) of this subsection do**
20 **not prohibit:**

21 **“(A) Collection of quality metrics as required by law or in accord-**
22 **ance with an agreement to which the professional corporation is a**
23 **party; or**

24 **“(B) Setting criteria for reimbursement under a contract between**
25 **the professional corporation and an insurer.**

26 **“(d) A professional corporation may relinquish or transfer control**
27 **over the professional corporation’s assets, business operations, clinical**
28 **practices or decisions only if:**

29 **“(A) The professional corporation executes a shareholder agreement**
30 **exclusively between or among and for the benefit of a majority of**

1 **shareholders described in subsection (2)(a)(A) of this section and the**
2 **shareholder agreement complies with the provisions of ORS 60.265; or**

3 **“(B) The professional corporation is solely and exclusively:**

4 **“(i) Engaged in the practice of telemedicine, as defined in ORS**
5 **677.494, without a physical presence in this state;**

6 **“(ii) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect**
7 **on the effective date of this 2024 Act, that has a contract with the**
8 **Department of Human Services to carry out a program of all-inclusive**
9 **care for the elderly;**

10 **“(iii) A hospital, as defined in ORS 442.015, or a hospital-affiliated**
11 **entity that provides outpatient health services and that is owned, op-**
12 **erated or controlled by, or is under common ownership, operation or**
13 **control with, a hospital;**

14 **“(iv) A mental health or substance use disorder crisis line provider;**

15 **“(v) An urban Indian health program in this state that is funded**
16 **under 25 U.S.C. 1601 et seq., as in effect on the effective date of this**
17 **2024 Act;**

18 **“(vi) A recipient of a Tribal Behavioral Health or Native Con-**
19 **nections program grant from the federal Substance Abuse and Mental**
20 **Health Services Administration; or**

21 **“(vii) An entity that provides behavioral health care, other than a**
22 **hospital, that the Oregon Health Authority has certified to provide**
23 **behavioral health care and that is a licensed opioid treatment pro-**
24 **gram, a qualified medical provider that primarily provides office-based**
25 **and medication-assisted treatment services; a provider of withdrawal**
26 **management services or a sobering center.**

27 **“[(5)] (8) A professional corporation that is subject to ORS 58.375 may**
28 **elect to become subject to this section by amending the professional**
29 **corporation’s articles of incorporation or bylaws.**

30 **“SECTION 3. ORS 58.381 is amended to read:**

1 “58.381. (1)(a) **Except as provided in paragraph (b) of this subsection,**
2 a proxy to vote the shares of a professional corporation organized for the
3 purpose of practicing medicine may be given under the following conditions:

4 “[(a)] **(A)** If the shareholder granting the proxy is a physician licensed in
5 this state to practice medicine, the proxy may be given only to a shareholder
6 of the same corporation who is also a physician licensed in this state to
7 practice medicine, or to an attorney licensed to practice law in this state or
8 another person similarly licensed.

9 “[(b)] **(B)** If the shareholder granting the proxy is not a physician licensed
10 in this state to practice medicine, the proxy may be given only to another
11 shareholder of the same corporation, whether or not the other shareholder
12 is a physician licensed in this state to practice medicine, or to an attorney
13 licensed to practice law in this state or another person similarly licensed.

14 **“(b) A shareholder may not give a proxy to vote the shares of a**
15 **professional corporation, or a foreign professional corporation with**
16 **authority to transact business in this state, that is organized for the**
17 **purpose of practicing medicine, for the purpose of allowing physicians,**
18 **physician assistants and nurse practitioners to jointly render profes-**
19 **sional health care services, or for the purpose of practicing**
20 **naturopathic medicine if the shareholder is also a shareholder, direc-**
21 **tor, member, officer or employee of a management services organiza-**
22 **tion with which the professional corporation or foreign professional**
23 **corporation has a contract.**

24 “(2) [No] **A** voting trust may **not** be created to vote the shares of a pro-
25 fessional corporation organized for the purpose of practicing medicine.

26 “(3) Two or more shareholders of a professional corporation organized for
27 the purpose of practicing medicine may enter into a voting agreement pro-
28 vided that the voting agreement does not transfer voting rights from a
29 shareholder who is a physician licensed in this state to practice medicine to
30 a shareholder who is not so licensed. Notwithstanding any provision of this

1 subsection, voting rights may be transferred to an attorney licensed to
2 practice law in this state or another person similarly licensed.

3 **“SECTION 4. Sections 5, 6 and 7 of this 2024 Act are added to and**
4 **made a part of ORS chapter 58.**

5 **“SECTION 5. (1) As used in ORS 58.375, 58.376 and 58.381 and section**
6 **7 of this 2024 Act, ‘management services organization’ means an entity**
7 **that under a written agreement, and in return for compensation, pro-**
8 **vides any or all of the following management services to or on behalf**
9 **of a professional corporation:**

10 **“(a) Payroll;**

11 **“(b) Human resources;**

12 **“(c) Employment screening;**

13 **“(d) Employee relations; or**

14 **“(e) Any other administrative or business services that do not con-**
15 **stitute the practice of medicine.**

16 **“(2)(a) ‘Management services organization’ does not include a hos-**
17 **pital, as defined in ORS 442.015, or a hospital-affiliated entity that**
18 **provides outpatient health services and that is owned, operated or**
19 **controlled by, or is under common ownership, operation or control**
20 **with, a hospital.**

21 **“(b) For the purposes of paragraph (a) of this subsection, ‘control’**
22 **has the meaning given that term in ORS 732.548.**

23 **“SECTION 6. (1) As used in this section, ‘professional medical en-**
24 **tity’ means:**

25 **“(a) A professional corporation, as defined in ORS 58.375;**

26 **“(b) A professional corporation, as defined in ORS 58.376;**

27 **“(c) A professional corporation, as defined in section 7 of this 2024**
28 **Act;**

29 **“(d) A limited liability company or foreign limited liability company**
30 **with authority to transact business in this state that is organized for**

1 a medical purpose, as defined in ORS 63.074 (3)(a);

2 “(e) A partnership or foreign partnership with authority to transact
3 business in this state, or a limited liability partnership or foreign
4 limited liability partnership with authority to transact business in this
5 state, that is organized for a medical purpose, as defined in section 11
6 of this 2024 Act; or

7 “(f) A limited partnership or foreign limited partnership with au-
8 thority to transact business in this state that is organized for a med-
9 ical purpose, as defined in section 13 of this 2024 Act.

10 “(2) The Oregon Health Authority may submit to the Secretary of
11 State a complaint, and evidence concerning the complaint, that a
12 professional medical entity violated the requirements of ORS 58.375,
13 58.376, 58.381 or 63.074 (3) or section 7, 11, 13, 15 or 16 of this 2024 Act.
14 If the Secretary of State determines that a violation has occurred, the
15 Secretary of State may take action to, as appropriate:

16 “(a) Administratively dissolve the professional corporation or the
17 limited liability company that engaged in the violation;

18 “(b) Revoke the registration of the limited liability partnership that
19 engaged in the violation;

20 “(c) Inactivate the certificate of limited partnership for a limited
21 partnership that engaged in the violation;

22 “(d) Revoke the authority to transact business for a foreign pro-
23 fessional corporation, a foreign limited liability company or a foreign
24 limited liability partnership that engaged in the violation; or

25 “(e) Inactivate the registration of a foreign limited partnership that
26 engaged in the violation.

27 “(3)(a) For the purposes of an action under ORS 60.651, 63.651, 67.660
28 or 70.435, a reinstatement under ORS 60.654, 63.654, 67.665 or 70.440, or
29 an appeal under ORS 60.657, 63.657 or 67.670, a violation of ORS 58.375,
30 58.376 or 58.381 or section 7 of this 2024 Act is grounds:

1 **“(A) Under ORS 60.647 or 63.647 for a proceeding to administratively**
2 **dissolve:**

3 **“(i) A professional corporation organized for the purpose of prac-**
4 **ticing medicine, a professional corporation organized for the purpose**
5 **of allowing physicians, physician assistants and nurse practitioners to**
6 **jointly render professional medical services or a professional corpo-**
7 **ration organized for the purpose of practicing naturopathic medicine;**
8 **or**

9 **“(ii) A limited liability company organized for a medical purpose,**
10 **as defined in ORS 63.074 (3).**

11 **“(B) Under ORS 67.655 for a revocation of the registration of a**
12 **limited liability partnership organized for a medical purpose, as de-**
13 **fined in section 11 of this 2024 Act.**

14 **“(b) For the purposes of an action under ORS 60.741, 63.741, 67.755**
15 **or 70.435, a reinstatement under ORS 60.747, 63.747, 67.765 or 70.440, or**
16 **an appeal under ORS 60.744, 63.744 or 67.760, a violation of ORS 58.375,**
17 **58.376 or 58.381 or section 7 of this 2024 Act is grounds:**

18 **“(A) Under ORS 60.737 for the Secretary of State to revoke the au-**
19 **thority to transact business in this state of a foreign professional**
20 **corporation organized for the purpose of practicing medicine;**

21 **“(B) Under ORS 63.737 for the Secretary of State to revoke the au-**
22 **thority to transact business in this state of a foreign limited liability**
23 **company organized for a medical purpose, as defined in ORS 63.074 (3);**

24 **“(C) Under ORS 67.750 for the Secretary of State to revoke the au-**
25 **thority to transact business in this state of a foreign limited liability**
26 **partnership organized for a medical purpose, as defined in section 11**
27 **of this 2024 Act; and**

28 **“(D) Under ORS 70.430 for the Secretary of State to inactivate the**
29 **registration of a foreign limited partnership organized for a medical**
30 **purpose, as defined in section 13 of this 2024 Act.**

1 “(c) A professional corporation described in ORS 58.375 or 58.376 or
2 section 7 of this 2024 Act is a corporation that is subject to the Sec-
3 retary of State’s administrative dissolution authority.

4 “(d) A limited liability company described in ORS 63.074 (3) or a
5 holding entity, as defined in ORS 63.074 (3)(a), is a limited liability
6 company that is subject to the Secretary of State’s administrative
7 dissolution authority.

8 “(e) A limited liability partnership described in section 11 (2) of this
9 2024 Act is subject to the Secretary of State’s authority to revoke the
10 limited liability partnership’s registration.

11 “(f) A limited partnership described in section 13 of this 2024 Act is
12 subject to the Secretary of State’s authority to inactivate the limited
13 partnership’s certificate of registration.

14 “(g) A foreign professional corporation organized for the purpose
15 of practicing medicine, a foreign limited liability company organized
16 for a medical purpose, as defined in ORS 63.074 (3) and a foreign lim-
17 ited liability partnership organized for a medical purpose, as defined
18 in section 11 of this 2024 Act, are each subject to the power of the
19 Secretary of State to revoke the authority to transact business in this
20 state.

21 “(h) A foreign limited partnership organized for a medical purpose,
22 as defined in section 13 of this 2024 Act, is subject to the Secretary of
23 State’s power to inactivate the foreign limited partnership’s registra-
24 tion in this state.

25 “(4) Notwithstanding the 45-day period set forth in ORS 60.651,
26 60.741, 63.651, 63.741, 67.660, 67.755 and 70.435 within which a profes-
27 sional medical entity must take action to remove grounds for dissol-
28 ution, or for a revocation or inactivation of registration, the Secretary
29 of State, within not more than seven years after the date of a com-
30 plaint alleging a violation of ORS 58.375, 58.376 or 58.381 or section 7

1 of this 2024 Act, shall require the professional medical entity to re-
2 move the grounds set forth under this section for an administrative
3 dissolution, a revocation or inactivation of registration or a revocation
4 of authority to transact business in this state.

5 “(5) If the Oregon Health Authority determines that a person’s
6 merger with or acquisition of a professional corporation, limited li-
7 ability company, limited liability partnership or limited partnership
8 has or will have the effect of violating ORS 58.375, 58.376, 58.381 or
9 63.074 (3) or section 7, 11, 13, 15 or 16 of this 2024 Act, as appropriate,
10 the authority may apply to a circuit court of this state for an order
11 staying the merger or acquisition.

12 **“SECTION 7. (1)(a) As used in this section:**

13 **“(A) ‘Naturopathic medicine’ has the meaning given that term in**
14 **ORS 685.010.**

15 **“(B) ‘Naturopathic physician’ has the meaning given that term in**
16 **ORS 685.010.**

17 **“(C) ‘Professional corporation’ means a professional corporation**
18 **organized for the purpose of practicing naturopathic medicine or a**
19 **foreign professional corporation with authority to transact business in**
20 **this state that is organized for the purpose of practicing naturopathic**
21 **medicine.**

22 **“(b) As used in subsection (4)(d)(C) and (6)(d)(B)(iii) of this section,**
23 **‘control’ has the meaning given to that term in ORS 732.548.**

24 **“(2)(a) In a professional corporation, naturopathic physicians must:**

25 **“(A) Hold a majority of each class of shares of the professional**
26 **corporation that is entitled to vote; and**

27 **“(B) Be a majority of the directors of the professional corporation.**

28 **“(b) All officers of a professional corporation, except the secretary**
29 **and treasurer, if any, must be naturopathic physicians. The same**
30 **person may hold any two or more offices.**

1 **“(3) An individual whom the professional corporation employs, or**
2 **an individual who owns an interest in the professional corporation,**
3 **may not direct or control the professional judgment of a naturopathic**
4 **physician who is practicing within the professional corporation and**
5 **within the scope of practice permitted under the naturopathic**
6 **physician’s license.**

7 **“(4)(a) A shareholder, director or officer of a professional corpo-**
8 **ration may not:**

9 **“(A) Own or control shares in, serve as a director or officer of, or**
10 **otherwise participate in managing both the professional corporation**
11 **and a management services organization with which the professional**
12 **corporation has a contract; or**

13 **“(B) Participate in hiring, terminating, evaluating the performance**
14 **of, setting work schedules or compensation for, or otherwise specifying**
15 **terms of employment of a naturopathic physician that the professional**
16 **corporation employs or may employ while at the same time owning**
17 **or controlling shares in, serving as a director of, or otherwise partic-**
18 **ipating in managing a management services organization with which**
19 **the professional corporation has a contract.**

20 **“(b) Paragraph (a) of this subsection does not apply to a shareholder**
21 **in the professional corporation if the shareholder does not own or**
22 **control more than five percent of the shares of or interest in the pro-**
23 **fessional corporation, does not serve as a director of the professional**
24 **corporation, does not participate in managing the professional corpo-**
25 **ration and:**

26 **“(A) Does not serve as a director of, or participate in managing, the**
27 **management services organization;**

28 **“(B) Is an employee of, or is a party to a contract for services with,**
29 **the management services organization and provides to the manage-**
30 **ment services organization services that are compensated at the mar-**

1 ket rate for such services and that are entirely consistent with the
2 shareholder’s professional obligations, ethics and duties to the profes-
3 sional corporation and the shareholder’s patients; and

4 “(C) Owns shares in either the professional corporation or the
5 management services organization incidentally and without relation
6 to the shareholder’s compensation as an employee of, or under a con-
7 tract for services with, the management services organization.

8 “(c) Paragraph (a) of this subsection does not apply to the share-
9 holders, directors or officers of a professional corporation if the pro-
10 fessional corporation owns a majority of the interest in the
11 management services organization.

12 “(d) Paragraph (a) of this subsection does not apply to a profes-
13 sional corporation if the professional corporation is solely and exclu-
14 sively:

15 “(A) Engaged in the practice of telemedicine, as defined in ORS
16 677.494, without a physical presence in this state;

17 “(B) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect
18 on the effective date of this 2024 Act, that has a contract with the
19 Department of Human Services to carry out a program of all-inclusive
20 care for the elderly;

21 “(C) A hospital, as defined in ORS 442.015, or a hospital-affiliated
22 entity that provides outpatient health services and that is owned, op-
23 erated or controlled by, or is under common ownership, operation or
24 control with, a hospital;

25 “(D) A mental health or substance use disorder crisis line provider;

26 “(E) An urban Indian health program in this state that is funded
27 under 25 U.S.C. 1601 et seq., as in effect on the effective date of this
28 2024 Act;

29 “(F) A recipient of a Tribal Behavioral Health or Native Con-
30 nections program grant from the federal Substance Abuse and Mental

1 **Health Services Administration; or**

2 **“(G) An entity that provides behavioral health care, other than a**
3 **hospital, that the Oregon Health Authority has certified to provide**
4 **behavioral health care and that is a licensed opioid treatment pro-**
5 **gram, a qualified medical provider that primarily provides office-based**
6 **and medication-assisted treatment services, a provider of withdrawal**
7 **management services or a sobering center.**

8 **“(5)(a) Except as provided in paragraph (b) of this subsection, a**
9 **professional corporation may not provide in the professional**
10 **corporation’s articles of incorporation or bylaws, or by means of a**
11 **contract or other agreement or arrangement, for removing a director**
12 **described in subsection (2)(a)(B) of this section from the professional**
13 **corporation’s board of directors, or an officer described in subsection**
14 **(2)(b) of this section from an office of the professional corporation,**
15 **except by a majority vote of the shareholders described in subsection**
16 **(2)(a)(A) of this section or, as appropriate, a majority vote of the di-**
17 **rectors described in subsection (2)(a)(B) of this section.**

18 **“(b) A professional corporation may remove a director or officer by**
19 **means other than a majority vote of the shareholders described in**
20 **subsection (2)(a)(A) of this section or a majority vote of the directors**
21 **described in subsection (2)(a)(B) of this section if the director or offi-**
22 **cer that is subject to removal:**

23 **“(A) Violated a duty of care, a duty of loyalty or another fiduciary**
24 **duty to the professional corporation;**

25 **“(B) Was the subject of a disciplinary proceeding by the Oregon**
26 **Board of Naturopathic Medicine in which the board suspended or re-**
27 **voked the director’s or officer’s license; or**

28 **“(C) Engaged in fraud, misfeasance or malfeasance with respect to**
29 **the director’s or officer’s performance of duties for or on behalf of the**
30 **professional corporation.**

1 **“(6)(a) Except as provided in paragraph (c) of this subsection, a**
2 **professional corporation may not by means of a contract or other**
3 **agreement or arrangement, by providing in the professional**
4 **corporation’s articles of incorporation or bylaws, by forming a sub-**
5 **sidary or affiliated entity or by other means relinquish control over**
6 **or otherwise transfer de facto control over the professional**
7 **corporation’s assets, business operations, clinical practices or deci-**
8 **sions or the clinical practices or decisions of a physician that the**
9 **professional corporation employs or with whom the professional cor-**
10 **poration has a contract.**

11 **“(b) Methods of relinquishing or transferring control over a pro-**
12 **fessional corporation that are prohibited under paragraph (a) of this**
13 **subsection include, but are not limited to:**

14 **“(A) Selling, restricting the sale of, encumbering or transferring**
15 **substantially all of the professional corporation’s shares or assets;**

16 **“(B) Issuing shares of stock in the professional corporation, in a**
17 **subsidiary of the professional corporation or an entity affiliated with**
18 **the professional corporation, or paying dividends;**

19 **“(C) Controlling hiring or termination of, evaluations of perform-**
20 **ance of, setting of work schedules or compensation for, or otherwise**
21 **specifying terms of employment of employees who are licensed to**
22 **practice naturopathic medicine in this state;**

23 **“(D) Controlling staffing levels for any location that serves pa-**
24 **tients;**

25 **“(E) Advertising the professional corporation’s services under the**
26 **name of an entity that is not a professional corporation;**

27 **“(F) Controlling diagnostic coding decisions, establishing clinical**
28 **standards directly or by suggestion or protocol or making policies for**
29 **patient, client or customer billing and collection;**

30 **“(G) Limiting access to, taking control from or otherwise obscuring**

1 from a naturopathic physician the prices, rates or amounts the pro-
2 fessional corporation charges for the naturopathic physician's ser-
3 vices; or

4 “(H) Controlling the negotiation, execution, performance, enforce-
5 ment or termination of contracts with third-party payors or persons
6 that are not employees of the professional corporation.

7 “(c) The methods described in paragraph (b) of this subsection do
8 not prohibit:

9 “(A) Collection of quality metrics as required by law or in accord-
10 ance with an agreement to which the professional corporation is a
11 party; or

12 “(B) Setting criteria for reimbursement under a contract between
13 the professional corporation and an insurer.

14 “(d) A professional corporation may relinquish or transfer control
15 over the professional corporation's assets, business operations, clinical
16 practices or decisions only if:

17 “(A) The professional corporation executes a shareholder agreement
18 exclusively between or among and for the benefit of a majority of
19 shareholders who are naturopathic physicians licensed in this state to
20 practice naturopathic medicine and the shareholder agreement com-
21 plies with the provisions of ORS 60.265; or

22 “(B) The professional corporation is solely and exclusively:

23 “(i) Engaged in the practice of telemedicine, as defined in ORS
24 677.494, without a physical presence in this state;

25 “(ii) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect
26 on the effective date of this 2024 Act, that has a contract with the
27 Department of Human Services to carry out a program of all-inclusive
28 care for the elderly;

29 “(iii) A hospital, as defined in ORS 442.015, or a hospital-affiliated
30 entity that provides outpatient health services and that is owned, op-

1 **erated or controlled by, or is under common ownership, operation or**
2 **control with, a hospital;**

3 **“(iv) A mental health or substance use disorder crisis line provider;**

4 **“(v) An urban Indian health program in this state that is funded**
5 **under 25 U.S.C. 1601 et seq., as in effect on the effective date of this**
6 **2024 Act;**

7 **“(vi) A recipient of a Tribal Behavioral Health or Native Con-**
8 **nections program grant from the federal Substance Abuse and Mental**
9 **Health Services Administration; or**

10 **“(vii) An entity that provides behavioral health care, other than a**
11 **hospital, that the Oregon Health Authority has certified to provide**
12 **behavioral health care and that is a licensed opioid treatment pro-**
13 **gram, a qualified medical provider that primarily provides office-based**
14 **and medication-assisted treatment services; a provider of withdrawal**
15 **management services or a sobering center.**

16 **“SECTION 8. ORS 60.754 is amended to read:**

17 **“60.754. (1)(a) Notwithstanding ORS 60.074 (2), a corporation incorporated**
18 **under ORS chapter 60 is a benefit company under ORS 60.750 to 60.770 if the**
19 **corporation’s articles of incorporation state that the corporation is a benefit**
20 **company subject to ORS 60.750 to 60.770.**

21 **“(b) Notwithstanding ORS 63.074 [(3)] (4), a limited liability company or-**
22 **ganized under ORS chapter 63 is a benefit company under ORS 60.750 to**
23 **60.770 if the limited liability company’s articles of organization state that the**
24 **limited liability company is a benefit company subject to ORS 60.750 to**
25 **60.770.**

26 **“(2)(a) A corporation that is incorporated under ORS chapter 60 may be-**
27 **come a benefit company by amending the corporation’s articles of incorpo-**
28 **ration to state, in addition to the requirements set forth in ORS 60.047, that**
29 **the corporation is a benefit company subject to ORS 60.750 to 60.770. The**
30 **amendment to the articles of incorporation must be approved by a minimum**

1 status vote.

2 “(b) A limited liability company that is organized under ORS chapter 63
3 may become a benefit company by amending the limited liability company’s
4 articles of organization to state, in addition to the requirements set forth in
5 ORS 63.047, that the limited liability company is a benefit company subject
6 to ORS 60.750 to 60.770. The amendment to the articles of organization must
7 be approved by a minimum status vote.

8 “(3) A benefit company may be formed by means of a conversion if articles
9 of conversion that state that the converted entity will be a benefit company
10 that is subject to ORS 60.750 to 60.770 are approved by a minimum status
11 vote.

12 “(4) An entity that is not a benefit company may become a benefit com-
13 pany by merging or exchanging equity interests with a benefit company if
14 the shareholders or holders of equity interests of the entity that is not the
15 benefit company approve, by a minimum status vote, a plan of merger or a
16 plan for exchanging equity interests with a benefit company under which the
17 surviving entity will be a benefit company.

18 “(5) A benefit company may become an entity other than a benefit com-
19 pany only if an action to remove from the articles of incorporation, articles
20 of organization or articles of conversion the provision that states that the
21 entity is a benefit company subject to ORS 60.750 to 60.770 is approved by
22 a minimum status vote.

23 “(6)(a) A plan for a benefit company must be approved by a minimum
24 status vote if the plan would:

25 “(A) Merge the benefit company with an entity that is not a benefit
26 company, if the surviving entity would not be a benefit company;

27 “(B) Provide for exchanging equity interests with an entity that is not a
28 benefit company, if the exchange would create an entity that is not a benefit
29 company and that would hold substantially all of the benefit company’s as-
30 sets;

1 “(C) Convert the benefit company to an entity that is not a benefit com-
2 pany; or

3 “(D) Otherwise cause ORS 60.750 to 60.770 not to apply to the benefit
4 company.

5 “(b) A sale, lease, exchange or other disposition of all or substantially all
6 of a benefit company’s assets must be approved by a minimum status vote
7 unless the benefit company conducts the sale, lease, exchange or other dis-
8 position in the ordinary course of the benefit company’s business.

9 “(7) A provision of a benefit company’s articles of incorporation, articles
10 of organization, articles of conversion or plan described in subsection (6) of
11 this section may be inconsistent with or supersede a provision of ORS 60.750
12 to 60.770 only to the extent that the provision in the articles of incorpo-
13 ration, articles of organization, articles of conversion or plan imposes a more
14 stringent requirement on the benefit company, in keeping with the purposes
15 set forth in ORS 60.750 to 60.770, than a provision of ORS 60.750 to 60.770
16 imposes.

17 **“SECTION 9.** ORS 63.074 is amended to read:

18 “63.074. (1) Except as otherwise provided by the laws of the state and in
19 this section, a limited liability company formed under this chapter may
20 conduct or promote any lawful business or purpose that a partnership, cor-
21 poration or professional corporation as defined in ORS 58.015 may conduct
22 or promote, unless the articles of organization set forth a more limited pur-
23 pose. A person may not organize a limited liability company under this
24 chapter for any illegal purpose or with an intent to fraudulently conceal any
25 business activity from another person or a governmental agency.

26 “(2)(a) Subject to the laws of the state, the rules and regulations of a
27 regulatory board of a profession, if any, and the standards of professional
28 conduct of the profession, if any, a limited liability company or members of
29 the limited liability company may render professional service in this state.

30 “(b) Notwithstanding any other law, members of a limited liability com-

1 pany, including members who are managers, and who are also professionals,
2 as defined in ORS 58.015, are personally liable as members of the limited li-
3 ability company to the same extent and in the same manner as provided for
4 shareholders of a professional corporation in ORS 58.185 and 58.187 and as
5 otherwise provided in this chapter.

6 **“(3)(a) As used in this subsection:**

7 **“(A) ‘Holding entity’ means a business entity that is organized for**
8 **the purpose of holding or owning a majority of the ownership interests**
9 **in:**

10 **“(i) A professional corporation, or foreign professional corporation,**
11 **that is organized for the purpose of practicing medicine;**

12 **“(ii) A limited liability company, or foreign limited liability com-**
13 **pany, that is organized for a medical purpose;**

14 **“(iii) A limited liability partnership, or foreign limited liability**
15 **partnership, that is organized for a medical purpose; or**

16 **“(iv) A limited partnership, or foreign limited partnership, that is**
17 **organized for a medical purpose.**

18 **“(B) ‘Medical purpose’ means, as appropriate:**

19 **“(i) The purpose of practicing medicine;**

20 **“(ii) The purpose of allowing physicians, physician assistants and**
21 **nurse practitioners to jointly render professional health care services;**
22 **or**

23 **“(iii) The purpose of practicing naturopathic medicine.**

24 **“(C) ‘Professional corporation’ means, as appropriate:**

25 **“(i) A professional corporation described in ORS 58.375;**

26 **“(ii) A professional corporation described in ORS 58.376; or**

27 **“(iii) A professional corporation described in section 7 of this 2024**
28 **Act.**

29 **“(b) A limited liability company, or foreign limited liability com-**
30 **pany with authority to transact business in this state, that is organ-**

1 ized for a medical purpose, or as a holding entity, is subject to ORS
2 58.375 or 58.376 or section 7 of this 2024 Act, as appropriate, and unless
3 exempted under ORS 58.375, 58.376 or section 7 of this 2024 Act, must
4 comply with the requirements specified for, and the limitations im-
5 posed upon, a professional corporation and the shareholders, directors
6 and officers of a professional corporation, with respect to the limited
7 liability company's, foreign limited liability company's or holding
8 entity's ownership, control, governance and management and the
9 qualifications of the limited liability company's or foreign limited li-
10 ability company's members or managers or the holding entity's
11 shareholders, members, directors, officers or managers.

12 “(c) For the purposes described in paragraph (b) of this subsection
13 and the purposes of determining the management and control of a
14 limited liability company, or a foreign limited liability company with
15 authority to transact business in this state, that is organized for a
16 medical purpose, or of a holding entity:

17 “(A) A member or manager of the limited liability company, or the
18 foreign limited liability company and a shareholder, member, director,
19 officer or manager of a holding entity, is equivalent to a shareholder
20 in a professional corporation; and

21 “(B) The rights and obligations of a member or manager of the
22 limited liability company, or foreign limited liability company, and the
23 rights of a shareholder, member, director, officer or manager in the
24 holding entity, are equivalent to the rights and obligations of a
25 shareholder, director or officer in a professional corporation.

26 “[3] (4) A business that is subject to regulation under another statute
27 of the state may not be organized under this chapter if the business is re-
28 quired to be organized only under the other statute.

29 **“SECTION 10. Section 11 of this 2024 Act is added to and made a**
30 **part of ORS chapter 67.**

1 **“SECTION 11. (1) As used in this section:**

2 **“(a) ‘Holding entity’ means a partnership or limited liability part-**
3 **nership that is organized for the purpose of holding or owning a ma-**
4 **jority of the ownership interests in:**

5 **“(A) A professional corporation;**

6 **“(B) A limited liability company that is organized for a medical**
7 **purpose;**

8 **“(C) A partnership or limited liability partnership that is organized**
9 **for a medical purpose; or**

10 **“(D) A limited partnership that is organized for a medical purpose.**

11 **“(b) ‘Medical purpose’ means, as appropriate:**

12 **“(A) The purpose of practicing medicine;**

13 **“(B) The purpose of allowing physicians, physician assistants and**
14 **nurse practitioners to jointly render professional health care services;**
15 **or**

16 **“(C) The purpose of practicing naturopathic medicine.**

17 **“(c) ‘Professional corporation’ means, as appropriate:**

18 **“(A) A professional corporation described in ORS 58.375;**

19 **“(B) A professional corporation described in ORS 58.376; or**

20 **“(C) A professional corporation described in section 7 of this 2024**
21 **Act.**

22 **“(2) A partnership, a foreign partnership with authority to transact**
23 **business in this state, a limited liability partnership, and a foreign**
24 **limited liability partnership with authority to transact business in this**
25 **state, if organized for a medical purpose, or as a holding entity, are**
26 **each subject to ORS 58.375 or 58.376 or section 7 of this 2024 Act, as**
27 **appropriate, and unless exempted under ORS 58.375, 58.376 or section**
28 **7 of this 2024 Act, must comply with the requirements specified for,**
29 **and the limitations imposed upon, a professional corporation and the**
30 **shareholders, directors and officers of a professional corporation, with**

1 respect to the partnership's, foreign partnership's, limited liability
2 partnership's, foreign limited liability partnership's or holding entity's
3 ownership, control, governance and management and the qualifica-
4 tions of the limited liability partnership's, foreign limited liability
5 partnership's or holding entity's general partners.

6 “(3) For the purposes described in subsection (2) of this section and
7 the purposes of determining the management and control of a part-
8 nership, foreign partnership, limited liability partnership or foreign
9 limited liability partnership organized for a medical purpose, or of a
10 holding entity:

11 “(a) A general partner in the limited liability partnership or foreign
12 limited liability partnership, or a general partner in a holding entity,
13 is equivalent to a shareholder in a professional corporation; and

14 “(b) A partner's or general partner's rights and obligations in the
15 limited liability partnership, foreign limited liability partnership or
16 holding entity are equivalent to the rights and obligations of a share-
17 holder in a professional corporation.

18 “SECTION 12. Section 13 of this 2024 Act is added to and made a
19 part of ORS chapter 70.

20 “SECTION 13. (1) As used in this section:

21 “(a) ‘Holding entity’ means a limited partnership that is organized
22 for the purpose of holding or owning a majority of the ownership in-
23 terests in:

24 “(A) A professional corporation;

25 “(B) A limited liability company that is organized for a medical
26 purpose;

27 “(C) A partnership or limited liability partnership that is organized
28 for a medical purpose; or

29 “(D) A limited partnership that is organized for a medical purpose.

30 “(b) ‘Medical purpose’ means, as appropriate:

1 **“(A) The purpose of practicing medicine;**
2 **“(B) The purpose of allowing physicians, physician assistants and**
3 **nurse practitioners to jointly render professional health care services;**
4 **or**
5 **“(C) The purpose of practicing naturopathic medicine.**
6 **“(c) ‘Professional corporation’ means, as appropriate:**
7 **“(A) A professional corporation described in ORS 58.375;**
8 **“(B) A professional corporation described in ORS 58.376; or**
9 **“(C) A professional corporation described in section 7 of this 2024**
10 **Act.**
11 **“(2) A limited partnership, and a foreign limited partnership with**
12 **authority to transact business in this state, if organized for a medical**
13 **purpose, or as a holding entity, are each subject to ORS 58.375 or 58.376**
14 **or section 7 of this 2024 Act, as appropriate, and unless exempted un-**
15 **der ORS 58.375, 58.376 or section 7 of this 2024 Act, must comply with**
16 **the requirements specified for, and the limitations imposed upon, a**
17 **professional corporation and the shareholders, directors and officers**
18 **of a professional corporation, with respect to the limited partnership’s,**
19 **foreign limited partnership’s or holding entity’s ownership, control,**
20 **governance and management and the qualifications of the limited**
21 **partnership’s, foreign limited partnership’s or holding entity’s general**
22 **partners.**
23 **“(3) For the purposes described in subsection (2) of this section and**
24 **the purposes of determining the management and control of a limited**
25 **partnership, or a foreign limited partnership, that is organized for a**
26 **medical purpose, or of a holding entity:**
27 **“(a) A general partner in a limited partnership, or a foreign limited**
28 **partnership, that is organized for a medical purpose, or a general**
29 **partner in a holding entity is equivalent to a shareholder in a profes-**
30 **sional corporation; and**

1 “(b) A partner’s or general partner’s rights and obligations in the
2 limited partnership, foreign limited partnership or holding entity are
3 equivalent to the rights and obligations of a shareholder in a profes-
4 sional corporation.

5 “SECTION 14. Sections 15, 16 and 17 of this 2024 Act are added to
6 and made a part of ORS chapter 677.

7 “SECTION 15. (1) As used in this section and section 16 of this 2024
8 Act:

9 “(a) ‘Disciplinary action’ means discrimination, dismissal, de-
10 motion, transfer, reassignment, supervisory reprimand, warning of
11 possible dismissal, or withholding of work, even if the action does not
12 affect or will not affect a licensee’s compensation.

13 “(b)(A) ‘Management services organization’ means an entity that
14 under a written agreement and in return for compensation provides
15 to or on behalf of a licensee business management services including,
16 but not limited to, payroll, human resources, employment screening,
17 employee relations and other similar or related services that do not
18 constitute the practice of medicine.

19 “(B) ‘Management services organization’ does not include a hospi-
20 tal, as defined in ORS 442.015, or a hospital-affiliated entity that pro-
21 vides outpatient health services and that is owned, operated or
22 controlled by, or is under common ownership, operation or control
23 with, a hospital. For the purposes of this subparagraph, ‘control’ has
24 the meaning given that term in ORS 732.548.

25 “(c) ‘Noncompetition agreement’ means a written agreement be-
26 tween a licensee and another person under which the licensee agrees
27 that the licensee, either alone or as an employee, associate or affiliate
28 of a third person, will not compete with the other person in providing
29 products, processes or services that are similar to the other person’s
30 products, processes or services for a period of time or within a speci-

1 **fied geographic area after termination of employment or termination**
2 **of a contract under which the licensee supplied goods to or performed**
3 **services for the other person.**

4 **“(d) ‘Nondisclosure agreement’ means a written agreement under**
5 **the terms of which a licensee must refrain from disclosing partially,**
6 **fully, directly or indirectly to any person, other than another party to**
7 **the written agreement or to a person specified in the agreement as a**
8 **third-party beneficiary of the agreement:**

9 **“(A) A policy or practice that a party to the agreement required the**
10 **licensee to use, in patient care, other than individually identifiable**
11 **health information that the licensee may not disclose under the Health**
12 **Insurance Portability and Accountability Act of 1996, P.L. 104-191, as**
13 **in effect on the effective date of this 2024 Act;**

14 **“(B) A policy, practice or other information about or associated**
15 **with the licensee’s employment, conditions of employment or rate or**
16 **amount of pay or other compensation; or**

17 **“(C) Any other information the licensee possesses or to which the**
18 **licensee has access by reason of the licensee’s employment by, or**
19 **provision of services for or on behalf of, a party to the agreement,**
20 **other than information that is subject to protection under applicable**
21 **law as a trade secret of, or as otherwise proprietary to, another party**
22 **to the agreement or to a person specified in the agreement as a**
23 **third-party beneficiary of the agreement.**

24 **“(e) ‘Nondisparagement agreement’ means a written agreement**
25 **under which a licensee must refrain from making to a third party a**
26 **statement about another party to the agreement or about another**
27 **person specified in the agreement as a third-party beneficiary of the**
28 **agreement, the effect of which causes or threatens to cause harm to**
29 **the other party’s or person’s reputation, business relations or other**
30 **economic interests.**

1 **“(f) ‘Professional medical entity’ means:**
2 **“(A) A professional corporation described in ORS 58.375;**
3 **“(B) A professional corporation described in ORS 58.376;**
4 **“(C) A professional corporation described in section 7 of this 2024**
5 **Act;**
6 **“(D) A limited liability company organized for a medical purpose,**
7 **as defined in ORS 63.074 (3)(a); or**
8 **“(E) A limited liability partnership organized for a medical purpose,**
9 **as defined in section 11 of this 2024 Act.**
10 **“(2)(a) Notwithstanding ORS 653.295 (1) and (2), and except as pro-**
11 **vided in paragraph (b) of this subsection, a noncompetition agreement**
12 **between a licensee and another person is void and unenforceable.**
13 **“(b) A noncompetition agreement between a licensee and another**
14 **person is valid and enforceable to the extent and under the terms**
15 **provided in ORS 653.295 if the licensee is a shareholder or member of**
16 **the other person or otherwise owns or controls an ownership or**
17 **membership interest that is equivalent to 25 percent or more of the**
18 **entire ownership or membership interest that exists in the other per-**
19 **son.**
20 **“(3)(a) A nondisclosure agreement or nondisparagement agreement**
21 **between a licensee and a management services organization is void**
22 **and unenforceable.**
23 **“(b) Paragraph (a) of this subsection does not limit or otherwise**
24 **affect any cause of action that:**
25 **“(A) A party to, or third-party beneficiary of, the agreement may**
26 **have with respect to a statement of a licensee that constitutes libel,**
27 **slander, a tortious interference with contractual relations or another**
28 **tort for which the party has a cause of action against the licensee; and**
29 **“(B) Does not depend upon or derive from a breach or violation of**
30 **an agreement described in paragraph (a) of this subsection.**

1 **“SECTION 16. (1) A management services organization or a profes-**
2 **sional medical entity may not take disciplinary action against a**
3 **licensee as retaliation for, or as a consequence of, the licensee’s vio-**
4 **lation of a nondisclosure agreement or nondisparagement agreement**
5 **or because the licensee in good faith disclosed or reported information**
6 **that the licensee believes is evidence of a violation of a federal or state**
7 **law, rule or regulation.**

8 **“(2) A management services organization or professional medical**
9 **entity that takes disciplinary action against a licensee in the circum-**
10 **stances described in subsection (1) of this section engages in an un-**
11 **lawful employment practice, as defined in ORS 659A.001, that is subject**
12 **to enforcement under ORS chapter 659A.**

13 **“SECTION 17. (1) Except as provided in subsection (2) of this sec-**
14 **tion, sections 5, 6, 7, 11, 13, 15 and 16 of this 2024 Act and the amend-**
15 **ments to ORS 58.375, 58.376, 58.381, 60.754, and 63.074 by sections 1, 2,**
16 **3, 8 and 9 of this 2024 Act apply to contracts that a person enters into**
17 **or renews on or after the operative date specified in section 18 of this**
18 **2024 Act.**

19 **“(2) Except as otherwise provided in section 15 of this 2024 Act, a**
20 **noncompetition agreement, nondisclosure agreement or**
21 **nondisparagement agreement, as those terms are defined in section**
22 **15 of this 2024 Act, into which a licensee, as defined in ORS 677.010,**
23 **enters before, on or after the operative date specified in section 18 of**
24 **this 2024 Act may not be enforced.**

25 **“SECTION 18. (1) Sections 5, 6, 7, 11, 13, 15 and 16 of this 2024 Act**
26 **and the amendments to ORS 58.375, 58.376, 58.381, 60.754 and 63.074 by**
27 **sections 1, 2, 3, 8 and 9 of this 2024 Act become operative on January**
28 **1, 2025.**

29 **“(2) The Secretary of State and the director of the Oregon Health**
30 **Authority may adopt rules and take any other action before the oper-**

1 **ative date specified in subsection (1) of this section that is necessary**
2 **to enable the Secretary of State and the authority, on and after the**
3 **operative date specified in subsection (1) of this section, to undertake**
4 **and exercise all of the duties, functions and powers conferred on the**
5 **Secretary of State and the director of the Oregon Health Authority**
6 **by sections 5, 6, 7, 11, 13, 15 and 16 of this 2024 Act and the amend-**
7 **ments to ORS 58.375, 58.376, 58.381, 60.754 and 63.074 by sections 1, 2,**
8 **3, 8 and 9 of this 2024 Act.**

9 **“SECTION 19. This 2024 Act takes effect on the 91st day after the**
10 **date on which the 2024 regular session of the Eighty-second Legislative**
11 **Assembly adjourns sine die.”.**

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