

Requested by Representative BOWMAN

**PROPOSED AMENDMENTS TO
B-ENGROSSED HOUSE BILL 4130**

1 On page 1 of the printed B-engrossed bill, line 2, after the second semi-
2 colon insert “and”.

3 In line 3, delete “; and prescribing an effective date”.

4 On page 2, delete lines 24 through 45 and delete pages 3 through 22 and
5 insert:

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

7 **“58.375. (1)(a) As used in this section, ‘professional corporation’**
8 **means a professional corporation organized for the purpose of prac-**
9 **ticing medicine or a foreign professional corporation with authority**
10 **to transact business in this state that is organized for the purpose of**
11 **practicing medicine.**

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

14 **“[(1)] (2) In a professional corporation [*organized for the purpose of prac-***
15 ***ticing medicine*]:**

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

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

20 **“(c) All officers except the secretary and treasurer, if any, must be phy-**
21 **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 who is also a physician licensed to practice medicine in this**
11 **state may not:**

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

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

25 “(B) **Subparagraph (A) of this paragraph does not apply to a share-**
26 **holder in the professional corporation if the shareholder does not own**
27 **or control more than 10 percent of the shares of or interest in the**
28 **professional corporation and:**

29 “(i) **Is an employee of, or is a party to a contract for services with,**
30 **the management services organization and provides to the manage-**

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

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

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

13 **“(D) Subparagraph (A) of this paragraph does not apply to a physi-**
14 **cian who is a shareholder, director or officer of a professional corpo-**
15 **ration and who also serves as a director or officer of a management**
16 **services organization with which the professional corporation has a**
17 **contract if:**

18 **“(i) The physician does not receive compensation from the man-**
19 **agement services organization for serving as a director or officer of**
20 **the management services organization;**

21 **“(ii) An action of the management services organization that**
22 **materially affects the professional, ownership or governance interests**
23 **of minority owners in the management services organization requires**
24 **a vote of more than a majority of the shares of the management ser-**
25 **vices organization that are entitled to vote, including the shares held**
26 **by professional corporations with voting rights in the management**
27 **services organization; and**

28 **“(iii) The management services organization and all of the profes-**
29 **sional corporations that have voting rights in the management ser-**
30 **vices organization were incorporated or organized, and entered into**

1 agreements for the provision of management services, before January
2 1, 2025.

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

13 “(b) A professional corporation may remove a director or officer by
14 means other than a majority vote of the shareholders described in
15 subsection (2)(a) of this section or a majority vote of the directors
16 described in subsection (2)(b) of this section if the director or officer
17 that is subject to removal:

18 “(A) Violated a duty of care, a duty of loyalty or another fiduciary
19 duty to the professional corporation;

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

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

26 “(4)(a) Except as provided in paragraph (d) of this subsection, a
27 professional corporation may not by means of a contract or other
28 agreement or arrangement, by providing in the professional
29 corporation’s articles of incorporation or bylaws, by forming a sub-
30 sidiary or affiliated entity or by other means relinquish control over

1 or otherwise transfer de facto control over any of the professional
2 corporation's administrative, business or clinical operations that may
3 affect clinical decision making or the nature or quality of medical care
4 that the professional corporation delivers.

5 “(b) Activities that constitute relinquishing or transferring control
6 over a professional corporation that are prohibited under paragraph
7 (a) of this subsection include, but are not limited to:

8 “(A) Entering into an agreement to restrict the sale of the profes-
9 sional corporation's shares or assets or otherwise permitting persons
10 other than physicians who are licensed in this state to practice medi-
11 cine to control the sale of the professional corporation's shares or as-
12 sets;

13 “(B) Issuing shares of stock in the professional corporation, in a
14 subsidiary of the professional corporation or an entity affiliated with
15 the professional corporation, or paying dividends;

16 “(C) Advertising the professional corporation's services under the
17 name of an entity that is not a professional corporation; or

18 “(D) Relinquishing ultimate decision making authority over, or
19 waiving a right or opportunity to object to:

20 “(i) Hiring or terminating, setting work schedules or compensation
21 for, or otherwise specifying terms of employment of employees who
22 are licensed to practice medicine in this state or who are licensed in
23 this state as physician assistants or nurse practitioners;

24 “(ii) Setting staffing levels, or specifying the period of time a phy-
25 sician may see a patient, for any location that serves patients;

26 “(iii) Making diagnostic coding decisions;

27 “(iv) Setting clinical standards or policies;

28 “(v) Setting policies for patient, client or customer billing and col-
29 lection;

30 “(vi) Setting the prices, rates or amounts the professional corpo-

1 **ration charges for a physician’s services; or**

2 **“(vii) Negotiating, executing, performing, enforcing or terminating**
3 **contracts with third-party payors or persons that are not employees**
4 **of the professional corporation.**

5 **“(c) The activities described in paragraph (b) of this subsection do**
6 **not prohibit:**

7 **“(A) A management services organization from providing services**
8 **to assist in carrying out the activities described in paragraph (b) of**
9 **this subsection if the services the management services organization**
10 **provides do not constitute an exercise of ultimate decision making**
11 **authority over the activity or control over the business operations or**
12 **the clinical practices or decisions of the professional corporation;**

13 **“(B) Collection of quality metrics as required by law or in accord-**
14 **ance with an agreement to which the professional corporation is a**
15 **party; or**

16 **“(C) Setting criteria for reimbursement under a contract between**
17 **the professional corporation and an insurer.**

18 **“(d) A professional corporation may relinquish or transfer control**
19 **over the professional corporation’s administrative, business or clinical**
20 **operations only if the professional corporation executes a shareholder**
21 **agreement exclusively between or among and for the benefit of a ma-**
22 **jority of shareholders who are physicians licensed in this state to**
23 **practice medicine and the shareholder agreement complies with the**
24 **provisions of ORS 60.265.**

25 **“[(2)] (5) A professional corporation that is not organized for the pur-**
26 **pose of practicing medicine may be a shareholder of a professional corpo-**
27 **ration organized for the purpose of practicing medicine solely for the purpose**
28 **of effecting a reorganization as defined in the Internal Revenue Code.**

29 **“[(3)(a)] (6) The provisions of subsections [(1) and] (2) to (5) of this sec-**
30 **tion do not apply to:**

1 “(a) A professional corporation if the professional corporation is
2 solely and exclusively:

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

5 “(B) A PACE organization or engaged in providing professional
6 health care services to a PACE organization, as defined in 42 C.F.R.
7 460.6, as in effect on the effective date of this 2024 Act, and authorized
8 in this state as a PACE organization;

9 “(C) A mental health or substance use disorder crisis line provider;

10 “(D) An urban Indian health program in this state that is funded
11 under 25 U.S.C. 1601 et seq., as in effect on the effective date of this
12 2024 Act;

13 “(E) A recipient of a Tribal Behavioral Health or Native Con-
14 nections program grant from the federal Substance Abuse and Mental
15 Health Services Administration; or

16 “(F) An entity that provides behavioral health care, other than a
17 hospital, that the Oregon Health Authority has certified to provide
18 behavioral health care or that is a licensed opioid treatment program,
19 a qualified medical provider that primarily provides office-based and
20 medication-assisted treatment services, a provider of withdrawal
21 management services or a sobering center;

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

26 “(c) A long term care facility, as defined in ORS 442.015;

27 “(d) A residential care facility, as defined in ORS 443.400;

28 “[(A)] (e) A nonprofit corporation that is organized under [*Oregon law*]
29 **the laws of this state** to provide medical services to migrant, rural,
30 homeless or other medically underserved populations under 42 U.S.C. 254b

1 or 254c, as in effect on [January 1, 2018] **the effective date of this 2024**
2 **Act;**

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

6 “[*(C)*] **(g)(A)** Except as provided in [*paragraph (b)*] **subparagraph (B)** of
7 this [*subsection*] **paragraph**, a for-profit or nonprofit business entity that is
8 incorporated or organized under the laws of this state, that provides the
9 entirety of the business entity’s medical services through one or more rural
10 health clinics, as defined in 42 U.S.C. 1395x, as in effect on [January 1,
11 2018] **the effective date of this 2024 Act**, and that operates in compliance
12 with state and federal laws that apply to rural health clinics.

13 “[*(b)*] **(B)** A business entity is exempt under this [*subsection*] **paragraph**
14 for a period of up to one year after the business entity establishes a rural
15 health clinic, even though the rural health clinic that the business entity
16 establishes does not meet all of the elements of the definition set forth in
17 42 U.S.C. 1395x, as in effect on [January 1, 2018] **the effective date of this**
18 **2024 Act**, if during the one-year period an applicable certification for the
19 rural health clinic is pending.

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

21 “58.376. (1)(a) As used in this section[,]:

22 “**(A)** ‘Licensee’ means an individual who has a license as a physician or
23 a license as a physician assistant from the Oregon Medical Board or who
24 has a license as a nurse practitioner from the Oregon State Board of Nurs-
25 ing.

26 “**(B)** ‘Professional corporation’ means a professional corporation
27 that is organized for the purpose of allowing physicians, physician as-
28 sistants and nurse practitioners to jointly render professional health
29 care services or a foreign professional corporation with authority to
30 transact business in this state that is organized for the purpose of al-

1 **lowing physicians, physician assistants and nurse practitioners to**
2 **jointly render professional health care services.**

3 **“(b) As used in subsection (9)(b) of this section, ‘control’ has the**
4 **meaning given to that term in ORS 732.548.**

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

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

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

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

14 **“(3) An individual whom the professional corporation employs, or an in-**
15 **dividual who owns an interest in the professional corporation, may not direct**
16 **or control the professional judgment of a licensee who is practicing within**
17 **the professional corporation and within the scope of practice permitted under**
18 **the licensee’s license.**

19 **“(4) A licensee whom the professional corporation employs, or a licensee**
20 **who owns an interest in the professional corporation, may not direct or**
21 **control the services of another licensee who is practicing within the profes-**
22 **sional corporation unless the other licensee is also practicing within the**
23 **scope of practice permitted under the licensee’s license.**

24 **“(5)(a) A shareholder, director or officer of a professional corpo-**
25 **ration who is also a physician licensed to practice medicine in this**
26 **state, or licensed in this state as a physician assistant or nurse prac-**
27 **titioner, may not:**

28 **“(A) Own or control shares in, serve as a director or officer of, or**
29 **otherwise participate in managing both the professional corporation**
30 **and a management services organization with which the professional**

1 corporation has a contract; or

2 “(B) Participate in hiring, terminating, evaluating the performance
3 of, setting work schedules or compensation for, or otherwise specifying
4 terms of employment of a licensee that the professional corporation
5 employs or may employ while at the same time owning or controlling
6 shares in, serving as a director of, or otherwise participating in man-
7 aging a management services organization with which the professional
8 corporation has a contract.

9 “(b) Paragraph (a) of this subsection does not apply to a shareholder
10 in the professional corporation if the shareholder does not own or
11 control more than 10 percent of the shares of or interest in the pro-
12 fessional corporation and:

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

19 “(B) Owns shares in either the professional corporation or the
20 management services organization incidentally and without relation
21 to the shareholder’s compensation as an employee of, or under a con-
22 tract for services with, the management services organization.

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

27 “(6)(a) Except as provided in paragraph (b) of this subsection, a
28 professional corporation may not provide in the professional
29 corporation’s articles of incorporation or bylaws, or by means of a
30 contract or other agreement or arrangement, for removing a director

1 **described in subsection (2)(a)(B) of this section from the professional**
2 **corporation’s board of directors, or an officer described in subsection**
3 **(2)(b) of this section from an office of the professional corporation,**
4 **except by a majority vote of the shareholders described in subsection**
5 **(2)(a)(A) of this section or, as appropriate, a majority vote of the di-**
6 **rectors described in subsection (2)(a)(B) of this section.**

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

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

14 **“(B) Was the subject of a disciplinary proceeding by the regulatory**
15 **board that governs the director’s or officer’s practice as a licensee in**
16 **which the board suspended or revoked the director’s or officer’s li-**
17 **cence; or**

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

21 **“(7)(a) Except as provided in paragraph (d) of this subsection, a**
22 **professional corporation may not by means of a contract or other**
23 **agreement or arrangement, by providing in the professional**
24 **corporation’s articles of incorporation or bylaws, by forming a sub-**
25 **sidary or affiliated entity or by other means relinquish control over**
26 **or otherwise transfer de facto control over any of the professional**
27 **corporation’s administrative, business or clinical operations that may**
28 **affect clinical decision making or the nature or quality of medical care**
29 **that the professional corporation delivers.**

30 **“(b) Activities that constitute relinquishing or transferring control**

1 over a professional corporation that are prohibited under paragraph
2 (a) of this subsection include, but are not limited to:

3 “(A) Entering into an agreement to restrict the sale of the profes-
4 sional corporation’s shares or assets or otherwise permitting persons
5 other than persons who are licensed in this state as physicians, phy-
6 sician assistants or nurse practitioners to control the sale of the pro-
7 fessional corporation’s shares or assets;

8 “(B) Issuing shares of stock in the professional corporation, in a
9 subsidiary of the professional corporation or an entity affiliated with
10 the professional corporation, or paying dividends;

11 “(C) Advertising the professional corporation’s services under the
12 name of an entity that is not a professional corporation; or

13 “(D) Relinquishing ultimate decision making authority over, or
14 waiving a right or opportunity to object to:

15 “(i) Hiring or terminating, setting work schedules or compensation
16 for, or otherwise specifying terms of employment of employees who
17 are licensed to practice medicine in this state or who are licensed in
18 this state as physician assistants or nurse practitioners;

19 “(ii) Setting staffing levels, or specifying the period of time a phy-
20 sician, physician assistant or nurse practitioner may see a patient, for
21 any location that serves patients;

22 “(iii) Making diagnostic coding decisions;

23 “(iv) Setting clinical standards or policies;

24 “(v) Setting policies for patient, client or customer billing and col-
25 lection;

26 “(vi) Setting the prices, rates or amounts the professional corpo-
27 ration charges for a physician’s, physician assistant’s or nurse
28 practitioner’s services; or

29 “(vii) Negotiating, executing, performing, enforcing or terminating
30 contracts with third-party payors or persons that are not employees

1 of the professional corporation.

2 “(c) The activities described in paragraph (b) of this subsection do
3 not prohibit:

4 “(A) A management services organization from providing services
5 to assist in carrying out the activities described in paragraph (b) of
6 this subsection if the services the management services organization
7 provides do not constitute an exercise of ultimate decision making
8 authority over the activity or control over the business operations or
9 the clinical practices or decisions of the professional corporation;

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

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

15 “(d) A professional corporation may relinquish or transfer control
16 over the professional corporation’s administrative, business or clinical
17 operations only if the professional corporation executes a shareholder
18 agreement exclusively between or among and for the benefit of a ma-
19 jority of shareholders described in subsection (2)(a)(A) of this section
20 and the shareholder agreement complies with the provisions of ORS
21 60.265.

22 “[5] (8) A professional corporation that is subject to ORS 58.375 may
23 elect to become subject to this section by amending the professional
24 corporation’s articles of incorporation or bylaws.

25 “(9) Subsections (2) to (7) of this section do not apply to:

26 “(a) A professional corporation if the professional corporation is
27 solely and exclusively:

28 “(A) Engaged in the practice of telemedicine, as defined in ORS
29 677.494, without a physical presence in this state;

30 “(B) A PACE organization or engaged in providing professional

1 **health care services to a PACE organization, as defined in 42 C.F.R.**
2 **460.6, as in effect on the effective date of this 2024 Act, and authorized**
3 **in this state as a PACE organization;**

4 **“(C) A mental health or substance use disorder crisis line provider;**

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

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

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

17 **“(b) A hospital, as defined in ORS 442.015, or a hospital-affiliated**
18 **entity that provides outpatient health services and that is owned, op-**
19 **erated or controlled by, or is under common ownership, operation or**
20 **control with, a hospital;**

21 **“(c) A long term care facility, as defined in ORS 442.015; or**

22 **“(d) A residential care facility, as defined in ORS 443.400.**

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

24 **“58.381. (1)(a) Except as provided in paragraph (b) of this subsection,**
25 **a proxy to vote the shares of a professional corporation organized for the**
26 **purpose of practicing medicine may be given under the following conditions:**

27 **“[(a)] (A) If the shareholder granting the proxy is a physician licensed in**
28 **this state to practice medicine, the proxy may be given only to a shareholder**
29 **of the same corporation who is also a physician licensed in this state to**
30 **practice medicine, or to an attorney licensed to practice law in this state or**

1 another person similarly licensed.

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

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

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

19 “(3) Two or more shareholders of a professional corporation organized for
20 the purpose of practicing medicine may enter into a voting agreement pro-
21 vided that the voting agreement does not transfer voting rights from a
22 shareholder who is a physician licensed in this state to practice medicine to
23 a shareholder who is not so licensed. Notwithstanding any provision of this
24 subsection, voting rights may be transferred to an attorney licensed to
25 practice law in this state or another person similarly licensed.

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

28 “**SECTION 5. (1) As used in ORS 58.375, 58.376 and 58.381 and section
29 7 of this 2024 Act, ‘management services organization’ means an entity
30 that under a written agreement, and in return for compensation, pro-**

1 **vides any or all of the following management services to or on behalf**
2 **of a professional corporation:**

3 **“(a) Payroll;**

4 **“(b) Human resources;**

5 **“(c) Employment screening;**

6 **“(d) Employee relations; or**

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

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

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

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

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

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

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

22 **“(d) A limited liability company or foreign limited liability company**
23 **with authority to transact business in this state that is organized for**
24 **a medical purpose, as defined in ORS 63.074 (3)(a);**

25 **“(e) A partnership or foreign partnership with authority to transact**
26 **business in this state, or a limited liability partnership or foreign**
27 **limited liability partnership with authority to transact business in this**
28 **state, that is organized for a medical purpose, as defined in section 11**
29 **of this 2024 Act; or**

30 **“(f) A limited partnership or foreign limited partnership with au-**

1 **thority to transact business in this state that is organized for a med-**
2 **ical purpose, as defined in section 13 of this 2024 Act.**

3 **“(2) The Oregon Health Authority may submit to the Secretary of**
4 **State a complaint, and evidence concerning the complaint, that a**
5 **professional medical entity violated the requirements of ORS 58.375,**
6 **58.376, 58.381 or 63.074 (3) or section 7, 11, 13, 15 or 16 of this 2024 Act.**
7 **If the Secretary of State determines that a violation has occurred, the**
8 **Secretary of State may take action to, as appropriate:**

9 **“(a) Administratively dissolve the professional corporation or the**
10 **limited liability company that engaged in the violation;**

11 **“(b) Revoke the registration of the limited liability partnership that**
12 **engaged in the violation;**

13 **“(c) Inactivate the certificate of limited partnership for a limited**
14 **partnership that engaged in the violation;**

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

18 **“(e) Inactivate the registration of a foreign limited partnership that**
19 **engaged in the violation.**

20 **“(3)(a) For the purposes of an action under ORS 60.651, 63.651, 67.660**
21 **or 70.435, a reinstatement under ORS 60.654, 63.654, 67.665 or 70.440, or**
22 **an appeal under ORS 60.657, 63.657 or 67.670, a violation of ORS 58.375,**
23 **58.376 or 58.381 or section 7 of this 2024 Act is grounds:**

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

26 **“(i) A professional corporation organized for the purpose of prac-**
27 **ticing medicine, a professional corporation organized for the purpose**
28 **of allowing physicians, physician assistants and nurse practitioners to**
29 **jointly render professional medical services or a professional corpo-**
30 **ration organized for the purpose of practicing naturopathic medicine;**

1 **or**

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

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

7 **“(b) For the purposes of an action under ORS 60.741, 63.741, 67.755**
8 **or 70.435, a reinstatement under ORS 60.747, 63.747, 67.765 or 70.440, or**
9 **an appeal under ORS 60.744, 63.744 or 67.760, a violation of ORS 58.375,**
10 **58.376 or 58.381 or section 7 of this 2024 Act is grounds:**

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

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

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

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

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

27 **“(d) A limited liability company described in ORS 63.074 (3) or a**
28 **holding entity, as defined in ORS 63.074 (3)(a), is a limited liability**
29 **company that is subject to the Secretary of State’s administrative**
30 **dissolution authority.**

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

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

7 “(g) A foreign professional corporation organized for the purpose
8 of practicing medicine, a foreign limited liability company organized
9 for a medical purpose, as defined in ORS 63.074 (3) and a foreign lim-
10 ited liability partnership organized for a medical purpose, as defined
11 in section 11 of this 2024 Act, are each subject to the power of the
12 Secretary of State to revoke the authority to transact business in this
13 state.

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

18 “(4) Notwithstanding the 45-day period set forth in ORS 60.651,
19 60.741, 63.651, 63.741, 67.660, 67.755 and 70.435 within which a profes-
20 sional medical entity must take action to remove grounds for dissol-
21 ution, or for a revocation or inactivation of registration, the Secretary
22 of State, within not more than seven years after the date of a com-
23 plaint alleging a violation of ORS 58.375, 58.376 or 58.381 or section 7
24 of this 2024 Act, shall require the professional medical entity to re-
25 move the grounds set forth under this section for an administrative
26 dissolution, a revocation or inactivation of registration or a revocation
27 of authority to transact business in this state.

28 “(5) If the Oregon Health Authority determines that a person’s
29 merger with or acquisition of a professional corporation, limited li-
30 ability company, limited liability partnership or limited partnership

1 has or will have the effect of violating ORS 58.375, 58.376, 58.381 or
2 63.074 (3) or section 7, 11, 13, 15 or 16 of this 2024 Act, as appropriate,
3 the authority may apply to a circuit court of this state for an order
4 staying the merger or acquisition.

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

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

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

10 **“(C) ‘Professional corporation’ means a professional corporation**
11 **organized for the purpose of practicing naturopathic medicine or a**
12 **foreign professional corporation with authority to transact business in**
13 **this state that is organized for the purpose of practicing naturopathic**
14 **medicine.**

15 **“(b) As used in subsection (7)(b) of this section, ‘control’ has the**
16 **meaning given to that term in ORS 732.548.**

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

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

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

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

24 **“(3) An individual whom the professional corporation employs, or**
25 **an individual who owns an interest in the professional corporation,**
26 **may not direct or control the professional judgment of a naturopathic**
27 **physician who is practicing within the professional corporation and**
28 **within the scope of practice permitted under the naturopathic**
29 **physician’s license.**

30 **“(4)(a) A shareholder, director or officer of a professional corpo-**

1 ration who is also a naturopathic physician licensed to practice
2 naturopathic medicine in this state may not:

3 “(A) Own or control shares in, serve as a director or officer of, or
4 otherwise participate in managing both the professional corporation
5 and a management services organization with which the professional
6 corporation has a contract; or

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

14 “(b) Paragraph (a) of this subsection does not apply to a shareholder
15 in the professional corporation if the shareholder does not own or
16 control more than 10 percent of the shares of or interest in the pro-
17 fessional corporation and:

18 “(A) Is an employee of, or is a party to a contract for services with,
19 the management services organization and provides to the manage-
20 ment services organization services that are compensated at the mar-
21 ket rate for such services and that are entirely consistent with the
22 shareholder’s professional obligations, ethics and duties to the profes-
23 sional corporation and the shareholder’s patients; and

24 “(B) Owns shares in either the professional corporation or the
25 management services organization incidentally and without relation
26 to the shareholder’s compensation as an employee of, or under a con-
27 tract for services with, the management services organization.

28 “(c) Paragraph (a) of this subsection does not apply to the share-
29 holders, directors or officers of a professional corporation if the pro-
30 fessional corporation owns a majority of the interest in the

1 **management services organization.**

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

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

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

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

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

25 **“(6)(a) Except as provided in paragraph (d) of this subsection, a**
26 **professional corporation may not by means of a contract or other**
27 **agreement or arrangement, by providing in the professional**
28 **corporation’s articles of incorporation or bylaws, by forming a sub-**
29 **sidary or affiliated entity or by other means relinquish control over**
30 **or otherwise transfer de facto control over any of the professional**

1 corporation's administrative, business or clinical operations that may
2 affect clinical decision making or the nature or quality of medical care
3 that the professional corporation delivers.

4 “(b) Activities that constitute relinquishing or transferring control
5 over a professional corporation that are prohibited under paragraph
6 (a) of this subsection include, but are not limited to:

7 “(A) Entering into an agreement to restrict the sale of the profes-
8 sional corporation's shares or assets or otherwise permitting persons
9 other than naturopathic physicians who are licensed in this state to
10 practice naturopathic medicine to control the sale of the professional
11 corporation's shares or assets;

12 “(B) Issuing shares of stock in the professional corporation, in a
13 subsidiary of the professional corporation or an entity affiliated with
14 the professional corporation, or paying dividends;

15 “(C) Advertising the professional corporation's services under the
16 name of an entity that is not a professional corporation; or

17 “(D) Relinquishing ultimate decision making authority over, or
18 waiving a right or opportunity to object to:

19 “(i) Hiring or terminating, setting work schedules or compensation
20 for, or otherwise specifying terms of employment of employees who
21 are licensed to practice naturopathic medicine in this state;

22 “(ii) Setting staffing levels, or specifying the period of time a
23 naturopathic physician may see a patient, for any location that serves
24 patients;

25 “(iii) Making diagnostic coding decisions;

26 “(iv) Setting clinical standards or policies;

27 “(v) Setting policies for patient, client or customer billing and col-
28 lection;

29 “(vi) Setting the prices, rates or amounts the professional corpo-
30 ration charges for a naturopathic physician's services; or

1 “(vii) Negotiating, executing, performing, enforcing or terminating
2 contracts with third-party payors or persons that are not employees
3 of the professional corporation.

4 “(c) The activities described in paragraph (b) of this subsection do
5 not prohibit:

6 “(A) A management services organization from providing services
7 to assist in carrying out the activities described in paragraph (b) of
8 this subsection if the services the management services organization
9 provides do not constitute an exercise of ultimate decision making
10 authority over the activity or control over the business operations or
11 the clinical practices or decisions of the professional corporation;

12 “(B) Collection of quality metrics as required by law or in accord-
13 ance with an agreement to which the professional corporation is a
14 party; or

15 “(C) Setting criteria for reimbursement under a contract between
16 the professional corporation and an insurer.

17 “(d) A professional corporation may relinquish or transfer control
18 over the professional corporation’s administrative, business or clinical
19 operations only if the professional corporation executes a shareholder
20 agreement exclusively between or among and for the benefit of a ma-
21 jority of shareholders who are physicians licensed in this state to
22 practice medicine and the shareholder agreement complies with the
23 provisions of ORS 60.265.

24 “(7) Subsections (2) to (6) of this section do not apply to:

25 “(a) A professional corporation if the professional corporation is
26 solely and exclusively:

27 “(A) Engaged in the practice of telemedicine, as defined in ORS
28 677.494, without a physical presence in this state;

29 “(B) A PACE organization or engaged in providing professional
30 health care services to a PACE organization, as defined in 42 C.F.R.

1 **460.6, as in effect on the effective date of this 2024 Act, and authorized**
2 **in this state as a PACE organization;**

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

4 **“(D) 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 **“(E) 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 **“(F) 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 or that is a licensed opioid treatment program,**
13 **a qualified medical provider that primarily provides office-based and**
14 **medication-assisted treatment services, a provider of withdrawal**
15 **management services or a sobering center;**

16 **“(b) A hospital, as defined in ORS 442.015, or a hospital-affiliated**
17 **entity that provides outpatient health services and that is owned, op-**
18 **erated or controlled by, or is under common ownership, operation or**
19 **control with, a hospital;**

20 **“(c) A long term care facility, as defined in ORS 442.015; or**

21 **“(d) A residential care facility, as defined in ORS 443.400.**

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

23 **“60.754. (1)(a) Notwithstanding ORS 60.074 (2), a corporation incorporated**
24 **under ORS chapter 60 is a benefit company under ORS 60.750 to 60.770 if the**
25 **corporation’s articles of incorporation state that the corporation is a benefit**
26 **company subject to ORS 60.750 to 60.770.**

27 **“(b) Notwithstanding ORS 63.074 [(3)] (4), a limited liability company or-**
28 **ganized under ORS chapter 63 is a benefit company under ORS 60.750 to**
29 **60.770 if the limited liability company’s articles of organization state that the**
30 **limited liability company is a benefit company subject to ORS 60.750 to**

1 60.770.

2 “(2)(a) A corporation that is incorporated under ORS chapter 60 may be
3 come a benefit company by amending the corporation’s articles of incorpo-
4 ration to state, in addition to the requirements set forth in ORS 60.047, that
5 the corporation is a benefit company subject to ORS 60.750 to 60.770. The
6 amendment to the articles of incorporation must be approved by a minimum
7 status vote.

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

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

18 “(4) An entity that is not a benefit company may become a benefit com-
19 pany by merging or exchanging equity interests with a benefit company if
20 the shareholders or holders of equity interests of the entity that is not the
21 benefit company approve, by a minimum status vote, a plan of merger or a
22 plan for exchanging equity interests with a benefit company under which the
23 surviving entity will be a benefit company.

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

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

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

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

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

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

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

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

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

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

1 business activity from another person or a governmental agency.

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

6 “(b) Notwithstanding any other law, members of a limited liability com-
7 pany, including members who are managers, and who are also professionals,
8 as defined in ORS 58.015, are personally liable as members of the limited li-
9 ability company to the same extent and in the same manner as provided for
10 shareholders of a professional corporation in ORS 58.185 and 58.187 and as
11 otherwise provided in this chapter.

12 “(3)(a) As used in this subsection:

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

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

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

20 “(iii) A limited liability partnership, or foreign limited liability
21 partnership, that is organized for a medical purpose; or

22 “(iv) A limited partnership, or foreign limited partnership, that is
23 organized for a medical purpose.

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

25 “(i) The purpose of practicing medicine;

26 “(ii) The purpose of allowing physicians, physician assistants and
27 nurse practitioners to jointly render professional health care services;

28 or

29 “(iii) The purpose of practicing naturopathic medicine.

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

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

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

3 “(iii) A professional corporation described in section 7 of this 2024
4 Act.

5 “(b) A limited liability company, or foreign limited liability com-
6 pany with authority to transact business in this state, that is organ-
7 ized for a medical purpose, or as a holding entity, is subject to ORS
8 58.375 or 58.376 or section 7 of this 2024 Act, as appropriate, and unless
9 exempted under ORS 58.375 or 58.376 or section 7 of this 2024 Act, must
10 comply with the requirements specified for, and the limitations im-
11 posed upon, a professional corporation and the shareholders, directors
12 and officers of a professional corporation, with respect to the limited
13 liability company’s, foreign limited liability company’s or holding
14 entity’s ownership, control, governance and management and the
15 qualifications of the limited liability company’s or foreign limited li-
16 ability company’s members or managers or the holding entity’s
17 shareholders, members, directors, officers or managers.

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

23 “(A) A member or manager of the limited liability company, or the
24 foreign limited liability company and a shareholder, member, director,
25 officer or manager of a holding entity, is equivalent to a shareholder
26 in a professional corporation; and

27 “(B) The rights and obligations of a member or manager of the
28 limited liability company, or foreign limited liability company, and the
29 rights of a shareholder, member, director, officer or manager in the
30 holding entity, are equivalent to the rights and obligations of a

1 **shareholder, director or officer in a professional corporation.**

2 “[3] (4) A business that is subject to regulation under another statute
3 of the state may not be organized under this chapter if the business is re-
4 quired to be organized only under the other statute.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28 **“(2) A partnership, a foreign partnership with authority to transact
29 business in this state, a limited liability partnership, and a foreign
30 limited liability partnership with authority to transact business in this**

1 state, if organized for a medical purpose, or as a holding entity, are
2 each subject to ORS 58.375 or 58.376 or section 7 of this 2024 Act, as
3 appropriate, and unless exempted under ORS 58.375 or 58.376 or section
4 7 of this 2024 Act, must comply with the requirements specified for,
5 and the limitations imposed upon, a professional corporation and the
6 shareholders, directors and officers of a professional corporation, with
7 respect to the partnership's, foreign partnership's, limited liability
8 partnership's, foreign limited liability partnership's or holding entity's
9 ownership, control, governance and management and the qualifica-
10 tions of the limited liability partnership's, foreign limited liability
11 partnership's or holding entity's general partners.

12 “(3) For the purposes described in subsection (2) of this section and
13 the purposes of determining the management and control of a part-
14 nership, foreign partnership, limited liability partnership or foreign
15 limited liability partnership organized for a medical purpose, or of a
16 holding entity:

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

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

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

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

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

30 “(A) A professional corporation;

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

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

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

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

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

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

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

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

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

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

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

17 **“(2) A limited partnership, and a foreign limited partnership with**
18 **authority to transact business in this state, if organized for a medical**
19 **purpose, or as a holding entity, are each subject to ORS 58.375 or 58.376**
20 **or section 7 of this 2024 Act, as appropriate, and unless exempted un-**
21 **der ORS 58.375 or 58.376 or section 7 of this 2024 Act, must comply with**
22 **the requirements specified for, and the limitations imposed upon, a**
23 **professional corporation and the shareholders, directors and officers**
24 **of a professional corporation, with respect to the limited partnership’s,**
25 **foreign limited partnership’s or holding entity’s ownership, control,**
26 **governance and management and the qualifications of the limited**
27 **partnership’s, foreign limited partnership’s or holding entity’s general**
28 **partners.**

29 **“(3) For the purposes described in subsection (2) of this section and**
30 **the purposes of determining the management and control of a limited**

1 partnership, or a foreign limited partnership, that is organized for a
2 medical purpose, or of a holding entity:

3 “(a) A general partner in a limited partnership, or a foreign limited
4 partnership, that is organized for a medical purpose, or a general
5 partner in a holding entity is equivalent to a shareholder in a profes-
6 sional corporation; and

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

11 **“SECTION 14.** Sections 15 and 16 of this 2024 Act are added to and
12 made a part of ORS chapter 677.

13 **“SECTION 15. (1)** As used in this section and section 16 of this 2024
14 **Act:**

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

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

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

1 “(c) ‘Noncompetition agreement’ means a written agreement be-
2 tween a licensee and another person under which the licensee agrees
3 that the licensee, either alone or as an employee, associate or affiliate
4 of a third person, will not compete with the other person in providing
5 products, processes or services that are similar to the other person’s
6 products, processes or services for a period of time or within a speci-
7 fied geographic area after termination of employment or termination
8 of a contract under which the licensee supplied goods to or performed
9 services for the other person.

10 “(d) ‘Nondisclosure agreement’ means a written agreement under
11 the terms of which a licensee must refrain from disclosing partially,
12 fully, directly or indirectly to any person, other than another party to
13 the written agreement or to a person specified in the agreement as a
14 third-party beneficiary of the agreement:

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

20 “(B) A policy, practice or other information about or associated
21 with the licensee’s employment, conditions of employment or rate or
22 amount of pay or other compensation; or

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

30 “(e) ‘Nondisparagement agreement’ means a written agreement

1 under which a licensee must refrain from making to a third party a
2 statement about another party to the agreement or about another
3 person specified in the agreement as a third-party beneficiary of the
4 agreement, the effect of which causes or threatens to cause harm to
5 the other party's or person's reputation, business relations or other
6 economic interests.

7 “(f) ‘Professional medical entity’ means:

8 “(A) A professional corporation described in ORS 58.375;

9 “(B) A professional corporation described in ORS 58.376;

10 “(C) A professional corporation described in section 7 of this 2024
11 Act;

12 “(D) A limited liability company organized for a medical purpose,
13 as defined in ORS 63.074 (3)(a); or

14 “(E) A limited liability partnership organized for a medical purpose,
15 as defined in section 11 of this 2024 Act.

16 “(2)(a) Notwithstanding ORS 653.295 (1) and (2), and except as pro-
17 vided in paragraph (b) of this subsection, a noncompetition agreement
18 between a licensee and another person is void and unenforceable.

19 “(b) A noncompetition agreement between a licensee and another
20 person is valid and enforceable to the extent and under the terms
21 provided in ORS 653.295 if the licensee is a shareholder or member of
22 the other person or otherwise owns or controls an ownership or
23 membership interest that is equivalent to 25 percent or more of the
24 entire ownership or membership interest that exists in the other per-
25 son.

26 “(3)(a) A nondisclosure agreement or nondisparagement agreement
27 between a licensee and a management services organization, or be-
28 tween a licensee and a hospital, as defined in ORS 442.015, or
29 hospital-affiliated entity, if either the hospital or the hospital-affiliated
30 entity employs a licensee, is void and unenforceable.

1 “(b) Paragraph (a) of this subsection does not limit or otherwise
2 affect any cause of action that:

3 “(A) A party to, or third-party beneficiary of, the agreement may
4 have with respect to a statement of a licensee that constitutes libel,
5 slander, a tortious interference with contractual relations or another
6 tort for which the party has a cause of action against the licensee; and

7 “(B) Does not depend upon or derive from a breach or violation of
8 an agreement described in paragraph (a) of this subsection.

9 “SECTION 16. A management services organization or a profes-
10 sional medical entity may not take disciplinary action against a
11 licensee as retaliation for, or as a consequence of, the licensee’s vio-
12 lation of a nondisclosure agreement or nondisparagement agreement
13 or because the licensee in good faith disclosed or reported information
14 that the licensee believes is evidence of a violation of a federal or state
15 law, rule or regulation.

16 “SECTION 17. (1) Except as provided in subsection (2) of this sec-
17 tion, sections 5, 6, 7, 11, 13, 15 and 16 of this 2024 Act and the amend-
18 ments to ORS 58.375, 58.376, 58.381, 60.754 and 63.074 by sections 1, 2,
19 3, 8 and 9 of this 2024 Act apply to contracts that a person enters into
20 or renews on or after the operative date specified in section 18 of this
21 2024 Act.

22 “(2) Except as otherwise provided in section 15 of this 2024 Act, a
23 noncompetition agreement, nondisclosure agreement or
24 nondisparagement agreement, as those terms are defined in section
25 15 of this 2024 Act, into which a licensee, as defined in ORS 677.010,
26 enters before, on or after the operative date specified in section 18 of
27 this 2024 Act may not be enforced.

28 “SECTION 18. (1) Sections 5, 6, 7, 11 and 13 of this 2024 Act and the
29 amendments to ORS 58.375, 58.376, 58.381, 60.754 and 63.074 by sections
30 1, 2, 3, 8 and 9 of this 2024 Act become operative on January 1, 2031.

1 **“(2) The Secretary of State and the Director of the Oregon Health**
2 **Authority may adopt rules and take any other action before the oper-**
3 **ative date specified in subsection (1) of this section that is necessary**
4 **to enable the Secretary of State and the Director of the Oregon Health**
5 **Authority, on and after the operative date specified in subsection (1)**
6 **of this section, to undertake and exercise all of the duties, functions**
7 **and powers conferred on the Secretary of State and the Director of the**
8 **Oregon Health Authority by sections 5, 6, 7, 11, 13, 15 and 16 of this**
9 **2024 Act and the amendments to ORS 58.375, 58.376, 58.381, 60.754 and**
10 **63.074 by sections 1, 2, 3, 8 and 9 of this 2024 Act.”.**

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