

SB 951 -8 STAFF MEASURE SUMMARY

Senate Committee On Health Care

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Meeting Dates: 3/4, 3/25

WHAT THE MEASURE DOES:

The measure restricts individuals who are not licensed medical providers from owning or controlling medical practices and prohibits noncompetition and nondisparagement agreements between practices and licensees.

DETAILED SUMMARY:

Management Services Organizations

- Defines “management services organization,” “professional medical entity,” and the terms of ownership and control between a management services organization (MSO) and a professional medical entity.
- Prohibits an MSO and its officers from owning, working for, managing, or directing a professional medical entity; from exercising proxy control or voting the shares of a professional medical entity; or participating in hiring, setting work hours, or setting compensation for licensees employed by the professional medical entity.
- Does not restrict an MSO or its officers from:
 - Providing support, advice, and consultation on all matters related to the professional medical entity’s business operations;
 - Purchasing or leasing assets of a professional medical entity in an arms-length transaction; or
 - Setting criteria for reimbursement with an insurer.
- Does not apply to an individual who provides services for the professional medical entity if the individual:
 - Does not own more than ten percent of shares in the entity;
 - Is not a shareholder, director, member, or manager of an MSO; and
 - Is compensated at the market rate for services provided.
- Does not apply to shareholders of a professional medical entity if that entity also functions as an MSO.
- Does not apply to a physician who is a shareholder or director of a professional medical entity who also serves as a director or officer of a MSO, if:
 - The physician does not receive compensation from the MSO;
 - An action by the MSO that affects its interests requires a vote of more than a majority of shares, including those held by the medical entity;
 - The MSO and medical entity were formed before January 1, 2026.
- Does not include hospitals, long term care or residential care facilities, telemedicine providers, PACE organizations, mental health or substance use disorder crisis lines, urban Indian health programs, a recipient of a Tribal Behavioral Health or Native Connections program grant, an entity certified to provide behavioral health care or medication-assisted treatment, or a coordinated care organization that owns or controls a medical entity as of January 1, 2026.

Professional Corporations, Including Naturopathy

- Requires all officers of professional corporations formed for the purpose of practicing medicine, including naturopathic medicine, to be licensees.
- Limits a professional corporation formed for the purpose of practicing medicine from removing a director except by a majority vote of shareholders, or upon violation of a duty of care, a disciplinary proceeding, or fraud or malfeasance.

Noncompetition and Nondisparagement Agreements

- Defines and prohibits a “noncompetition agreement” between and a licensee and professional medical entity, including a hospital, unless the licensee has a qualifying ownership interest in the entity.
- Prohibits an MSO or professional medical entity from retaliating against a licensee for violation of a nondisclosure or nondisparagement agreement.

Enforcement and Effective Dates

- Applies prohibitions and remedies for unlawful trade practices to restrictions on MSO ownership and control of professional medical entities and to noncompetition and nondisparagement agreements.
- Declares emergency, effective on passage. Applies to contracts entered or renewed upon the effective date. For entities formed prior to passage of the act, restrictions on ownership and control between MSOs and professional medical entities begins January 1, 2029.

Fiscal impact: Minimal fiscal impact.

Revenue impact: No revenue impact.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

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- Clarifies that exemptions include affiliates of long-term care facilities and residential care facilities.
- Specifies that hospitals are not MSOs.
- Exempts certain contract entities, while removing exemptions for independent practice associations.
- Specifies that control of professional medical entities includes "de facto" control.
- Adds "death, disability or permanent incapacity of a medical licensee shareholder" as a condition for restricting sale of shares.
- Narrows the scope of restrictions on noncompetition agreements to include only those restricting the practice of medicine or nursing.
- Allows noncompetition agreements during the first three years of employment, and as part of a negotiated settlement.
- Defines "protectable interest" with a specific threshold of costs equivalent to 20% or more of an employee's annual salary.
- Removes requirement that organizations must offer physicians an opportunity to buy out of noncompetition agreements.
- Changes terminology from "disciplinary action" to "adverse action" when referring to retaliation against medical licensees.
- Moves restrictions on contractual provisions under the jurisdiction of the Bureau of Labor and Industry (BOLI) pursuant to ORS 653.560 and ORS 653.565.
- Allows medical licensees or medical entities to bring a civil action (in lieu of enforcement for unlawful trade practices).

BACKGROUND:

Oregon laws require corporations formed to practice medicine to be owned and controlled by licensed providers. ORS 058.375, ORS 063.074. These statutes are rooted in a doctrine called the corporate practice of medicine (CPOM). CPOM is a body of laws and policies based on the idea that allowing non-physicians to make decisions about health care delivery could be ethically problematic for physicians and result in lower quality care for patients. Chase-Lubitz, *The Corporate Practice of Medicine Doctrine*, 40 Vanderbilt Law Review 445 (1987) ([link](#)).

Except for hospitals and certain rural clinics, the majority interest in a corporation formed to practice medicine in Oregon must be owned by physicians. Despite longstanding limitations on the corporate practice of medicine,

scholars have identified ways in which non-physicians are able to own and control health care practices. Zhu et al, *A Doctrine in Name Only*, New England Journal of Medicine (2023) ([link](#)).

Senate Bill 951 restricts management service organizations and individuals who are not licensed professionals from owning and controlling medical practices and prohibits noncompetition and nondisparagement agreements.