

HB 3410 A -A5 STAFF MEASURE SUMMARY

Senate Committee On Rules

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Meeting Dates: 6/16, 6/17

WHAT THE MEASURE DOES:

The measure makes changes to the management services organization, noncompetition agreements, and effective date provisions of Senate Bill 951 (2025).

Detailed Summary

- Clarifies language.
- **Management Services Organizations**
 - Adds management services organization (MSO) contractors to the types of individuals that may not own or control a majority of shares in a professional medical entity (PME) contracted with the MSO.
 - Removes provision that prohibits an individual who is affiliated with an MSO from working for, with, or receiving compensation from an MSO to manage a PME with which the MSO is contracted to provide services.
 - Makes changes to exceptions.
 - Clarifies that a PME may enter into an agreement with a shareholder of the PME and MSO to control or restrict a transfer or sale of stock, interest, or assets in certain situations. Adds exception for breach of contract for management services with a PME or MSO by a shareholder or member.
 - Allows an individual who provides services for the PME to be a shareholder, director, member, or manager of an MSO, provided that the individual does not own more than 10 percent of shares in the PME and is compensated at the market rate for services provided.
- **Noncompetition Agreements**
 - Replaces the term "protectable interest" with "recruitment investment."
 - Makes changes to provisions regarding when a noncompetition agreement between a medical licensee and another individual is valid and enforceable.
 - Stipulates that a noncompetition agreement is valid when the ownership interest of a medical licensee in a PME is 1.5 percent or more of the entire ownership. Removes provision that disallows the sale or transfer of ownership interest.
 - Clarifies that the noncompetition agreement is with a PME that demonstrates a "recruitment investment" in the licensee, provided that the term of the agreement is no longer than:
 - five years from when the licensee was hired, if engaged in providing health care services in a county that is designated as a health professional shortage area; or,
 - three years from the hire date if the licensee is not engaged in providing direct care in a county that is designated as a health professional shortage area.
 - Removes the provision that makes a noncompetition agreement enforceable when a licensee is a shareholder of a PME but the PME is not contracted with an MSO, or is contracted with an MSO under a qualifying exception.
- **Effective Dates**
 - Makes changes to effective dates of SB 951.
 - Applies to noncompetition agreements that restrict the practice of medicine or nursing that were entered into on or before the effective date of SB 951.
 - Begins on January 1, 2029 for:
 - MSOS and PMEs that existed before the effective date of SB 951;

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- entities formed prior to passage of the act, or in existence prior to the effective date of the act and reorganized or combined under common ownership and under contract for management services with a shared MSO; and,
 - sales or transfers of ownership in an MSO or PME that occur on or after January 1, 2029.
- Declares an emergency, effective on passage.

ISSUES DISCUSSED:

- Provisions of Senate Bill 951 and Senate Bill 957
- Provisions of the measure
- The use of noncompetition agreements in health care and implications on workforce and patient access to services
- Process history of Senate Bill 951 and Senate Bill 957
- Importance of retroactive regulation of noncompetition agreements for health care providers
- Enforceability of noncompetition agreements

EFFECT OF AMENDMENT:

-A5 Clarifies language. Makes changes to provisions of the measure related to MSOs and exceptions.

Makes changes the exception for a physician who serves as both the director or officer of a professional medical entity and an MSO with which a professional medical entity has a contract for services. Adds requirement that the physician own less than 25 percent of the ownership interest in the entity and meets other criteria.

BACKGROUND:

Oregon laws (ORS 058.375, ORS 063.074) require corporations formed to practice medicine to be owned and controlled by licensed providers. 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 increase care costs, result in lower quality care for patients, and create ethical dilemmas for physicians. ([Chase-Lubitz, "The Corporate Practice of Medicine Doctrine," 40 Vanderbilt Law Review 445 \(1987\)](#)).

With the exception of 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 \(2023\)](#)).

Noncompetition agreements between employers and employees prohibit the employee from competing with the employer in a specified geographic area and from providing products, processes, or services that are similar to those of the employer after the employment has terminated. ORS 653.295 sets out what is needed for a valid and enforceable noncompetition agreement. The noncompetition law does not prohibit bonus restriction agreements, non-solicitation agreements, or legal actions to protect trade secrets.

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