

SB 951 B STAFF MEASURE SUMMARY

Carrier: Rep. Diehl

House Committee On Behavioral Health and Health Care

Minority Report

Action Date: 05/15/25

Action: Do pass with amendments to the A-Eng bill. (Printed B-Eng.) Minority

Fiscal: Fiscal impact issued

Revenue: No revenue impact

Report Signers: Rep. Diehl, Rep. Harbick

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Meeting Dates: 4/29, 5/1, 5/15

WHAT THE MEASURE DOES:

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

Detailed Summary:

- **Definitions** (Section 1)
 - Defines key terms, including "management services," "management services organization," "medical purpose," "officer," and "professional medical entity."
- **Management Services Organizations** (Section 1)
- Defines the terms of ownership and control between a management services organization (MSO) and a professional medical entity (PME).
- With certain exceptions, prohibits an MSO; including its employees, shareholders, and leadership; from owning, controlling, or exercising proxy control over a PME; restricting the sale of assets, shares, or interest of a PME; paying dividends from an ownership interest or acquiring the majority of shares of a PME. Prohibits an MSO from exercising de facto control over the clinical operations and practices of a PME.
- Specifies situations where a PME may enter into an agreement with an MSO to restrict the sale assets, stock, or interest.
- Does not apply to an individual who provides services for the PME if the individual:
 - does not own or control a majority of shares in the PME and the MSO, and
 - is compensated at the market rate for their services.
- Does not apply to a shareholder of a PME if the PME functions as an MSO.
- Does not apply to a physician who is a shareholder or director of a PME who also serves as the director or officer of a MSO, if:
 - the physician is not compensated by the MSO,
 - an action of the MSO that affects its interests requires a vote of more than a majority of shares, including those held by the PME, and
 - the MSO and PME were formed before January 1, 2026.
- Exempts hospitals, long term care or residential care facilities, Program of All-Inclusive Care for the Elderly (PACE) organizations, mental health or substance use disorder crisis line providers, urban Indian health programs, recipients of a Tribal Behavioral Health or Native Connections grant, a nonprofit entity certified by the Oregon Health Authority to provide behavioral health care or medication-assisted treatment services, withdrawal management, or a sobering center.
- Exempts an entity that provides solely telemedicine services, or a coordinated care organization that owned or controlled shares or an interest in the PME before January 1, 2026.
- Excludes specified transactions between a PME and an entity that engages in the business of insurance under the license of another entity, principally operates in Oregon, and was organized by January 1, 2025. Requires that the transaction meets certain additional requirements.
 - Directs the Department of Consumer and Business Services to consider certain criteria when determining whether to approve a transaction.
- **Professional Corporations** (Sections 2-5)

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- 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 Non-disparagement Agreements** (Sections 7-8)
 - Defines "noncompetition agreement," "nondisclosure agreement," "non-disparagement agreement," and "protectable interest."
 - Prohibits a noncompetition agreement between a medical licensee and person, MSO, or hospital, except when the licensee has a qualifying ownership interest in the entity and the agreement was entered into as part of a transaction in which the licensee received the equivalent of at least \$250,000 for the sale of equity or assets or a contract or management services, after the first three years of employment.
 - Requires the PME to demonstrate its interest in order to enforce a noncompetition agreement as allowed during the first three years of employment.
 - Prohibits an MSO or PME from retaliating against a licensee for violation of a nondisclosure or non-disparagement agreement.
- **Enforcement and Effective Dates**
 - Establishes criteria for when a PME or medical licensee may bring civil action against a MSO.
 - Declares an emergency, effective on passage. Applies to contracts entered or renewed upon the effective date. For 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, restrictions on ownership and control between MSOs and PMEs begin January 1, 2029.

ISSUES DISCUSSED:

- Provisions of the measure

EFFECT OF AMENDMENT:

Replaces the measure.

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 \(2023\)](#)).

Senate Bill 951 MR B restricts individuals who are not licensed medical providers from owning or controlling medical practices and prohibits noncompetition and non-disparagement agreements between practices and licensees, with specified exceptions.