

B-Engrossed House Bill 3410

Ordered by the Senate June 18
Including House Amendments dated June 6 and Senate Amendments
dated June 18

Sponsored by COMMITTEE ON RULES (at the request of Representative Ben Bowman)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: Makes changes to an Act that keeps people from running both a company that does not do medical work and another entity that does medical work. Goes into effect right away. (Flesch Readability Score: 62.8).

Amends portions of an Act that restricts management services organizations from owning a majority interest in professional medical entities and that prohibits noncompetition agreements, nondisparagement agreements and nondisclosure agreements between medical licensees and other persons. Makes a prohibition on the use of noncompetition agreements retroactive.

Declares an emergency, effective on passage.

A BILL FOR AN ACT

Relating to health care; amending sections 1, 7 and 9, chapter ___, Oregon Laws 2025 (Enrolled Senate Bill 951); and declaring an emergency.

Be It Enacted by the People of the State of Oregon:

SECTION 1. If Senate Bill 951 becomes law, section 1, chapter ___, Oregon Laws 2025 (Enrolled Senate Bill 951), is amended to read:

Sec. 1. (1) As used in this section:

(a) "Affiliate" means a person that controls, is controlled by or is under common control with another person.

(b) "Management services" means services for or on behalf of a professional medical entity that include:

(A) Payroll;

(B) Human resources;

(C) Employment screening;

(D) Employee relations; or

(E) Any other administrative or business services that support or enable a professional medical entity's medical purpose but that do not constitute:

(i) Practicing medicine, as described in ORS 677.085;

(ii) *[Enabling]* Physicians, physician associates and nurse practitioners *[to]* jointly *[render]* **rendering** professional health care services; or

(iii) Practicing naturopathic medicine.

(c) "Management services organization" means an entity that under a written agreement, and in return for monetary compensation, provides management services to a professional medical entity.

(d) "Medical licensee" means an individual who is licensed in this state:

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

(A) To practice medicine under ORS 677.110;

(B) As a nurse practitioner under ORS 678.375;

(C) As a physician associate under ORS 677.512; or

(D) To practice naturopathic medicine under ORS 685.100.

(e) “Medical purpose” means, as appropriate:

(A) The purpose of practicing medicine, as described in ORS 677.085;

(B) The purpose of enabling physicians, physician associates and nurse practitioners to jointly render professional health care services; or

(C) The purpose of practicing naturopathic medicine.

(f) “Professional medical entity” means:

(A) A professional corporation, as defined in ORS 58.375;

(B) A professional corporation, as defined in ORS 58.376;

(C) A professional corporation, as defined in section 5, **chapter _____, Oregon Laws 2025 (Enrolled Senate Bill 951)** [of this 2025 Act];

(D) A limited liability company or foreign limited liability company with authority to transact business in this state that is organized for a medical purpose;

(E) A partnership or foreign partnership with authority to transact business in this state, or a limited liability partnership or foreign limited liability partnership with authority to transact business in this state, that is organized for a medical purpose; or

(F) A limited partnership or foreign limited partnership with authority to transact business in this state that is organized for a medical purpose.

(2)(a) Except as provided in subsection (3) of this section, a management services organization or a shareholder, director, member, manager, officer [or employee], **employee or contractor** of a management services organization may not:

[(A) Own or control individually, or in combination with the management services organization or any other shareholder, director, member, manager, officer or employee of the management services organization, a majority of shares in a professional medical entity with which the management services organization has a contract for management services;]

(A) Own or control individually, or in combination with the management services organization or any other shareholder, director, member, manager, officer, employee or contractor of the management services organization, a majority of shares in a professional medical entity with which the management services organization has a contract for management services, even if the other shareholder, director, member, manager, officer, employee or contractor qualifies for an exemption under subsection (3)(a) of this section;

[(B) Serve as a director or officer of, be an employee of, work as an independent contractor with or receive compensation from the management services organization to manage or direct the management of a professional medical entity with which the management services organization has a contract for management services;]

[(C)] **(B)** Exercise a proxy or take or exercise on behalf of another person a right or power to vote the shares of a professional medical entity with which the management services organization has a contract for management services;

[(D)] **(C)** Control or enter into an agreement to control or restrict the sale or transfer of a professional medical entity’s shares, interest or assets, or otherwise permit a person other than a medical licensee to control or restrict the sale or transfer of the professional medical entity’s shares, interest or assets, **except as provided in paragraph (b) of this subsection;**

1 [(E)] (D) Issue shares of stock, or cause a professional medical entity to issue shares of stock,
2 in the professional medical entity, in a subsidiary of the professional medical entity or in an affiliate
3 of the professional medical entity;

4 [(F)] (E) Pay dividends from shares or an ownership interest in a professional medical entity;

5 [(G)] (F) Acquire or finance the acquisition of the majority of the shares of a professional med-
6 ical entity; or

7 [(H)] (G) Exercise de facto control over administrative, business or clinical operations of a
8 professional medical entity in a manner that affects the professional medical entity's clinical [*deci-*
9 *sion making*] **decision-making** or the nature or quality of medical care that the professional medical
10 entity delivers, which de facto control includes, but is not limited to, exercising ultimate decision-
11 making authority over:

12 (i) Hiring or terminating, setting work schedules or compensation for, or otherwise specifying
13 terms of employment of medical licensees;

14 (ii) Setting clinical staffing levels, or specifying the period of time a medical licensee may see
15 a patient, for any location that serves patients;

16 (iii) Making diagnostic coding decisions;

17 (iv) Setting clinical standards or policies;

18 (v) Setting policies for patient, client or customer billing and collection;

19 (vi) Advertising a professional medical entity's services under the name of an entity that is not
20 a professional medical entity;

21 (vii) Setting the prices, rates or amounts the professional medical entity charges for a medical
22 licensee's services; or

23 (viii) Negotiating, executing, performing, enforcing or terminating contracts with third-party
24 payors or persons that are not employees of the professional medical entity.

25 (b) Conditions under which a professional medical entity may enter into an agreement **with a**
26 **shareholder of the professional medical entity and a management services organization** to
27 control or restrict a transfer or sale of the professional medical entity's stock, interest or assets
28 include:

29 (A) The suspension or revocation of a shareholder's or member's professional license in this or
30 another state if the shareholder or member is a medical licensee;

31 (B) A shareholder's or member's disqualification from holding stock or an interest in the pro-
32 fessional medical entity;

33 (C) A shareholder's or member's exclusion, debarment or suspension from a federal health care
34 program or an investigation that could result in the shareholder's or member's exclusion, debarment
35 or suspension if the shareholder or member is a medical licensee;

36 (D) A shareholder's or member's indictment for a felony or another crime that involves fraud
37 or moral turpitude;

38 (E) The professional medical entity's breach of a contract for management services with a
39 management services organization **or a shareholder's or member's breach of the contract for**
40 **management services with the professional medical entity or a management services organ-**
41 **ization on behalf of the professional medical entity;** or

42 (F) The death, disability or permanent incapacity of a shareholder or member who is a medical
43 licensee.

44 (c) The activities described in paragraph (a) of this subsection do not prohibit:

45 (A) A management services organization from:

(i) Providing services to assist in carrying out the activities described in paragraph (a) of this subsection if the services the management services organization provides do not constitute an exercise of de facto control over the administrative, business or clinical operations of a professional medical entity in a manner that affects the professional medical entity's clinical *[decision making]* **decision-making** or the nature or quality of medical care that the professional medical entity delivers;

(ii) Purchasing, leasing or taking an assignment of a right to possess the assets of a professional medical entity in an arms-length transaction with a willing seller, lessor or assignor;

(iii) Providing support, advice and consultation on all matters related to a professional medical entity's business operations, such as accounting, budgeting, personnel management, real estate and facilities management and compliance with applicable laws, rules and regulations; or

(iv) Advising and providing direction concerning a professional medical entity's participation in value-based contracts, payor arrangements or contracts with suppliers and vendors;

(B) Collection of quality metrics as required by law or in accordance with an agreement to which a professional medical entity is a party; or

(C) Setting criteria for reimbursement under a contract between a professional medical entity and an insurer.

(3) Subsection (2) of this section does not apply to:

(a) An individual who provides medical services or health care services for or on behalf of a professional medical entity if the individual:

(A) Does not own or control more than 10 percent of the total shares of or interest in the professional medical entity; **and**

[(B) Is not a shareholder in or a director, member, manager, officer or employee of a management services organization; and]

[(C)] (B) Is compensated at the market rate for the medical services or health care services and the individual's employment and services that the individual provides to the management services organization are entirely consistent with the individual's professional obligations, ethics and duties to the professional medical entity and the individual's patients;

(b) An individual who owns shares or an interest in a professional medical entity and a management services organization with which the professional medical entity has a contract for management services if the individual's ownership of shares or an interest in the management services organization is incidental and without relation to the individual's compensation as a shareholder, director, member, manager, officer or employee of, or contractor with, the management services organization;

(c) A professional medical entity and the shareholders, directors, members, managers, officers or employees of the professional medical entity if the professional medical entity functions as a management services organization or owns a majority of the shares of or interest in the management services organization;

[(d) A physician who is a shareholder, director or officer of a professional medical entity and who also serves as a director or officer of a management services organization with which the professional medical entity has a contract for management services if:]

[(A) The physician does not receive compensation from the management services organization for serving as a director or officer of the management services organization;]

[(B) An action of the management services organization that materially affects the professional, ownership or governance interests of minority owners in the management services organization requires

a vote of more than a majority of the shares of the management services organization that are entitled to vote, including the shares held by professional medical entities with voting rights in the management services organization; and]

[(C) The management services organization and all of the professional medical entities that have voting rights in the management services organization were incorporated or organized, and entered into agreements for the provision of management services, before January 1, 2026; or]

(d) A physician who serves as a director or officer of a management services organization with which a professional medical entity has a contract for management services and who owns less than 25 percent of the ownership interest in, and is a director or officer of, the professional medical entity if:

(A) The professional medical entity owns less than 49 percent of the ownership interest that has voting rights in the management services organization;

(B) The physician does not receive compensation from the management services organization for serving as a director or officer of the management services organization;

(C) An action of the management services organization that materially affects the professional, ownership or governance interests of minority owners in the management services organization requires a vote of more than a majority of the shares of the management services organization that are entitled to vote, including the shares held by professional medical entities with voting rights in the management services organization;

(D) The management services organization and all of the professional medical entities that have voting rights in the management services organization were incorporated or organized, and entered into agreements for the provision of medical services, before January 1, 2024; and

(E) The physician, all of the professional medical entities with voting rights in the management services organization and the actions of the management services organization complied with the requirements set forth in subparagraphs (A) to (D) of this paragraph before, on and after January 1, 2024; or

(e) A management services organization that has a contract for management services with a professional medical entity if the professional medical entity is solely and exclusively:

(A) A PACE organization or engaged in providing professional health care services to a PACE organization, as defined in 42 C.F.R. 460.6, as in effect on the effective date of [this 2025 Act] chapter _____, Oregon Laws 2025 (Enrolled Senate Bill 951), and authorized in this state as a PACE organization;

(B) A mental health or substance use disorder crisis line provider;

(C) An urban Indian health program in this state that is funded under 25 U.S.C. 1601 et seq., as in effect on the effective date of [this 2025 Act] chapter _____, Oregon Laws 2025 (Enrolled Senate Bill 951);

(D) A recipient of a Tribal Behavioral Health or Native Connections program grant from the federal Substance Abuse and Mental Health Services Administration;

(E) An entity that:

(i) Provides behavioral health care, other than a hospital, that the Oregon Health Authority has certified to provide behavioral health care;

(ii) Has a contract for management services with an entity described in sub-subparagraph (i) of this subparagraph that is a nonprofit entity; or

(iii) Is a licensed opioid treatment program, a licensed medical provider that primarily provides

office-based or medication-assisted treatment services, a provider of withdrawal management services or a sobering center;

(F) A hospital, as defined in ORS 442.015, or a hospital-affiliated clinic, as defined in ORS 442.612;

(G) A long term care facility, as defined in ORS 442.015, or an affiliate of a long term care facility; or

(H) A residential care facility, as defined in ORS 443.400, or an affiliate of a residential care facility.

(4) Subsection (2)(a)(A)[, (B) and (C)] **and (B)** of this section does not apply to:

(a) An entity that is engaged in the practice of telemedicine, as defined in ORS 677.494, and does not have a physical location where patients receive clinical services in this state other than a physical location that would be necessary to comply with 21 U.S.C. 829(e), as in effect on the effective date of *[this 2025 Act]* **chapter _____, Oregon Laws 2025 (Enrolled Senate Bill 951)**; and

(b) A coordinated care organization, as defined in ORS 414.025, that before January 1, 2026, owned or controlled shares or an interest in a professional medical entity or had the power to manage or direct the management of the professional medical entity by contract or otherwise.

(5)(a) In any contract or other agreement between a management services organization and a professional medical entity or a medical licensee, a provision that authorizes or implements, or purports to authorize or implement, an act or practice that violates a prohibition set forth in subsection (2)(a) of this section is void and unenforceable.

(b) A medical licensee or professional medical entity that suffers an ascertainable loss of money or property as a result of a violation of a prohibition set forth in subsection (2)(a) of this section may bring an action against a management services organization with which the medical licensee or professional medical entity has a contract for management services, or a shareholder, director, member, manager, officer or employee of the management services organization, in a circuit court of this state to obtain:

(A) Actual damages equivalent to the medical licensee's or professional medical entity's loss;

(B) An injunction against an act or practice that violates the prohibition; and

(C) Other equitable relief the court deems appropriate.

(c) The trier of fact in an action under paragraph (b) of this subsection may award punitive damages.

(d) A court may award attorney fees and costs to a plaintiff that prevails in an action under paragraph (b) of this subsection.

SECTION 2. If Senate Bill 951 becomes law, section 7, chapter ___, Oregon Laws 2025 (Enrolled Senate Bill 951), is amended to read:

Sec. 7. (1) As used in this section and section 8, **chapter _____, Oregon Laws 2025 (Enrolled Senate Bill 951)** *[of this 2025 Act]*:

(a) "Adverse action" means discipline, discrimination, dismissal, demotion, transfer, reassignment, supervisory reprimand, warning of possible dismissal or withholding of work, even if the action does not affect or will not affect a medical licensee's compensation.

(b) "Management services organization" has the meaning given that term in section 1, **chapter _____, Oregon Laws 2025 (Enrolled Senate Bill 951)** *[of this 2025 Act]*.

(c) "Medical licensee" has the meaning given that term in section 1, **chapter _____, Oregon Laws 2025 (Enrolled Senate Bill 951)** *[of this 2025 Act]*.

(d) "Noncompetition agreement" means a written agreement between a medical licensee and

another person under which the medical licensee agrees that the medical licensee, either alone or as an employee, associate or affiliate of a third person, will not compete with the other person in providing products, processes or services that are similar to the other person's products, processes or services for a period of time or within a specified geographic area after termination of employment or termination of a contract under which the medical licensee supplied goods to or performed services for the other person.

(e) "Nondisclosure agreement" means a written agreement under the terms of which a medical licensee must refrain from disclosing partially, fully, directly or indirectly to any person, other than another party to the written agreement or to a third-party beneficiary of the agreement:

(A) A policy or practice that a party to the agreement required the licensee to use, in patient care, other than individually identifiable health information that the medical licensee may not disclose under the Health Insurance Portability and Accountability Act of 1996, P.L. 104-191, as in effect on the effective date of *[this 2025 Act]* **chapter _____, Oregon Laws 2025 (Enrolled Senate Bill 951)**;

(B) A policy, practice or other information about or associated with the medical licensee's employment, conditions of employment or rate or amount of pay or other compensation; or

(C) Any other information the medical licensee possesses or to which the medical licensee has access by reason of the medical licensee's employment by, or provision of services for or on behalf of, a party to the agreement, other than information that is subject to protection under applicable law as a trade secret of, or as otherwise proprietary to, another party to the agreement or to a third-party beneficiary of the agreement.

(f) "Nondisparagement agreement" means a written agreement under which a medical licensee must refrain from making to a third party a statement about another party to the agreement or about another person specified in the agreement as a third-party beneficiary of the agreement, the effect of which causes or threatens to cause harm to the other party's or person's reputation, business relations or other economic interests.

(g) "Professional medical entity" has the meaning given that term in section 1, **chapter _____, Oregon Laws 2025 (Enrolled Senate Bill 951)** *[of this 2025 Act]*.

(h) *["Protectable interest"]* **"Recruitment investment"** means costs to an entity that are equivalent to 20 percent or more of the annual salary of an employee with whom the entity has entered into a noncompetition agreement if the entity incurs the costs for:

(A) Marketing to and recruiting the employee;

(B) Providing the employee with a sign-on or relocation bonus;

(C) Educating or training the employee in the entity's procedures;

(D) Providing support staff, technology acquisitions or upgrades and license fees related to the employee's employment; or

(E) Similar or related items.

(2)(a) Notwithstanding ORS 653.295 (1) and (2), and except as provided in paragraph (b) of this subsection, a noncompetition agreement that restricts the practice of medicine or the practice of nursing is void and unenforceable between a medical licensee and:

(A) A person, as defined in ORS 442.015;

(B) A management services organization; or

(C) A hospital, as defined in ORS 442.015, or a hospital-affiliated clinic, as defined in ORS 442.612.

(b) A noncompetition agreement between a medical licensee and another person that restricts

the practice of medicine or the practice of nursing is valid and enforceable to the extent and under the terms provided in ORS 653.295 if:

(A) The medical licensee is a shareholder or member of the other person or otherwise owns or controls an ownership or membership interest and[.]

[(i)] the medical licensee's ownership or membership interest in the other person is equivalent to [10] **1.5** percent or more of the entire ownership or membership interest that exists in the other person; [or]

[(ii)] *The medical licensee's ownership or membership interest in the other person is equivalent to less than 10 percent of the entire ownership or membership interest that exists in the other person and the medical licensee has not sold or transferred the ownership or membership interest;*

(B) The noncompetition agreement [is]:

(i) **Is** with a professional medical entity that provides the medical licensee with documentation of the professional medical entity's [protectable interest] **recruitment investment**; and

[(ii)] *Valid only within three years after the date on which the medical licensee was hired;*

(ii) Has a term that is not longer than:

(I) Five years after the date on which the medical licensee was hired if the medical licensee engages directly in providing medical services, health care services or clinical care in a county of this state that is designated as a health professional shortage area, as defined in 42 U.S.C. 254e, as in effect on the effective date of chapter _____, Oregon Laws 2025 (Enrolled Senate Bill 951); or

(II) Three years after the date on which the medical licensee was hired if the medical licensee does not engage directly in providing medical services, health care services or clinical care as described in sub-sub-subparagraph (I) of this sub-subparagraph; or

[(C)] *The medical licensee is a shareholder or member of a professional medical entity and has a noncompetition agreement with the professional medical entity, but the professional medical entity:*

[(i)] *Does not have a contract for management services with a management services organization; or*

[(ii)] *Has a contract for management services with a management services organization that qualifies for an exemption under section 1 (3)(c) of this 2025 Act; or]*

[(D)] (C) The medical licensee does not engage directly in providing medical services, health care services or clinical care.

(3)(a) Except as provided in paragraph (b) of this subsection, a nondisclosure agreement or nondisparagement agreement between a medical licensee and a management services organization, or between a medical licensee and a hospital, as defined in ORS 442.015, or hospital-affiliated clinic, as defined in ORS 442.612, if either the hospital or the hospital-affiliated clinic employs a medical licensee, is void and unenforceable.

(b) A nondisclosure agreement or nondisparagement agreement described in paragraph (a) of this subsection is valid and enforceable against a medical licensee if:

(A) A management services organization, hospital or hospital-affiliated clinic terminated the medical licensee's employment or the medical licensee voluntarily left employment with the management services organization, hospital or hospital-affiliated clinic, except that the management services organization, hospital or hospital-affiliated clinic may not enforce a nondisclosure agreement or nondisparagement agreement against a medical licensee for the medical licensee's good faith report of information that the medical licensee believes is evidence of a violation of a state or federal law, rule or regulation to:

(i) A hospital or hospital-affiliated clinic; or

(ii) A state or federal authority; or

(B) The nondisclosure agreement or nondisparagement agreement is part of a negotiated settlement between the medical licensee and a management services organization, hospital or hospital-affiliated clinic.

(c) Paragraph (a) of this subsection does not limit or otherwise affect any cause of action that:

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

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

SECTION 3. If Senate Bill 951 becomes law, section 9, chapter ___, Oregon Laws 2025 (Enrolled Senate Bill 951), is amended to read:

Sec. 9. (1)(a) **Except as provided in paragraph (b) of this subsection**, sections 5, 7 and 8, chapter ____, Oregon Laws 2025 (Enrolled Senate Bill 951), [of this 2025 Act] and the amendments to ORS 58.375 and 58.376 by sections 2 and 3, chapter ____, Oregon Laws 2025 (Enrolled Senate Bill 951), [of this 2025 Act] apply to contracts that a person enters into or renews on and after the effective date of chapter ____, Oregon Laws 2025 (Enrolled Senate Bill 951) [this 2025 Act].

(b) Sections 7 and 8, chapter ____, Oregon Laws 2025 (Enrolled Senate Bill 951), apply to noncompetition agreements, as defined in section 7, chapter ____, Oregon Laws 2025 (Enrolled Senate Bill 951), that restrict the practice of medicine or the practice of nursing and into which a medical licensee, as defined in section 7, chapter ____, Oregon Laws 2025 (Enrolled Senate Bill 951), enters before, on or after the effective date of chapter ____, Oregon Laws 2025 (Enrolled Senate Bill 951).

(2) Section 1, chapter ____, Oregon Laws 2025 (Enrolled Senate Bill 951), [of this 2025 Act] first applies on January 1, 2026, to management services organizations and professional medical entities that are incorporated or organized in this state on or after the effective date of [this 2025 Act] chapter ____, Oregon Laws 2025 (Enrolled Senate Bill 951), and to sales or transfers of ownership or membership interests in such management services organizations or professional medical entities that occur on or after the effective date of [this 2025 Act] chapter ____, Oregon Laws 2025 (Enrolled Senate Bill 951).

[(3) Section 1 of this 2025 Act first applies on January 1, 2029, to management services organizations and professional medical entities that existed before the effective date of this 2025 Act and to sales or transfers of ownership or membership interests in such management services organizations or professional medical entities that occur on or after January 1, 2029.]

(3) Section 1, chapter ____, Oregon Laws 2025 (Enrolled Senate Bill 951), first applies on January 1, 2029, to:

(a) Management services organizations and professional medical entities that existed before the effective date of chapter ____, Oregon Laws 2025 (Enrolled Senate Bill 951);

(b) Professional medical entities that existed before the effective date of chapter ____, Oregon Laws 2025 (Enrolled Senate Bill 951), and, after the effective date of chapter ____, Oregon Laws 2025 (Enrolled Senate Bill 951), engaged in a reorganization or combination under common ownership but remained bound by a contract for management services with a common management services organization; and

1 (c) Sales or transfers of ownership or membership interests in a management services
2 organization or professional medical entity that occur on or after January 1, 2029.

3 SECTION 4. This 2025 Act being necessary for the immediate preservation of the public
4 peace, health and safety, an emergency is declared to exist, and this 2025 Act takes effect
5 on its passage.
6
