

A-Engrossed Senate Bill 951

Ordered by the Senate April 4
Including Senate Amendments dated April 4

Sponsored by Senator PATTERSON, Representatives BOWMAN, JAVADI, Senators CAMPOS, GORSEK, REYNOLDS, TAYLOR, Representatives FRAGALA, MANNIX, MCDONALD, NATHANSON, OWENS, WALLAN; Senators MANNING JR, PHAM K, PROZANSKI, WEBER, WOODS, Representatives MCINTIRE, WRIGHT

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: Stops people in charge of companies that do not do medical work from running both the company and another entity that does medical work. Stops companies from telling their workers that they cannot work for someone else, say that the company is bad or speak out about bad acts. Stops companies from punishing those who speak out. (Flesch Readability Score: 61.3).

Prohibits a management services organization[, *an individual who works as an independent contractor with a management services organization*] or a shareholder, director, officer or employee of a management services organization from owning or controlling shares in, serving as a director or officer of, being an employee of, working as an independent contractor with or otherwise managing, directing the management of or participating in managing a professional medical entity with which the management services organization has a contract for management services. Specifies what conduct constitutes ownership or control of a professional medical entity.

voids noncompetition agreements, nondisclosure agreements and nondisparagement agreements between certain business entities and medical professionals, with specified exceptions, and prohibits the business entities from retaliating against the medical professional for violating the void agreements.

[Punishes violations of specified provisions of the Act as an unlawful trade practice under the Unlawful Trade Practices Act.]

voids and makes unenforceable agreements that violate prohibitions against management services organization control of professional medical entities and permits a professional medical entity or medical licensee to sue to recover an ascertainable loss of money or property as a result of the violation.

Declares an emergency, effective on passage.

A BILL FOR AN ACT

1
2 Relating to the practice of health care; creating new provisions; amending ORS 58.375 and 58.376;
3 and declaring an emergency.

4 Whereas the State of Oregon since 1947 has recognized that a conflict exists between the eco-
5 nomic imperatives of for-profit corporations and other business entities and the need for patient-
6 centered medical care; and

7 Whereas an Oregon Supreme Court decision banned corporations from owning medical practices,
8 practicing medicine or employing physicians for that reason; and

9 Whereas many business entities have sought to circumvent the ban through complex ownership
10 structures, contracting practices and other means, particularly in recent years; and

11 Whereas the State of Oregon must protect the health, safety and welfare of residents of this
12 state by responding to initiatives that threaten to usurp or have the effect of usurping the medical
13 judgment of physicians and other practitioners in this state in favor of cost-cutting and profit-
14 making, often at the expense of and in opposition to the best interests of patients; and

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.

1 Whereas some business entities have sought to silence criticism of their operations and man-
2 agement practices through nondisclosure, noncompetition and nondisparagement agreements and
3 other devices that stifle reporting of and accountability for these operations and practices; and

4 Whereas to protect the best interests of patients in this state, and enable medical practitioners
5 to exercise medical judgment free from interference from those who are not licensed to practice
6 medicine in this state, the Legislative Assembly must prohibit business entities from practicing
7 medicine or employing actively practicing physicians and other practitioners and using noncompe-
8 tition agreements, nondisclosure agreements and nondisparagement agreements to restrict reason-
9 able and honest criticism; now, therefore,

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

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

12 (a) **“Affiliate” means a person that controls, is controlled by or is under common control**
13 **with another person.**

14 (b) **“Management services” means services for or on behalf of a professional medical**
15 **entity that include:**

16 (A) **Payroll;**

17 (B) **Human resources;**

18 (C) **Employment screening;**

19 (D) **Employee relations; or**

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

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

23 (ii) **Enabling physicians, physician associates and nurse practitioners to jointly render**
24 **professional health care services; or**

25 (iii) **Practicing naturopathic medicine.**

26 (c) **“Management services organization” means an entity that under a written agree-**
27 **ment, and in return for monetary compensation, provides management services to a profes-**
28 **sional medical entity.**

29 (d) **“Medical licensee” means an individual who is licensed in this state:**

30 (A) **To practice medicine under ORS 677.110;**

31 (B) **As a nurse practitioner under ORS 678.375;**

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

33 (D) **To practice naturopathic medicine under ORS 685.100.**

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

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

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

38 (C) **The purpose of practicing naturopathic medicine.**

39 (f) **“Professional medical entity” means:**

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

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

42 (C) **A professional corporation, as defined in section 5 of this 2025 Act;**

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

45 (E) **A partnership or foreign partnership with authority to transact business in this**

1 state, or a limited liability partnership or foreign limited liability partnership with authority
2 to transact business in this state, that is organized for a medical purpose; or

3 (F) A limited partnership or foreign limited partnership with authority to transact busi-
4 ness in this state that is organized for a medical purpose.

5 (2)(a) Except as provided in subsection (3) of this section, a management services or-
6 ganization or a shareholder, director, member, manager, officer or employee of a manage-
7 ment services organization may not:

8 (A) Own or control individually, or in combination with the management services organ-
9 ization or any other shareholder, director, member, manager, officer or employee of the
10 management services organization, a majority of shares in a professional medical entity with
11 which the management services organization has a contract for management services;

12 (B) Serve as a director or officer of, be an employee of, work as an independent con-
13 tractor with or receive compensation from the management services organization to manage
14 or direct the management of a professional medical entity with which the management ser-
15 vices organization has a contract for management services;

16 (C) Exercise a proxy or take or exercise on behalf of another person a right or power to
17 vote the shares of a professional medical entity with which the management services or-
18 ganization has a contract for management services;

19 (D) Control or enter into an agreement to control or restrict the sale or transfer of a
20 professional medical entity's shares, interest or assets, or otherwise permit a person other
21 than a medical licensee to control or restrict the sale or transfer of the professional medical
22 entity's shares, interest or assets;

23 (E) Issue shares of stock, or cause a professional medical entity to issue shares of stock,
24 in the professional medical entity, in a subsidiary of the professional medical entity or in an
25 affiliate of the professional medical entity;

26 (F) Pay dividends from shares or an ownership interest in a professional medical entity;

27 (G) Acquire or finance the acquisition of the majority of the shares of a professional
28 medical entity; or

29 (H) Exercise de facto control over administrative, business or clinical operations of a
30 professional medical entity in a manner that affects the professional medical entity's clinical
31 decision making or the nature or quality of medical care that the professional medical entity
32 delivers, which de facto control includes, but is not limited to, exercising ultimate decision-
33 making authority over:

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

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

38 (iii) Making diagnostic coding decisions;

39 (iv) Setting clinical standards or policies;

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

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

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

45 (viii) Negotiating, executing, performing, enforcing or terminating contracts with third-

1 party payors or persons that are not employees of the professional medical entity.

2 (b) Conditions under which a professional medical entity may enter into an agreement
3 to control or restrict a transfer or sale of the professional medical entity's stock, interest
4 or assets include:

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

7 (B) A shareholder's or member's disqualification from holding stock or an interest in the
8 professional medical entity;

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

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

14 (E) The professional medical entity's breach of a contract for management services with
15 a management services organization; or

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

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

19 (A) A management services organization from:

20 (i) Providing services to assist in carrying out the activities described in paragraph (a)
21 of this subsection if the services the management services organization provides do not
22 constitute an exercise of de facto control over the administrative, business or clinical oper-
23 ations of a professional medical entity in a manner that affects the professional medical
24 entity's clinical decision making or the nature or quality of medical care that the profes-
25 sional medical entity delivers;

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

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

33 (iv) Advising and providing direction concerning a professional medical entity's partic-
34 ipation in value-based contracts, payor arrangements or contracts with suppliers and ven-
35 dors;

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

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

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

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

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

45 (B) Is not a shareholder in or a director, member, manager, officer or employee of a

1 **management services organization; and**

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

6 **(b) An individual who owns shares or an interest in a professional medical entity and a**
7 **management services organization with which the professional medical entity has a contract**
8 **for management services if the individual's ownership of shares or an interest in the man-**
9 **agement services organization is incidental and without relation to the individual's compen-**
10 **sation as a shareholder, director, member, manager, officer or employee of, or contractor**
11 **with, the management services organization;**

12 **(c) A professional medical entity and the shareholders, directors, members, managers,**
13 **officers or employees of the professional medical entity if the professional medical entity**
14 **functions as a management services organization or owns a majority of the shares of or in-**
15 **terest in the management services organization;**

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

19 **(A) The physician does not receive compensation from the management services organ-**
20 **ization for serving as a director or officer of the management services organization;**

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

26 **(C) The management services organization and all of the professional medical entities**
27 **that have voting rights in the management services organization were incorporated or or-**
28 **ganized, and entered into agreements for the provision of management services, before Jan-**
29 **uary 1, 2026; or**

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

32 **(A) A PACE organization or engaged in providing professional health care services to a**
33 **PACE organization, as defined in 42 C.F.R. 460.6, as in effect on the effective date of this 2025**
34 **Act, and authorized in this state as a PACE organization;**

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

36 **(C) An urban Indian health program in this state that is funded under 25 U.S.C. 1601 et**
37 **seq., as in effect on the effective date of this 2025 Act;**

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

40 **(E) An entity that:**

41 **(i) Provides behavioral health care, other than a hospital, that the Oregon Health Au-**
42 **thority has certified to provide behavioral health care;**

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

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

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

3 (F) A hospital, as defined in ORS 442.015, or a hospital-affiliated clinic, as defined in ORS
4 442.612;

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

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

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

10 (a) An entity that is engaged in the practice of telemedicine, as defined in ORS 677.494,
11 and does not have a physical location where patients receive clinical services in this state
12 other than a physical location that would be necessary to comply with 21 U.S.C. 829(e), as in
13 effect on the effective date of this 2025 Act; and

14 (b) A coordinated care organization, as defined in ORS 414.025, that before January 1,
15 2026, owned or controlled shares or an interest in a professional medical entity or had the
16 power to manage or direct the management of the professional medical entity by contract
17 or otherwise.

18 (5)(a) In any contract or other agreement between a management services organization
19 and a professional medical entity or a medical licensee, a provision that authorizes or im-
20 plements, or purports to authorize or implement, an act or practice that violates a prohibi-
21 tion set forth in subsection (2)(a) of this section is void and unenforceable.

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

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

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

31 (C) Other equitable relief the court deems appropriate.

32 (c) The trier of fact in an action under paragraph (b) of this subsection may award pu-
33 nitive damages.

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

36 **SECTION 2.** ORS 58.375 is amended to read:

37 58.375. (1) As used in this section, "professional corporation" means a professional cor-
38 poration organized for the purpose of practicing medicine.

39 [(1)] (2) In a professional corporation [organized for the purpose of practicing medicine]:

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

42 (b) Physicians who are licensed in this state to practice medicine must be a majority of the di-
43 rectors.

44 (c) All officers except the secretary and treasurer, if any, must be physicians who are licensed
45 in this state to practice medicine. The same person may hold any two or more offices.

1 (d) Except as otherwise provided by law, the Oregon Medical Board may expressly require that
2 physicians who are licensed in this state to practice medicine hold more than a majority of each
3 class of shares that is entitled to vote.

4 (e) Except as otherwise provided by law, the Oregon Medical Board may expressly require that
5 physicians who are licensed in this state to practice medicine be more than a majority of the di-
6 rectors.

7 [(2)] (3) A [*professional*] corporation **that is not organized for the purpose of practicing**
8 **medicine** may be a shareholder of a professional corporation [*organized for the purpose of practicing*
9 *medicine*] solely for the purpose of effecting a reorganization as defined in the Internal Revenue
10 Code.

11 (4)(a) **Except as provided in paragraph (b) of this subsection, a professional corporation**
12 **may not provide in the professional corporation's articles of incorporation or bylaws, or by**
13 **means of a contract or other agreement or arrangement, for removing a director described**
14 **in subsection (2)(b) of this section from the professional corporation's board of directors, or**
15 **an officer described in subsection (2)(c) of this section from an office of the professional**
16 **corporation, except by a majority vote of the shareholders described in subsection (2)(a) of**
17 **this section or, as appropriate, a majority vote of the directors described in subsection (2)(b)**
18 **of this section.**

19 (b) **A professional corporation may remove a director or officer by means other than a**
20 **majority vote of the shareholders described in subsection (2)(a) of this section or a majority**
21 **vote of the directors described in subsection (2)(b) of this section if the director or officer**
22 **that is subject to removal:**

23 (A) **Violated a duty of care, a duty of loyalty or another fiduciary duty to the professional**
24 **corporation;**

25 (B) **Was the subject of a disciplinary proceeding by the Oregon Medical Board in which**
26 **the board suspended or revoked the director's or officer's license to practice medicine in this**
27 **state;**

28 (C) **Engaged in fraud, misfeasance or malfeasance with respect to the director's or**
29 **officer's performance of duties for or on behalf of the professional corporation;**

30 (D) **Resigned, separated or was terminated from employment with the professional cor-**
31 **poration; or**

32 (E) **Failed to meet standards or criteria the professional corporation established for a**
33 **position as a director or officer.**

34 (5) **A professional corporation may relinquish or transfer control over the professional**
35 **corporation's administrative, business or clinical operations only if the professional corpo-**
36 **ration executes a shareholder agreement exclusively between or among and for the benefit**
37 **of a majority of shareholders who are physicians licensed in this state to practice medicine**
38 **and the shareholder agreement complies with the provisions of ORS 60.265.**

39 [(3)(a)] (6)(a) The provisions of [*subsections (1) and (2) of*] this section do not apply to:

40 (A) A nonprofit corporation that is organized under [*Oregon law*] **the laws of this state** to
41 provide medical services to migrant, rural, homeless or other medically underserved populations
42 under 42 U.S.C. 254b or 254c, as in effect on [*January 1, 2018*] **the effective date of this 2025**
43 **Act;**

44 (B) A health center that is qualified under 42 U.S.C. 1396d(1)(2)(B), as in effect on [*January 1,*
45 *2018*] **the effective date of this 2025 Act**, that operates in compliance with other applicable state

1 or federal law; or

2 (C) Except as provided in paragraph (b) of this subsection, a for-profit or nonprofit business en-
3 tity that is incorporated or organized under the laws of this state, that provides the entirety of the
4 business entity's medical services through one or more rural health clinics, as defined in 42 U.S.C.
5 1395x, as in effect on [*January 1, 2018*] **the effective date of this 2025 Act**, and that operates in
6 compliance with state and federal laws that apply to rural health clinics.

7 (b) A business entity is exempt under this subsection for a period of up to one year after the
8 business entity establishes a rural health clinic, even though the rural health clinic that the busi-
9 ness entity establishes does not meet all of the elements of the definition set forth in 42 U.S.C.
10 1395x, as in effect on [*January 1, 2018*] **the effective date of this 2025 Act**, if during the one-year
11 period an applicable certification for the rural health clinic is pending.

12 **SECTION 3.** ORS 58.376, as amended by section 21, chapter 73, Oregon Laws 2024, is amended
13 to read:

14 58.376. (1) As used in this section[,]:

15 (a) "Licensee" means an individual who has a license as a physician or a license as a physician
16 associate from the Oregon Medical Board or who has a license as a nurse practitioner from the
17 Oregon State Board of Nursing.

18 (b) "**Professional corporation**" means a professional corporation that is organized for the
19 **purpose of enabling physicians, physician associates and nurse practitioners to jointly render**
20 **professional health care services.**

21 (2) In a professional corporation [*that is organized for the purpose of allowing physicians, physi-*
22 *cian associates and nurse practitioners to jointly render professional health care services*], licensees
23 must:

24 (a) Hold a majority of each class of shares of the professional corporation that is entitled to
25 vote; and

26 (b) Be a majority of the directors of the professional corporation.

27 (3) An individual whom the professional corporation employs, or an individual who owns an in-
28 terest in the professional corporation, may not direct or control the professional judgment of a
29 licensee who is practicing within the professional corporation and within the scope of practice per-
30 mitted under the licensee's license.

31 (4) A licensee whom the professional corporation employs, or a licensee who owns an interest
32 in the professional corporation, may not direct or control the services of another licensee who is
33 practicing within the professional corporation unless the other licensee is also practicing within the
34 scope of practice permitted under the licensee's license.

35 (5)(a) **Except as provided in paragraph (b) of this subsection, a professional corporation**
36 **may not provide in the professional corporation's articles of incorporation or bylaws, or by**
37 **means of a contract or other agreement or arrangement, for removing a director described**
38 **in subsection (2)(b) of this section from the professional corporation's board of directors,**
39 **except by a majority vote of the shareholders described in subsection (2)(a) of this section**
40 **or, as appropriate, a majority vote of the directors described in subsection (2)(b) of this**
41 **section.**

42 (b) **A professional corporation may remove a director by means other than a majority**
43 **vote of the shareholders described in subsection (2)(a) of this section or a majority vote of**
44 **the directors described in subsection (2)(b) of this section if the director that is subject to**
45 **removal:**

1 (A) Violated a duty of care, a duty of loyalty or another fiduciary duty to the professional
2 corporation;

3 (B) Was the subject of a disciplinary proceeding by the regulatory board that governs the
4 director's practice as a licensee in which the board suspended or revoked the director's li-
5 cense;

6 (C) Engaged in fraud, misfeasance or malfeasance with respect to the director's per-
7 formance of duties for or on behalf of the professional corporation;

8 (D) Resigned, separated or was terminated from employment with the professional cor-
9 poration; or

10 (E) Failed to meet standards or criteria the professional corporation established for a
11 position as a director.

12 (6) A professional corporation may relinquish or transfer control over the professional
13 corporation's administrative, business or clinical operations only if the professional corpo-
14 ration executes a shareholder agreement exclusively between or among and for the benefit
15 of a majority of shareholders described in subsection (2)(a) of this section and the share-
16 holder agreement complies with the provisions of ORS 60.265.

17 [(5)] (7) A professional corporation that is subject to ORS 58.375 may elect to become subject
18 to this section by amending the professional corporation's articles of incorporation or bylaws.

19 **SECTION 4.** Section 5 of this 2025 Act is added to and made a part of ORS chapter 58.

20 **SECTION 5.** (1) As used in this section:

21 (a) "Naturopathic medicine" has the meaning given that term in ORS 685.010.

22 (b) "Naturopathic physician" has the meaning given that term in ORS 685.010.

23 (c) "Professional corporation" means a professional corporation organized for the pur-
24 pose of practicing naturopathic medicine or a foreign professional corporation with authority
25 to transact business in this state that is organized for the purpose of practicing naturopathic
26 medicine.

27 (2)(a) In a professional corporation, naturopathic physicians must:

28 (A) Hold a majority of each class of shares of the professional corporation that is entitled
29 to vote; and

30 (B) Be a majority of the directors of the professional corporation.

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

33 (3) An individual whom the professional corporation employs, or an individual who owns
34 an interest in the professional corporation, may not direct or control the professional judg-
35 ment of a naturopathic physician who is practicing within the professional corporation and
36 within the scope of practice permitted under the naturopathic physician's license.

37 (4)(a) Except as provided in paragraph (b) of this subsection, a professional corporation
38 may not provide in the professional corporation's articles of incorporation or bylaws, or by
39 means of a contract or other agreement or arrangement, for removing a director described
40 in subsection (2)(a)(B) of this section from the professional corporation's board of directors,
41 or an officer described in subsection (2)(b) of this section from an office of the professional
42 corporation, except by a majority vote of the shareholders described in subsection (2)(a)(A)
43 of this section or, as appropriate, a majority vote of the directors described in subsection
44 (2)(a)(B) of this section.

45 (b) A professional corporation may remove a director or officer by means other than a

1 majority vote of the shareholders described in subsection (2)(a)(A) of this section or a ma-
2 jority vote of the directors described in subsection (2)(a)(B) of this section if the director or
3 officer that is subject to removal:

4 (A) Violated a duty of care, a duty of loyalty or another fiduciary duty to the professional
5 corporation;

6 (B) Was the subject of a disciplinary proceeding by the Oregon Board of Naturopathic
7 Medicine in which the board suspended or revoked the director's or officer's license; or

8 (C) Engaged in fraud, misfeasance or malfeasance with respect to the director's or
9 officer's performance of duties for or on behalf of the professional corporation.

10 (5) A professional corporation may relinquish or transfer control over the professional
11 corporation's administrative, business or clinical operations only if the professional corpo-
12 ration executes a shareholder agreement exclusively between or among and for the benefit
13 of a majority of shareholders who are naturopathic physicians licensed in this state to
14 practice naturopathic medicine and the shareholder agreement complies with the provisions
15 of ORS 60.265.

16 **SECTION 6.** Sections 7 and 8 of this 2025 Act are added to and made a part of ORS 653.010
17 to 653.565.

18 **SECTION 7.** (1) As used in this section and section 8 of this 2025 Act:

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

22 (b) "Management services organization" has the meaning given that term in section 1
23 of this 2025 Act.

24 (c) "Medical licensee" has the meaning given that term in section 1 of this 2025 Act.

25 (d) "Noncompetition agreement" means a written agreement between a medical licensee
26 and another person under which the medical licensee agrees that the medical licensee, either
27 alone or as an employee, associate or affiliate of a third person, will not compete with the
28 other person in providing products, processes or services that are similar to the other
29 person's products, processes or services for a period of time or within a specified geographic
30 area after termination of employment or termination of a contract under which the medical
31 licensee supplied goods to or performed services for the other person.

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

36 (A) A policy or practice that a party to the agreement required the licensee to use, in
37 patient care, other than individually identifiable health information that the medical licensee
38 may not disclose under the Health Insurance Portability and Accountability Act of 1996, P.L.
39 104-191, as in effect on the effective date of this 2025 Act;

40 (B) A policy, practice or other information about or associated with the medical
41 licensee's employment, conditions of employment or rate or amount of pay or other com-
42 pensation; or

43 (C) Any other information the medical licensee possesses or to which the medical
44 licensee has access by reason of the medical licensee's employment by, or provision of ser-
45 vices for or on behalf of, a party to the agreement, other than information that is subject

1 to protection under applicable law as a trade secret of, or as otherwise proprietary to, an
2 other party to the agreement or to a third-party beneficiary of the agreement.

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

8 (g) “Professional medical entity” has the meaning given that term in section 1 of this
9 2025 Act.

10 (h) “Protectable interest” means costs to an entity that are equivalent to 20 percent or
11 more of the annual salary of an employee with whom the entity has entered into a noncom-
12 petition agreement if the entity incurs the costs for:

13 (A) Marketing to and recruiting the employee;

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

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

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

18 (E) Similar or related items.

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

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

23 (B) A management services organization; or

24 (C) A hospital, as defined in ORS 442.015, or a hospital-affiliated clinic, as defined in ORS
25 442.612.

26 (b) A noncompetition agreement between a medical licensee and another person that re-
27 stricts the practice of medicine or the practice of nursing is valid and enforceable to the
28 extent and under the terms provided in ORS 653.295 if:

29 (A) The medical licensee is a shareholder or member of the other person or otherwise
30 owns or controls an ownership or membership interest and:

31 (i) The medical licensee’s ownership or membership interest in the other person is
32 equivalent to 10 percent or more of the entire ownership or membership interest that exists
33 in the other person; or

34 (ii) The medical licensee’s ownership or membership interest in the other person is
35 equivalent to less than 10 percent of the entire ownership or membership interest that exists
36 in the other person and the medical licensee has not sold or transferred the ownership or
37 membership interest;

38 (B) The noncompetition agreement is:

39 (i) With a professional medical entity that provides the medical licensee with documen-
40 tation of the professional medical entity’s protectable interest; and

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

42 (C) The medical licensee is a shareholder or member of a professional medical entity and
43 has a noncompetition agreement with the professional medical entity, but the professional
44 medical entity:

45 (i) Does not have a contract for management services with a management services or-

1 **ganization; or**

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

4 **(D) The medical licensee does not engage directly in providing medical services, health**
5 **care services or clinical care.**

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

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

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

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

21 **(ii) A state or federal authority; or**

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

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

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

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

33 **SECTION 8. A management services organization or a professional medical entity may**
34 **not take an adverse action against a medical licensee as retaliation for, or as a consequence**
35 **of, the medical licensee's violation of a nondisclosure agreement or nondisparagement**
36 **agreement or because the medical licensee in good faith disclosed or reported information**
37 **that the medical licensee believes is evidence of a violation of a federal or state law, rule or**
38 **regulation to:**

39 **(1) The management services organization;**

40 **(2) A hospital, as defined in ORS 442.015, or hospital-affiliated clinic, as defined in ORS**
41 **442.612; or**

42 **(3) A state or federal authority.**

43 **SECTION 9. (1) Sections 5, 7 and 8 of this 2025 Act and the amendments to ORS 58.375**
44 **and 58.376 by sections 2 and 3 of this 2025 Act apply to contracts that a person enters into**
45 **or renews on and after the effective date of this 2025 Act.**

1 **(2) Section 1 of this 2025 Act first applies on January 1, 2026, to management services**
2 **organizations and professional medical entities that are incorporated or organized in this**
3 **state on or after the effective date of this 2025 Act and to sales or transfers of ownership**
4 **or membership interests in such management services organizations or professional medical**
5 **entities that occur on or after the effective date of this 2025 Act.**

6 **(3) Section 1 of this 2025 Act first applies on January 1, 2029, to management services**
7 **organizations and professional medical entities that existed before the effective date of this**
8 **2025 Act and to sales or transfers of ownership or membership interests in such management**
9 **services organizations or professional medical entities that occur on or after January 1, 2029.**

10 **SECTION 10. This 2025 Act being necessary for the immediate preservation of the public**
11 **peace, health and safety, an emergency is declared to exist, and this 2025 Act takes effect**
12 **on its passage.**

13 _____