HB 3410-3 (LC 3280) 5/28/25 (TSB/ps)

Requested by Representative BOWMAN

## PROPOSED AMENDMENTS TO HOUSE BILL 3410

In line 2 of the printed bill, after "care" insert "; amending sections 1, 7 and 9, chapter \_\_\_\_, Oregon Laws 2025 (Enrolled Senate Bill 951); and declaring an emergency".

4 Delete lines 4 through 8 and insert:

5 "SECTION 1. If Senate Bill 951 becomes law, section 1, chapter \_\_\_\_\_,
6 Oregon Laws 2025 (Enrolled Senate Bill 951), is amended to read:

7 "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 profes sional medical entity that include:

12 "(A) Payroll;

13 "(B) Human resources;

14 "(C) Employment screening;

15 "(D) Employee relations; or

16 "(E) Any other administrative or business services that support or enable

17 a professional medical entity's medical purpose but that do not constitute:

<sup>18</sup> "(i) Practicing medicine, as described in ORS 677.085;

<sup>19</sup> "(ii) [*Enabling*] Physicians, physician associates and nurse practitioners

20 [to] jointly [render] rendering professional health care services; or

21 "(iii) Practicing naturopathic medicine.

1 "(c) 'Management services organization' means an entity that under a 2 written agreement, and in return for monetary compensation, provides man-3 agement services to a professional medical entity.

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

- 5 "(A) To practice medicine under ORS 677.110;
- 6 "(B) As a nurse practitioner under ORS 678.375;
- 7 "(C) As a physician associate under ORS 677.512; or
- 8 "(D) To practice naturopathic medicine under ORS 685.100.
- 9 "(e) 'Medical purpose' means, as appropriate:
- 10 "(A) The purpose of practicing medicine, as described in ORS 677.085;
- 11 "(B) The purpose of enabling physicians, physician associates and nurse
- 12 practitioners to jointly render professional health care services; or
- 13 "(C) The purpose of practicing naturopathic medicine.
- 14 "(f) 'Professional medical entity' means:
- <sup>15</sup> "(A) A professional corporation, as defined in ORS 58.375;
- <sup>16</sup> "(B) A professional corporation, as defined in ORS 58.376;
- 17 "(C) A professional corporation, as defined in section 5, chapter \_\_\_\_\_,

## 18 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 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 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;

6 "[(B) Serve as a director or officer of, be an employee of, work as an inde-7 pendent contractor with or receive compensation from the management services 8 organization to manage or direct the management of a professional medical 9 entity with which the management services organization has a contract for 10 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;

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

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

"[(G)] (F) Acquire or finance the acquisition of the majority of the shares of a professional medical entity; or

"[(H)] (G) Exercise de facto control over 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, which de facto control includes, but is not limited to, exercising
 ultimate decision-making authority over:

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

6 "(ii) Setting clinical staffing levels, or specifying the period of time a 7 medical licensee may see a patient, for any location that serves patients;

8 "(iii) Making diagnostic coding decisions;

9 "(iv) Setting clinical standards or policies;

"(v) Setting policies for patient, client or customer billing and collection;
 "(vi) Advertising a professional medical entity's services under the name
 of an entity that is not a professional medical entity;

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

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

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

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

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

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

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

"(E) The professional medical entity's breach of a contract for management services with a management services organization or a shareholder's or member's breach of the contract for management services with the professional medical entity or a management services organization on behalf of the professional medical entity; or

8 "(F) The death, disability or permanent incapacity of a shareholder or
9 member who is a medical licensee.

10 "(c) The activities described in paragraph (a) of this subsection do not 11 prohibit:

12 "(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 con tracts with suppliers and vendors;

30 "(B) Collection of quality metrics as required by law or in accordance

1 with an agreement to which a professional medical entity is a party; or

2 "(C) Setting criteria for reimbursement under a contract between a pro-3 fessional medical entity and an insurer.

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

5 "(a) An individual who provides medical services or health care services 6 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

9 "[(B) Is not a shareholder in or a director, member, manager, officer or 10 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 con1 tract 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;

5 "(B) An action of the management services organization that materially 6 affects the professional, ownership or governance interests of minority own-7 ers in the management services organization requires a vote of more than a 8 majority of the shares of the management services organization that are en-9 titled to vote, including the shares held by professional medical entities with 10 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

"(e) A management services organization that has a contract for man agement services with a professional medical entity if the professional med ical 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;

<sup>23</sup> "(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;

30 "(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

5 "(iii) Is a licensed opioid treatment program, a licensed medical provider 6 that primarily provides office-based or medication-assisted treatment ser-7 vices, a provider of withdrawal management services or a sobering center;

8 "(F) A hospital, as defined in ORS 442.015, or a hospital-affiliated clinic,
9 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.

HB 3410-3 5/28/25 Proposed Amendments to HB 3410 "(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:

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

10 "(B) An injunction against an act or practice that violates the prohibi-11 tion; and

<sup>12</sup> "(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 1 medical licensee and another person under which the medical licensee agrees  $\mathbf{2}$ that the medical licensee, either alone or as an employee, associate or affil-3 iate of a third person, will not compete with the other person in providing 4 products, processes or services that are similar to the other person's pro- $\mathbf{5}$ ducts, processes or services for a period of time or within a specified ge-6 ographic area after termination of employment or termination of a contract 7 under which the medical licensee supplied goods to or performed services for 8 9 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.

29 "(f) 'Nondisparagement agreement' means a written agreement under 30 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].

8 "(h) ['Protectable interest'] 'Recruitment investment' means costs to an 9 entity that are equivalent to 20 percent or more of the annual salary of an 10 employee with whom the entity has entered into a noncompetition agreement 11 if the entity incurs the costs for:

<sup>12</sup> "(A) Marketing to and recruiting the employee;

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

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

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

17 "(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:

<sup>22</sup> "(A) A person, as defined in ORS 442.015;

23 "(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:

30 "(A) The medical licensee is a shareholder or member of the other person

1 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]

5 "[(ii) The medical licensee's ownership or membership interest in the other 6 person is equivalent to less than 10 percent of the entire ownership or mem-7 bership interest that exists in the other person and the medical licensee has 8 not sold or transferred the ownership or membership interest;]

9 "(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;]

15 "(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-subparagraph (I) of this sub-subparagraph; or

<sup>26</sup> "[(C) The medical licensee is a shareholder or member of a professional <sup>27</sup> medical entity and has a noncompetition agreement with the professional <sup>28</sup> medical entity, but the professional medical entity:]

29 "[(i) Does not have a contract for management services with a management 30 services organization; or]

HB 3410-3 5/28/25 Proposed Amendments to HB 3410 "[(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]

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

6 "(3)(a) Except as provided in paragraph (b) of this subsection, a 7 nondisclosure agreement or nondisparagement agreement between a medical 8 licensee and a management services organization, or between a medical 9 licensee and a hospital, as defined in ORS 442.015, or hospital-affiliated 10 clinic, as defined in ORS 442.612, if either the hospital or the hospital-11 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 15clinic terminated the medical licensee's employment or the medical licensee 16 voluntarily left employment with the management services organization, 17 hospital or hospital-affiliated clinic, except that the management services 18 organization, hospital or hospital-affiliated clinic may not enforce a 19 nondisclosure agreement or nondisparagement agreement against a medical 20licensee for the medical licensee's good faith report of information that the 21medical licensee believes is evidence of a violation of a state or federal law, 22rule or regulation to: 23

<sup>24</sup> "(i) A hospital or hospital-affiliated clinic; or

<sup>25</sup> "(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

5 "(B) Does not depend upon or derive from a breach or violation of an 6 agreement described in paragraph (a) of this subsection.

"<u>SECTION 3.</u> 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 16 Senate Bill 951), apply to noncompetition agreements, as defined in 17 section 7, chapter \_\_\_\_\_, Oregon Laws 2025 (Enrolled Senate Bill 951), 18 that restrict the practice of medicine or the practice of nursing and 19 into which a medical licensee, as defined in section 7, chapter \_\_\_\_\_, 20Oregon Laws 2025 (Enrolled Senate Bill 951), enters before, on or after 21the effective date of chapter \_\_\_\_\_, Oregon Laws 2025 (Enrolled Senate 22Bill 951). 23

"(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

HB 3410-3 5/28/25 Proposed Amendments to HB 3410 effective date of [this 2025 Act] chapter \_\_\_\_\_, Oregon Laws 2025 (En rolled Senate Bill 951).

<sup>3</sup> "[(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

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

"<u>SECTION 4.</u> This 2025 Act being necessary for the immediate
 preservation of the public peace, health and safety, an emergency is
 declared to exist, and this 2025 Act takes effect on its passage.".

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