

Senate Bill 485

Sponsored by Senator PROZANSKI (at the request of Orchid Health) (Pre-session filed.)

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 **as introduced**.

Exempts, under specified conditions, for-profit or nonprofit business entity from requirement that licensed physicians hold majority of voting stock in professional corporation organized for purpose of practicing medicine or be majority of directors of professional corporation.

A BILL FOR AN ACT

1
2 Relating to professional corporations that are organized for the purpose of practicing medicine;
3 amending ORS 58.375.

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

5 **SECTION 1.** ORS 58.375 is amended to read:

6 58.375. (1) In a professional corporation organized for the purpose of practicing medicine:

7 (a) *[The holders of]* **Physicians who are licensed in this state to practice medicine must**
8 **hold** the majority of each class of shares **that are** entitled to vote *[shall be physicians who are li-*
9 *censed in this state to practice medicine]*.

10 (b) **Physicians who are licensed in this state to practice medicine must be** a majority of the
11 directors *[shall be physicians who are licensed in this state to practice medicine]*.

12 (c) All officers except the secretary and treasurer, if any, must be physicians who are licensed
13 in this state to practice medicine. **The same person may hold** any two or more offices *[may be held*
14 *by the same person]*.

15 (d) Except as otherwise provided by law, the Oregon Medical Board may expressly require that
16 **physicians who are licensed in this state to practice medicine hold** more than a majority of
17 each class of shares **that is** entitled to vote *[be held by physicians who are licensed in this state to*
18 *practice medicine]*.

19 (e) Except as otherwise provided by law, the Oregon Medical Board may expressly require that
20 **physicians who are licensed in this state to practice medicine be** more than a majority of the
21 directors *[be physicians who are licensed in this state to practice medicine]*.

22 (2) A professional corporation may be a shareholder of a professional corporation organized for
23 the purpose of practicing medicine solely for the purpose of effecting a reorganization as defined in
24 the Internal Revenue Code.

25 (3) The provisions of subsections (1) and (2) of this section do not apply to:

26 (a) Nonprofit corporations organized under Oregon law to provide medical services to migrant,
27 rural, homeless or other medically underserved populations under 42 U.S.C. 254b or 254c, **as in ef-**
28 **fect on the effective date of this 2017 Act**, or to health centers qualified under 42 U.S.C.
29 1396d(1)(2)(B), **as in effect on the effective date of this 2017 Act**, that operate in compliance with
30 other applicable state and federal law.

31 (b)(A) **Except as provided in subparagraph (B) of this paragraph, a corporation, nonprofit**

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 corporation, limited liability company, cooperative, partnership, limited liability partnership
2 or other business entity, for-profit or nonprofit, that is incorporated or organized under the
3 laws of this state and that:

4 (i) Provides only palliative care, as defined in ORS 656.005; or

5 (ii) Provides a majority of the medical services that the business entity provides through
6 a rural health clinic, as defined in 42 U.S.C. 1395x(aa)(2), as in effect on the effective date
7 of this 2017 Act.

8 (B) If a business entity is a for-profit business entity, the exemption provided in subpar-
9 agraph (A) of this paragraph applies only if the business entity derives 50 percent or more
10 of the business entity's revenue from providing patient care to Oregon residents in areas
11 within this state that:

12 (i) The United States Department of Health and Human Services has designated as a
13 health professional shortage area or a medically underserved area; or

14 (ii) The Director of the Oregon Health Authority or the Office of Rural Health has des-
15 igned as medically disadvantaged and in need of primary health care providers.

16 (C) A corporation, nonprofit corporation, limited liability company, cooperative, partner-
17 ship, limited liability partnership or other business entity that is exempt under subparagraph
18 (A) or (B) of this paragraph must state in the business entity's articles of incorporation,
19 articles of organization or bylaws that the business entity may not direct or control a li-
20 censed physician's medical judgment.

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