

B-Engrossed House Bill 4130

Ordered by the Senate March 1
Including House Amendments dated February 20 and Senate Amendments
dated March 1

Sponsored by Representatives BOWMAN, DEXTER, Senator CAMPOS, Representatives JAVADI, REYNOLDS, Senators GELSER BLOUIN, GOLDEN, MANNING JR, PATTERSON, WEBER; Representatives CHAICHI, GAMBA, GRAYBER, HUDSON, LEVY E, LIVELY, MCINTIRE, NELSON, NOSSE, PHAM K, WRIGHT, Senators DEMBROW, GORSEK, WAGNER (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. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: Stops people in charge of companies that do medical work from running both the company and other business that does work that is not medical work. Stops the people in charge from hiring, firing or telling medical workers when and how to do their jobs. Stops companies from giving control of the company to other businesses that do work that is not medical work. Lets the Secretary of State punish bad actors. Stops companies that give medical care from telling their workers that they cannot work for someone else, say that the company is bad or speak out about the company's bad acts. Stops companies from punishing those who speak out. (Flesch Readability Score: 60.7).

Prohibits a shareholder, director or officer of a domestic or foreign professional corporation organized for the purpose of practicing medicine or naturopathic medicine, or for the purpose of allowing physicians, physician assistants and nurse practitioners to jointly render professional health care services, from owning or controlling shares in, serving as a director or officer of, being an employee or contractor of or otherwise participating in managing both the professional corporation and a management services organization with which the professional corporation has a contract. Prohibits shareholders, directors or officers from participating in hiring, terminating or specifying the terms of employment for medical professionals that the professional corporation employs or with which the professional corporation has a contract for services while owning or controlling shares in, serving as a director of or being an employee or contractor of a management services organization with which the professional corporation has a contract. Specifies exceptions.

Prohibits a professional corporation from relinquishing or transferring control over the professional corporation's assets, business operations, clinical practices or decisions or the clinical practices or decisions of medical professionals the professional corporation employs or with which the professional corporation has a contract. Specifies examples of prohibited methods of transferring control and exceptions to the prohibition.

Provides that requirements that apply to domestic and foreign professional corporations organized for the purpose of practicing medicine or naturopathic medicine, or for the purpose of allowing physicians, physician assistants and nurse practitioners to jointly render professional health care services, also apply to domestic and foreign limited liability companies, partnerships, limited partnerships and limited liability partnerships organized for a medical purpose.

Provides the Secretary of State with authority to enforce violations of the requirements by administratively dissolving or revoking or inactivating the registration of entities that engage in violations.

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 retaliations as an unlawful employment practice.

Takes effect on the 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to the practice of health care; creating new provisions; amending ORS 58.375, 58.376,
3 58.381, 60.754 and 63.074; and prescribing an effective date.

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-

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 centered medical care; and

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

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

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

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

13 Whereas to protect the best interests of patients in this state, and enable medical practitioners
14 to exercise medical judgment free from interference from those who are not licensed to practice
15 medicine in this state, the Legislative Assembly must prohibit business entities from practicing
16 medicine or employing actively practicing physicians and other practitioners and using noncompe-
17 tition agreements, nondisclosure agreements and nondisparagement agreements to restrict reason-
18 able and honest criticism; and

19 Whereas the Legislative Assembly supports existing exemptions for professional corporations
20 and hospitals that are organized specifically for the purpose of practicing medicine or providing
21 medical services, and are majority-owned and managed by physicians and other practitioners who
22 can exercise medical judgment without interference; now, therefore,

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

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

25 58.375. (1)(a) **As used in this section, “professional corporation” means a professional**
26 **corporation organized for the purpose of practicing medicine or a foreign professional cor-**
27 **poration with authority to transact business in this state that is organized for the purpose**
28 **of practicing medicine.**

29 **(b) As used in subsection (6) of this section, “control” has the meaning given that term**
30 **in ORS 732.548.**

31 [(1)] (2) In a professional corporation [organized for the purpose of practicing medicine]:

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

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

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

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

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

44 **(f)(A) A shareholder, director or officer of a professional corporation may not:**

45 **(i) Own or control shares in, serve as a director or officer of, be an employee of or an**

1 independent contractor with, or otherwise participate in managing both the professional
2 corporation and a management services organization with which the professional corporation
3 has a contract; or

4 (ii) Participate in hiring, terminating, evaluating the performance of, setting work
5 schedules or compensation for, or otherwise specifying terms of employment of a physician
6 that the professional corporation employs or may employ while at the same time owning or
7 controlling shares in, serving as a director of, being an employee of or an independent con-
8 tractor with or otherwise participating in managing a management services organization
9 with which the professional corporation has a contract.

10 (B) Subparagraph (A) of this paragraph does not apply to a shareholder in the profes-
11 sional corporation if the shareholder does not own or control more than five percent of the
12 shares of or interest in the professional corporation, does not serve as a director of the
13 professional corporation, does not participate in managing the professional corporation and:

14 (i) Does not serve as a director of, or participate in managing, the management services
15 organization;

16 (ii) Is an employee of, or is a party to a contract for services with, the management
17 services organization and provides to the management services organization services that
18 are compensated at the market rate for such services and that are entirely consistent with
19 the shareholder's professional obligations, ethics and duties to the professional corporation
20 and the shareholder's patients; and

21 (iii) Owns shares in either the professional corporation or the management services or-
22 ganization incidentally and without relation to the shareholder's compensation as an em-
23 ployee of, or under a contract for services with, the management services organization.

24 (C) Subparagraph (A) of this paragraph does not apply to the shareholders, directors or
25 officers of a professional corporation if the professional corporation owns a majority of the
26 interest in the management services organization.

27 (D) Subparagraph (A) of this paragraph does not apply to a professional corporation if
28 the professional corporation is solely and exclusively:

29 (i) Engaged in the practice of telemedicine, as defined in ORS 677.494, without a physical
30 presence in this state;

31 (ii) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect on the effective date
32 of this 2024 Act, that has a contract with the Department of Human Services to carry out
33 a program of all-inclusive care for the elderly;

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

35 (iv) An urban Indian health program in this state that is funded under 25 U.S.C. 1601 et
36 seq., as in effect on the effective date of this 2024 Act;

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

39 (vi) An entity that provides behavioral health care, other than a hospital, that the
40 Oregon Health Authority has certified to provide behavioral health care or that is a licensed
41 opioid treatment program, a qualified medical provider that primarily provides office-based
42 and medication-assisted treatment services, a provider of withdrawal management services
43 or a sobering center.

44 (3)(a) Except as provided in paragraph (b) of this subsection, a professional corporation
45 may not provide in the professional corporation's articles of incorporation or bylaws, or by

1 means of a contract or other agreement or arrangement, for removing a director described
2 in subsection (2)(b) of this section from the professional corporation's board of directors, or
3 an officer described in subsection (2)(c) of this section from an office of the professional
4 corporation, except by a majority vote of the shareholders described in subsection (2)(a) of
5 this section or, as appropriate, a majority vote of the directors described in subsection (2)(b)
6 of this section.

7 (b) A professional corporation may remove a director or officer by means other than a
8 majority vote of the shareholders described in subsection (2)(a) of this section or a majority
9 vote of the directors described in subsection (2)(b) of this section if the director or officer
10 that is subject to removal:

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

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

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

18 (4)(a) Except as provided in paragraph (d) of this subsection, a professional corporation
19 may not by means of a contract or other agreement or arrangement, by providing in the
20 professional corporation's articles of incorporation or bylaws, by forming a subsidiary or af-
21 filiated entity or by other means relinquish control over or otherwise transfer de facto con-
22 trol over the professional corporation's assets, business operations, clinical practices or
23 decisions or the clinical practices or decisions of a physician that the professional corpo-
24 ration employs or with whom the professional corporation has a contract.

25 (b) Methods of relinquishing or transferring control over a professional corporation that
26 are prohibited under paragraph (a) of this subsection include, but are not limited to:

27 (A) Selling, restricting the sale of, encumbering or transferring substantially all of the
28 professional corporation's shares or assets;

29 (B) Issuing shares of stock in the professional corporation, in a subsidiary of the pro-
30 fessional corporation or an entity affiliated with the professional corporation, or paying div-
31 idends;

32 (C) Controlling hiring or termination of, setting of work schedules or compensation for,
33 or otherwise specifying terms of employment of employees who are licensed to practice
34 medicine in this state or who are licensed in this state as physician assistants or nurse
35 practitioners;

36 (D) Controlling staffing levels for any location that serves patients;

37 (E) Advertising the professional corporation's services under the name of an entity that
38 is not a professional corporation;

39 (F) Controlling diagnostic coding decisions, establishing clinical standards directly or by
40 suggestion or protocol or making policies for patient, client or customer billing and col-
41 lection;

42 (G) Limiting access to, taking control from or otherwise obscuring from a physician the
43 prices, rates or amounts the professional corporation charges for the physician's services;
44 or

45 (H) Controlling the negotiation, execution, performance, enforcement or termination of

1 **contracts with third-party payors or persons that are not employees of the professional**
2 **corporation.**

3 **(c) The methods described in paragraph (b) of this subsection do not prohibit:**

4 **(A) Collection of quality metrics as required by law or in accordance with an agreement**
5 **to which the professional corporation is a party; or**

6 **(B) Setting criteria for reimbursement under a contract between the professional corpo-**
7 **ration and an insurer.**

8 **(d) A professional corporation may relinquish or transfer control over the professional**
9 **corporation's assets, business operations, clinical practices or decisions only if:**

10 **(A) The professional corporation executes a shareholder agreement exclusively between**
11 **or among and for the benefit of a majority of shareholders who are physicians licensed in**
12 **this state to practice medicine and the shareholder agreement complies with the provisions**
13 **of ORS 60.265; or**

14 **(B) The professional corporation is solely and exclusively:**

15 **(i) Engaged in the practice of telemedicine, as defined in ORS 677.494, without a physical**
16 **presence in this state;**

17 **(ii) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect on the effective date**
18 **of this 2024 Act, that has a contract with the Department of Human Services to carry out**
19 **a program of all-inclusive care for the elderly;**

20 **(iii) A mental health or substance use disorder crisis line provider;**

21 **(iv) An urban Indian health program in this state that is funded under 25 U.S.C. 1601 et**
22 **seq., as in effect on the effective date of this 2024 Act;**

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

25 **(vi) An entity that provides behavioral health care, other than a hospital, that the**
26 **Oregon Health Authority has certified to provide behavioral health care or that is a licensed**
27 **opioid treatment program, a qualified medical provider that primarily provides office-based**
28 **and medication-assisted treatment services, a provider of withdrawal management services**
29 **or a sobering center.**

30 **[(2)] (5) A professional corporation that is not organized for the purpose of practicing**
31 **medicine may be a shareholder of a professional corporation organized for the purpose of practicing**
32 **medicine solely for the purpose of effecting a reorganization as defined in the Internal Revenue**
33 **Code.**

34 **[(3)(a)] (6)(a) The provisions of subsections [(1) and] (2) to (5) of this section do not apply to:**

35 **(A) A nonprofit corporation that is organized under [Oregon law] the laws of this state to**
36 **provide medical services to migrant, rural, homeless or other medically underserved populations**
37 **under 42 U.S.C. 254b or 254c, as in effect on [January 1, 2018] the effective date of this 2024**
38 **Act;**

39 **(B) A health center that is qualified under 42 U.S.C. 1396d(1)(2)(B), as in effect on [January 1,**
40 **2018] the effective date of this 2024 Act, that operates in compliance with other applicable state**
41 **or federal law; [or]**

42 **(C) A professional corporation that is solely and exclusively a hospital, as defined in ORS**
43 **442.015, or is a hospital-affiliated entity that provides outpatient health services and that is**
44 **owned, operated or controlled by, or is under common ownership, operation or control with,**
45 **a hospital; or**

1 [(C)] (D) Except as provided in paragraph (b) of this subsection, a for-profit or nonprofit business
2 entity that is incorporated or organized under the laws of this state, that provides the entirety of
3 the business entity's medical services through one or more rural health clinics, as defined in 42
4 U.S.C. 1395x, as in effect on [January 1, 2018] **the effective date of this 2024 Act**, and that oper-
5 ates in compliance with state and federal laws that apply to rural health clinics.

6 (b) A business entity is exempt under this subsection for a period of up to one year after the
7 business entity establishes a rural health clinic, even though the rural health clinic that the busi-
8 ness entity establishes does not meet all of the elements of the definition set forth in 42 U.S.C.
9 1395x, as in effect on [January 1, 2018] **the effective date of this 2024 Act**, if during the one-year
10 period an applicable certification for the rural health clinic is pending.

11 **SECTION 2.** ORS 58.376 is amended to read:

12 58.376. (1)(a) As used in this section[,]:

13 (A) "Licensee" means an individual who has a license as a physician or a license as a physician
14 assistant from the Oregon Medical Board or who has a license as a nurse practitioner from the
15 Oregon State Board of Nursing.

16 (B) "**Professional corporation**" means a **professional corporation that is organized for the**
17 **purpose of allowing physicians, physician assistants and nurse practitioners to jointly render**
18 **professional health care services or a foreign professional corporation with authority to**
19 **transact business in this state that is organized for the purpose of allowing physicians, phy-**
20 **sician assistants and nurse practitioners to jointly render professional health care services.**

21 (b) As used in subsections (5)(d)(C) and (7)(d)(B)(iii) of this section, "control" has the
22 meaning given to that term in ORS 732.548.

23 (2)(a) In a professional corporation [*that is organized for the purpose of allowing physicians,*
24 *physician assistants and nurse practitioners to jointly render professional health care services*],
25 licensees must:

26 [(a)] (A) Hold a majority of each class of shares of the professional corporation that is entitled
27 to vote; and

28 [(b)] (B) Be a majority of the directors of the professional corporation.

29 (b) **All officers of a professional corporation, except the secretary and treasurer, if any,**
30 **must be licensees. The same person may hold any two or more offices.**

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

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

39 (5)(a) **A shareholder, director or officer of a professional corporation may not:**

40 (A) **Own or control shares in, serve as a director or officer of, or otherwise participate**
41 **in managing both the professional corporation and a management services organization with**
42 **which the professional corporation has a contract; or**

43 (B) **Participate in hiring, terminating, evaluating the performance of, setting work**
44 **schedules or compensation for, or otherwise specifying terms of employment of a licensee**
45 **that the professional corporation employs or may employ while at the same time owning or**

1 controlling shares in, serving as a director of, or otherwise participating in managing a
2 management services organization with which the professional corporation has a contract.

3 (b) Paragraph (a) of this subsection does not apply to a shareholder in the professional
4 corporation if the shareholder does not own or control more than five percent of the shares
5 of or interest in the professional corporation, does not serve as a director of the professional
6 corporation, does not participate in managing the professional corporation and:

7 (A) Does not serve as a director of, or participate in managing, the management services
8 organization;

9 (B) Is an employee of, or is a party to a contract for services with, the management
10 services organization and provides to the management services organization services that
11 are compensated at the market rate for such services and that are entirely consistent with
12 the shareholder's professional obligations, ethics and duties to the professional corporation
13 and the shareholder's patients; and

14 (C) Owns shares in either the professional corporation or the management services or-
15 ganization incidentally and without relation to the shareholder's compensation as an em-
16 ployee of, or under a contract for services with, the management services organization.

17 (c) Paragraph (a) of this subsection does not apply to the shareholders, directors or of-
18 ficers of a professional corporation if the professional corporation owns a majority of the
19 interest in the management services organization.

20 (d) Paragraph (a) of this subsection does not apply to a professional corporation if the
21 professional corporation is solely and exclusively:

22 (A) Engaged in the practice of telemedicine, as defined in ORS 677.494, without a physical
23 presence in this state;

24 (B) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect on the effective date
25 of this 2024 Act, that has a contract with the Department of Human Services to carry out
26 a program of all-inclusive care for the elderly;

27 (C) A hospital, as defined in ORS 442.015, or a hospital-affiliated entity that provides
28 outpatient health services and that is owned, operated or controlled by, or is under common
29 ownership, operation or control with, a hospital;

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

31 (E) An urban Indian health program in this state that is funded under 25 U.S.C. 1601 et
32 seq., as in effect on the effective date of this 2024 Act;

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

35 (G) An entity that provides behavioral health care, other than a hospital, that the Oregon
36 Health Authority has certified to provide behavioral health care or that is a licensed opioid
37 treatment program, a qualified medical provider that primarily provides office-based and
38 medication-assisted treatment services, a provider of withdrawal management services or a
39 sobering center.

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

1 of this section or, as appropriate, a majority vote of the directors described in subsection
2 (2)(a)(B) of this section.

3 (b) A professional corporation may remove a director or officer by means other than a
4 majority vote of the shareholders described in subsection (2)(a)(A) of this section or a ma-
5 jority vote of the directors described in subsection (2)(a)(B) of this section if the director or
6 officer that is subject to removal:

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

9 (B) Was the subject of a disciplinary proceeding by the regulatory board that governs the
10 director's or officer's practice as a licensee in which the board suspended or revoked the
11 director's or officer's license; or

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

14 (7)(a) Except as provided in paragraph (d) of this subsection, a professional corporation
15 may not by means of a contract or other agreement or arrangement, by providing in the
16 professional corporation's articles of incorporation or bylaws, by forming a subsidiary or af-
17 filiated entity or by other means relinquish control over or otherwise transfer de facto con-
18 trol over the professional corporation's assets, business operations, clinical practices or
19 decisions or the clinical practices or decisions of a physician, physician assistant or nurse
20 practitioner that the professional corporation employs or with whom the professional cor-
21 poration has a contract.

22 (b) Methods of relinquishing or transferring control over a professional corporation that
23 are prohibited under paragraph (a) of this subsection include, but are not limited to:

24 (A) Selling, restricting the sale of, encumbering or transferring substantially all of the
25 professional corporation's shares or assets;

26 (B) Issuing shares of stock in the professional corporation, in a subsidiary of the pro-
27 fessional corporation or an entity affiliated with the professional corporation, or paying div-
28 idends;

29 (C) Controlling hiring or termination of, evaluations of performance of, setting of work
30 schedules or compensation for, or otherwise specifying terms of employment of employees
31 who are licensed to practice medicine in this state or who are licensed in this state as phy-
32 sician assistants or nurse practitioners;

33 (D) Controlling staffing levels for any location that serves patients;

34 (E) Advertising the professional corporation's services under the name of an entity that
35 is not a professional corporation;

36 (F) Controlling diagnostic coding decisions, establishing clinical standards directly or by
37 suggestion or protocol or making policies for patient, client or customer billing and col-
38 lection;

39 (G) Limiting access to, taking control from or otherwise obscuring from a physician,
40 physician assistant or nurse practitioner the prices, rates or amounts the professional cor-
41 poration charges for the physician's, physician assistant's or nurse practitioner's services;
42 or

43 (H) Controlling the negotiation, execution, performance, enforcement or termination of
44 contracts with third-party payors or persons that are not employees of the professional
45 corporation.

1 (c) The methods described in paragraph (b) of this subsection do not prohibit:

2 (A) Collection of quality metrics as required by law or in accordance with an agreement
3 to which the professional corporation is a party; or

4 (B) Setting criteria for reimbursement under a contract between the professional corpo-
5 ration and an insurer.

6 (d) A professional corporation may relinquish or transfer control over the professional
7 corporation's assets, business operations, clinical practices or decisions only if:

8 (A) The professional corporation executes a shareholder agreement exclusively between
9 or among and for the benefit of a majority of shareholders described in subsection (2)(a)(A)
10 of this section and the shareholder agreement complies with the provisions of ORS 60.265;
11 or

12 (B) The professional corporation is solely and exclusively:

13 (i) Engaged in the practice of telemedicine, as defined in ORS 677.494, without a physical
14 presence in this state;

15 (ii) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect on the effective date
16 of this 2024 Act, that has a contract with the Department of Human Services to carry out
17 a program of all-inclusive care for the elderly;

18 (iii) A hospital, as defined in ORS 442.015, or a hospital-affiliated entity that provides
19 outpatient health services and that is owned, operated or controlled by, or is under common
20 ownership, operation or control with, a hospital;

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

22 (v) An urban Indian health program in this state that is funded under 25 U.S.C. 1601 et
23 seq., as in effect on the effective date of this 2024 Act;

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

26 (vii) An entity that provides behavioral health care, other than a hospital, that the
27 Oregon Health Authority has certified to provide behavioral health care or that is a licensed
28 opioid treatment program, a qualified medical provider that primarily provides office-based
29 and medication-assisted treatment services, a provider of withdrawal management services
30 or a sobering center.

31 [(5)] (8) A professional corporation that is subject to ORS 58.375 may elect to become subject
32 to this section by amending the professional corporation's articles of incorporation or bylaws.

33 **SECTION 3.** ORS 58.381 is amended to read:

34 58.381. (1)(a) **Except as provided in paragraph (b) of this subsection**, a proxy to vote the
35 shares of a professional corporation organized for the purpose of practicing medicine may be given
36 under the following conditions:

37 [(a)] (A) If the shareholder granting the proxy is a physician licensed in this state to practice
38 medicine, the proxy may be given only to a shareholder of the same corporation who is also a phy-
39 sician licensed in this state to practice medicine, or to an attorney licensed to practice law in this
40 state or another person similarly licensed.

41 [(b)] (B) If the shareholder granting the proxy is not a physician licensed in this state to prac-
42 tice medicine, the proxy may be given only to another shareholder of the same corporation, whether
43 or not the other shareholder is a physician licensed in this state to practice medicine, or to an at-
44 torney licensed to practice law in this state or another person similarly licensed.

45 (b) A shareholder may not give a proxy to vote the shares of a professional corporation,

1 or a foreign professional corporation with authority to transact business in this state, that
2 is organized for the purpose of practicing medicine, for the purpose of allowing physicians,
3 physician assistants and nurse practitioners to jointly render professional health care ser-
4 vices, or for the purpose of practicing naturopathic medicine if the shareholder is also a
5 shareholder, director, member, officer or employee of a management services organization
6 with which the professional corporation or foreign professional corporation has a contract.

7 (2) [No] A voting trust may **not** be created to vote the shares of a professional corporation or-
8 ganized for the purpose of practicing medicine.

9 (3) Two or more shareholders of a professional corporation organized for the purpose of prac-
10 ticing medicine may enter into a voting agreement provided that the voting agreement does not
11 transfer voting rights from a shareholder who is a physician licensed in this state to practice med-
12 icine to a shareholder who is not so licensed. Notwithstanding any provision of this subsection,
13 voting rights may be transferred to an attorney licensed to practice law in this state or another
14 person similarly licensed.

15 **SECTION 4.** Sections 5, 6 and 7 of this 2024 Act are added to and made a part of ORS
16 chapter 58.

17 **SECTION 5.** (1) As used in ORS 58.375, 58.376 and 58.381 and section 7 of this 2024 Act,
18 “management services organization” means an entity that under a written agreement, and
19 in return for compensation, provides any or all of the following management services to or
20 on behalf of a professional corporation:

21 (a) Payroll;

22 (b) Human resources;

23 (c) Employment screening;

24 (d) Employee relations; or

25 (e) Any other administrative or business services that do not constitute the practice of
26 medicine.

27 (2)(a) “Management services organization” does not include a hospital, as defined in ORS
28 442.015, or a hospital-affiliated entity that provides outpatient health services and that is
29 owned, operated or controlled by, or is under common ownership, operation or control with,
30 a hospital.

31 (b) For the purposes of paragraph (a) of this subsection, “control” has the meaning given
32 that term in ORS 732.548.

33 **SECTION 6.** (1) As used in this section, “professional medical entity” means:

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

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

36 (c) A professional corporation, as defined in section 7 of this 2024 Act;

37 (d) A limited liability company or foreign limited liability company with authority to
38 transact business in this state that is organized for a medical purpose, as defined in ORS
39 63.074 (3)(a);

40 (e) A partnership or foreign partnership with authority to transact business in this state,
41 or a limited liability partnership or foreign limited liability partnership with authority to
42 transact business in this state, that is organized for a medical purpose, as defined in section
43 11 of this 2024 Act; or

44 (f) A limited partnership or foreign limited partnership with authority to transact busi-
45 ness in this state that is organized for a medical purpose, as defined in section 13 of this 2024

1 **Act.**

2 (2) The Oregon Health Authority may submit to the Secretary of State a complaint, and
3 evidence concerning the complaint, that a professional medical entity violated the require-
4 ments of ORS 58.375, 58.376, 58.381 or 63.074 (3) or section 7, 11, 13, 15 or 16 of this 2024 Act.
5 If the Secretary of State determines that a violation has occurred, the Secretary of State
6 may take action to, as appropriate:

7 (a) Administratively dissolve the professional corporation or the limited liability company
8 that engaged in the violation;

9 (b) Revoke the registration of the limited liability partnership that engaged in the vio-
10 lation;

11 (c) Inactivate the certificate of limited partnership for a limited partnership that engaged
12 in the violation;

13 (d) Revoke the authority to transact business for a foreign professional corporation, a
14 foreign limited liability company or a foreign limited liability partnership that engaged in the
15 violation; or

16 (e) Inactivate the registration of a foreign limited partnership that engaged in the vio-
17 lation.

18 (3)(a) For the purposes of an action under ORS 60.651, 63.651, 67.660 or 70.435, a rein-
19 statement under ORS 60.654, 63.654, 67.665 or 70.440, or an appeal under ORS 60.657, 63.657
20 or 67.670, a violation of ORS 58.375, 58.376 or 58.381 or section 7 of this 2024 Act is grounds:

21 (A) Under ORS 60.647 or 63.647 for a proceeding to administratively dissolve:

22 (i) A professional corporation organized for the purpose of practicing medicine, a pro-
23 fessional corporation organized for the purpose of allowing physicians, physician assistants
24 and nurse practitioners to jointly render professional medical services or a professional
25 corporation organized for the purpose of practicing naturopathic medicine; or

26 (ii) A limited liability company organized for a medical purpose, as defined in ORS 63.074
27 (3).

28 (B) Under ORS 67.655 for a revocation of the registration of a limited liability partnership
29 organized for a medical purpose, as defined in section 11 of this 2024 Act.

30 (b) For the purposes of an action under ORS 60.741, 63.741, 67.755 or 70.435, a rein-
31 statement under ORS 60.747, 63.747, 67.765 or 70.440, or an appeal under ORS 60.744, 63.744
32 or 67.760, a violation of ORS 58.375, 58.376 or 58.381 or section 7 of this 2024 Act is grounds:

33 (A) Under ORS 60.737 for the Secretary of State to revoke the authority to transact
34 business in this state of a foreign professional corporation organized for the purpose of
35 practicing medicine;

36 (B) Under ORS 63.737 for the Secretary of State to revoke the authority to transact
37 business in this state of a foreign limited liability company organized for a medical purpose,
38 as defined in ORS 63.074 (3);

39 (C) Under ORS 67.750 for the Secretary of State to revoke the authority to transact
40 business in this state of a foreign limited liability partnership organized for a medical pur-
41 pose, as defined in section 11 of this 2024 Act; and

42 (D) Under ORS 70.430 for the Secretary of State to inactivate the registration of a foreign
43 limited partnership organized for a medical purpose, as defined in section 13 of this 2024 Act.

44 (c) A professional corporation described in ORS 58.375 or 58.376 or section 7 of this 2024
45 Act is a corporation that is subject to the Secretary of State's administrative dissolution

1 authority.

2 (d) A limited liability company described in ORS 63.074 (3) or a holding entity, as defined
3 in ORS 63.074 (3)(a), is a limited liability company that is subject to the Secretary of State's
4 administrative dissolution authority.

5 (e) A limited liability partnership described in section 11 (2) of this 2024 Act is subject to
6 the Secretary of State's authority to revoke the limited liability partnership's registration.

7 (f) A limited partnership described in section 13 of this 2024 Act is subject to the Secre-
8 tary of State's authority to inactivate the limited partnership's certificate of registration.

9 (g) A foreign professional corporation organized for the purpose of practicing medicine,
10 a foreign limited liability company organized for a medical purpose, as defined in ORS 63.074
11 (3) and a foreign limited liability partnership organized for a medical purpose, as defined in
12 section 11 of this 2024 Act, are each subject to the power of the Secretary of State to revoke
13 the authority to transact business in this state.

14 (h) A foreign limited partnership organized for a medical purpose, as defined in section
15 13 of this 2024 Act, is subject to the Secretary of State's power to inactivate the foreign
16 limited partnership's registration in this state.

17 (4) Notwithstanding the 45-day period set forth in ORS 60.651, 60.741, 63.651, 63.741, 67.660,
18 67.755 and 70.435 within which a professional medical entity must take action to remove
19 grounds for dissolution, or for a revocation or inactivation of registration, the Secretary of
20 State, within not more than seven years after the date of a complaint alleging a violation
21 of ORS 58.375, 58.376 or 58.381 or section 7 of this 2024 Act, shall require the professional
22 medical entity to remove the grounds set forth under this section for an administrative dis-
23 solution, a revocation or inactivation of registration or a revocation of authority to transact
24 business in this state.

25 (5) If the Oregon Health Authority determines that a person's merger with or acquisition
26 of a professional corporation, limited liability company, limited liability partnership or limited
27 partnership has or will have the effect of violating ORS 58.375, 58.376, 58.381 or 63.074 (3) or
28 section 7, 11, 13, 15 or 16 of this 2024 Act, as appropriate, the authority may apply to a circuit
29 court of this state for an order staying the merger or acquisition.

30 **SECTION 7. (1)(a) As used in this section:**

31 (A) "Naturopathic medicine" has the meaning given that term in ORS 685.010.

32 (B) "Naturopathic physician" has the meaning given that term in ORS 685.010.

33 (C) "Professional corporation" means a professional corporation organized for the pur-
34 pose of practicing naturopathic medicine or a foreign professional corporation with authority
35 to transact business in this state that is organized for the purpose of practicing naturopathic
36 medicine.

37 (b) As used in subsections (4)(d)(C) and (6)(d)(B)(iii) of this section, "control" has the
38 meaning given to that term in ORS 732.548.

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

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

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

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

45 (3) An individual whom the professional corporation employs, or an individual who owns

1 an interest in the professional corporation, may not direct or control the professional judg-
2 ment of a naturopathic physician who is practicing within the professional corporation and
3 within the scope of practice permitted under the naturopathic physician's license.

4 (4)(a) A shareholder, director or officer of a professional corporation may not:

5 (A) Own or control shares in, serve as a director or officer of, or otherwise participate
6 in managing both the professional corporation and a management services organization with
7 which the professional corporation has a contract; or

8 (B) Participate in hiring, terminating, evaluating the performance of, setting work
9 schedules or compensation for, or otherwise specifying terms of employment of a
10 naturopathic physician that the professional corporation employs or may employ while at the
11 same time owning or controlling shares in, serving as a director of, or otherwise participat-
12 ing in managing a management services organization with which the professional corporation
13 has a contract.

14 (b) Paragraph (a) of this subsection does not apply to a shareholder in the professional
15 corporation if the shareholder does not own or control more than five percent of the shares
16 of or interest in the professional corporation, does not serve as a director of the professional
17 corporation, does not participate in managing the professional corporation and:

18 (A) Does not serve as a director of, or participate in managing, the management services
19 organization;

20 (B) Is an employee of, or is a party to a contract for services with, the management
21 services organization and provides to the management services organization services that
22 are compensated at the market rate for such services and that are entirely consistent with
23 the shareholder's professional obligations, ethics and duties to the professional corporation
24 and the shareholder's patients; and

25 (C) Owns shares in either the professional corporation or the management services or-
26 ganization incidentally and without relation to the shareholder's compensation as an em-
27 ployee of, or under a contract for services with, the management services organization.

28 (c) Paragraph (a) of this subsection does not apply to the shareholders, directors or of-
29 ficers of a professional corporation if the professional corporation owns a majority of the
30 interest in the management services organization.

31 (d) Paragraph (a) of this subsection does not apply to a professional corporation if the
32 professional corporation is solely and exclusively:

33 (A) Engaged in the practice of telemedicine, as defined in ORS 677.494, without a physical
34 presence in this state;

35 (B) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect on the effective date
36 of this 2024 Act, that has a contract with the Department of Human Services to carry out
37 a program of all-inclusive care for the elderly;

38 (C) A hospital, as defined in ORS 442.015, or a hospital-affiliated entity that provides
39 outpatient health services and that is owned, operated or controlled by, or is under common
40 ownership, operation or control with, a hospital;

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

42 (E) An urban Indian health program in this state that is funded under 25 U.S.C. 1601 et
43 seq., as in effect on the effective date of this 2024 Act;

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

1 (G) An entity that provides behavioral health care, other than a hospital, that the Oregon
2 Health Authority has certified to provide behavioral health care or that is a licensed opioid
3 treatment program, a qualified medical provider that primarily provides office-based and
4 medication-assisted treatment services, a provider of withdrawal management services or a
5 sobering center.

6 (5)(a) Except as provided in paragraph (b) of this subsection, a professional corporation
7 may not provide in the professional corporation's articles of incorporation or bylaws, or by
8 means of a contract or other agreement or arrangement, for removing a director described
9 in subsection (2)(a)(B) of this section from the professional corporation's board of directors,
10 or an officer described in subsection (2)(b) of this section from an office of the professional
11 corporation, except by a majority vote of the shareholders described in subsection (2)(a)(A)
12 of this section or, as appropriate, a majority vote of the directors described in subsection
13 (2)(a)(B) of this section.

14 (b) A professional corporation may remove a director or officer by means other than a
15 majority vote of the shareholders described in subsection (2)(a)(A) of this section or a ma-
16 jority vote of the directors described in subsection (2)(a)(B) of this section if the director or
17 officer that is subject to removal:

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

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

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

24 (6)(a) Except as provided in paragraph (c) of this subsection, a professional corporation
25 may not by means of a contract or other agreement or arrangement, by providing in the
26 professional corporation's articles of incorporation or bylaws, by forming a subsidiary or af-
27 filiated entity or by other means relinquish control over or otherwise transfer de facto con-
28 trol over the professional corporation's assets, business operations, clinical practices or
29 decisions or the clinical practices or decisions of a physician that the professional corpo-
30 ration employs or with whom the professional corporation has a contract.

31 (b) Methods of relinquishing or transferring control over a professional corporation that
32 are prohibited under paragraph (a) of this subsection include, but are not limited to:

33 (A) Selling, restricting the sale of, encumbering or transferring substantially all of the
34 professional corporation's shares or assets;

35 (B) Issuing shares of stock in the professional corporation, in a subsidiary of the pro-
36 fessional corporation or an entity affiliated with the professional corporation, or paying div-
37 idends;

38 (C) Controlling hiring or termination of, evaluations of performance of, setting of work
39 schedules or compensation for, or otherwise specifying terms of employment of employees
40 who are licensed to practice naturopathic medicine in this state;

41 (D) Controlling staffing levels for any location that serves patients;

42 (E) Advertising the professional corporation's services under the name of an entity that
43 is not a professional corporation;

44 (F) Controlling diagnostic coding decisions, establishing clinical standards directly or by
45 suggestion or protocol or making policies for patient, client or customer billing and col-

1 lection;

2 (G) Limiting access to, taking control from or otherwise obscuring from a naturopathic
3 physician the prices, rates or amounts the professional corporation charges for the
4 naturopathic physician's services; or

5 (H) Controlling the negotiation, execution, performance, enforcement or termination of
6 contracts with third-party payors or persons that are not employees of the professional
7 corporation.

8 (c) The methods described in paragraph (b) of this subsection do not prohibit:

9 (A) Collection of quality metrics as required by law or in accordance with an agreement
10 to which the professional corporation is a party; or

11 (B) Setting criteria for reimbursement under a contract between the professional corpo-
12 ration and an insurer.

13 (d) A professional corporation may relinquish or transfer control over the professional
14 corporation's assets, business operations, clinical practices or decisions only if:

15 (A) The professional corporation executes a shareholder agreement exclusively between
16 or among and for the benefit of a majority of shareholders who are naturopathic physicians
17 licensed in this state to practice naturopathic medicine and the shareholder agreement
18 complies with the provisions of ORS 60.265; or

19 (B) The professional corporation is solely and exclusively:

20 (i) Engaged in the practice of telemedicine, as defined in ORS 677.494, without a physical
21 presence in this state;

22 (ii) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect on the effective date
23 of this 2024 Act, that has a contract with the Department of Human Services to carry out
24 a program of all-inclusive care for the elderly;

25 (iii) A hospital, as defined in ORS 442.015, or a hospital-affiliated entity that provides
26 outpatient health services and that is owned, operated or controlled by, or is under common
27 ownership, operation or control with, a hospital;

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

29 (v) An urban Indian health program in this state that is funded under 25 U.S.C. 1601 et
30 seq., as in effect on the effective date of this 2024 Act;

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

33 (vii) An entity that provides behavioral health care, other than a hospital, that the
34 Oregon Health Authority has certified to provide behavioral health care or that is a licensed
35 opioid treatment program, a qualified medical provider that primarily provides office-based
36 and medication-assisted treatment services, a provider of withdrawal management services
37 or a sobering center.

38 **SECTION 8.** ORS 60.754 is amended to read:

39 60.754. (1)(a) Notwithstanding ORS 60.074 (2), a corporation incorporated under ORS chapter 60
40 is a benefit company under ORS 60.750 to 60.770 if the corporation's articles of incorporation state
41 that the corporation is a benefit company subject to ORS 60.750 to 60.770.

42 (b) Notwithstanding ORS 63.074 [(3)] (4), a limited liability company organized under ORS
43 chapter 63 is a benefit company under ORS 60.750 to 60.770 if the limited liability company's articles
44 of organization state that the limited liability company is a benefit company subject to ORS 60.750
45 to 60.770.

1 (2)(a) A corporation that is incorporated under ORS chapter 60 may become a benefit company
2 by amending the corporation's articles of incorporation to state, in addition to the requirements set
3 forth in ORS 60.047, that the corporation is a benefit company subject to ORS 60.750 to 60.770. The
4 amendment to the articles of incorporation must be approved by a minimum status vote.

5 (b) A limited liability company that is organized under ORS chapter 63 may become a benefit
6 company by amending the limited liability company's articles of organization to state, in addition to
7 the requirements set forth in ORS 63.047, that the limited liability company is a benefit company
8 subject to ORS 60.750 to 60.770. The amendment to the articles of organization must be approved
9 by a minimum status vote.

10 (3) A benefit company may be formed by means of a conversion if articles of conversion that
11 state that the converted entity will be a benefit company that is subject to ORS 60.750 to 60.770 are
12 approved by a minimum status vote.

13 (4) An entity that is not a benefit company may become a benefit company by merging or ex-
14 changing equity interests with a benefit company if the shareholders or holders of equity interests
15 of the entity that is not the benefit company approve, by a minimum status vote, a plan of merger
16 or a plan for exchanging equity interests with a benefit company under which the surviving entity
17 will be a benefit company.

18 (5) A benefit company may become an entity other than a benefit company only if an action to
19 remove from the articles of incorporation, articles of organization or articles of conversion the
20 provision that states that the entity is a benefit company subject to ORS 60.750 to 60.770 is approved
21 by a minimum status vote.

22 (6)(a) A plan for a benefit company must be approved by a minimum status vote if the plan
23 would:

24 (A) Merge the benefit company with an entity that is not a benefit company, if the surviving
25 entity would not be a benefit company;

26 (B) Provide for exchanging equity interests with an entity that is not a benefit company, if the
27 exchange would create an entity that is not a benefit company and that would hold substantially
28 all of the benefit company's assets;

29 (C) Convert the benefit company to an entity that is not a benefit company; or

30 (D) Otherwise cause ORS 60.750 to 60.770 not to apply to the benefit company.

31 (b) A sale, lease, exchange or other disposition of all or substantially all of a benefit company's
32 assets must be approved by a minimum status vote unless the benefit company conducts the sale,
33 lease, exchange or other disposition in the ordinary course of the benefit company's business.

34 (7) A provision of a benefit company's articles of incorporation, articles of organization, articles
35 of conversion or plan described in subsection (6) of this section may be inconsistent with or super-
36 sede a provision of ORS 60.750 to 60.770 only to the extent that the provision in the articles of in-
37 corporation, articles of organization, articles of conversion or plan imposes a more stringent
38 requirement on the benefit company, in keeping with the purposes set forth in ORS 60.750 to 60.770,
39 than a provision of ORS 60.750 to 60.770 imposes.

40 **SECTION 9.** ORS 63.074 is amended to read:

41 63.074. (1) Except as otherwise provided by the laws of the state and in this section, a limited
42 liability company formed under this chapter may conduct or promote any lawful business or purpose
43 that a partnership, corporation or professional corporation as defined in ORS 58.015 may conduct
44 or promote, unless the articles of organization set forth a more limited purpose. A person may not
45 organize a limited liability company under this chapter for any illegal purpose or with an intent to

1 fraudulently conceal any business activity from another person or a governmental agency.

2 (2)(a) Subject to the laws of the state, the rules and regulations of a regulatory board of a
3 profession, if any, and the standards of professional conduct of the profession, if any, a limited li-
4 ability company or members of the limited liability company may render professional service in this
5 state.

6 (b) Notwithstanding any other law, members of a limited liability company, including members
7 who are managers, and who are also professionals, as defined in ORS 58.015, are personally liable
8 as members of the limited liability company to the same extent and in the same manner as provided
9 for shareholders of a professional corporation in ORS 58.185 and 58.187 and as otherwise provided
10 in this chapter.

11 (3)(a) **As used in this subsection:**

12 (A) **“Holding entity” means a business entity that is organized for the purpose of holding**
13 **or owning a majority of the ownership interests in:**

14 (i) **A professional corporation, or foreign professional corporation, that is organized for**
15 **the purpose of practicing medicine;**

16 (ii) **A limited liability company, or foreign limited liability company, that is organized for**
17 **a medical purpose;**

18 (iii) **A limited liability partnership, or foreign limited liability partnership, that is organ-**
19 **ized for a medical purpose; or**

20 (iv) **A limited partnership, or foreign limited partnership, that is organized for a medical**
21 **purpose.**

22 (B) **“Medical purpose” means, as appropriate:**

23 (i) **The purpose of practicing medicine;**

24 (ii) **The purpose of allowing physicians, physician assistants and nurse practitioners to**
25 **jointly render professional health care services; or**

26 (iii) **The purpose of practicing naturopathic medicine.**

27 (C) **“Professional corporation” means, as appropriate:**

28 (i) **A professional corporation described in ORS 58.375;**

29 (ii) **A professional corporation described in ORS 58.376; or**

30 (iii) **A professional corporation described in section 7 of this 2024 Act.**

31 (b) **A limited liability company, or foreign limited liability company with authority to**
32 **transact business in this state, that is organized for a medical purpose, or as a holding en-**
33 **tity, is subject to ORS 58.375 or 58.376 or section 7 of this 2024 Act, as appropriate, and unless**
34 **exempted under ORS 58.375 or 58.376 or section 7 of this 2024 Act, must comply with the**
35 **requirements specified for, and the limitations imposed upon, a professional corporation and**
36 **the shareholders, directors and officers of a professional corporation, with respect to the**
37 **limited liability company’s, foreign limited liability company’s or holding entity’s ownership,**
38 **control, governance and management and the qualifications of the limited liability company’s**
39 **or foreign limited liability company’s members or managers or the holding entity’s share-**
40 **holders, members, directors, officers or managers.**

41 (c) **For the purposes described in paragraph (b) of this subsection and the purposes of**
42 **determining the management and control of a limited liability company, or a foreign limited**
43 **liability company with authority to transact business in this state, that is organized for a**
44 **medical purpose, or of a holding entity:**

45 (A) **A member or manager of the limited liability company, or the foreign limited liability**

1 company and a shareholder, member, director, officer or manager of a holding entity, is
2 equivalent to a shareholder in a professional corporation; and

3 (B) The rights and obligations of a member or manager of the limited liability company,
4 or foreign limited liability company, and the rights of a shareholder, member, director, offi-
5 cer or manager in the holding entity, are equivalent to the rights and obligations of a
6 shareholder, director or officer in a professional corporation.

7 [(3)] (4) A business that is subject to regulation under another statute of the state may not be
8 organized under this chapter if the business is required to be organized only under the other statute.

9 **SECTION 10.** Section 11 of this 2024 Act is added to and made a part of ORS chapter 67.

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

11 (a) “Holding entity” means a partnership or limited liability partnership that is organized
12 for the purpose of holding or owning a majority of the ownership interests in:

13 (A) A professional corporation;

14 (B) A limited liability company that is organized for a medical purpose;

15 (C) A partnership or limited liability partnership that is organized for a medical purpose;

16 or

17 (D) A limited partnership that is organized for a medical purpose.

18 (b) “Medical purpose” means, as appropriate:

19 (A) The purpose of practicing medicine;

20 (B) The purpose of allowing physicians, physician assistants and nurse practitioners to
21 jointly render professional health care services; or

22 (C) The purpose of practicing naturopathic medicine.

23 (c) “Professional corporation” means, as appropriate:

24 (A) A professional corporation described in ORS 58.375;

25 (B) A professional corporation described in ORS 58.376; or

26 (C) A professional corporation described in section 7 of this 2024 Act.

27 (2) A partnership, a foreign partnership with authority to transact business in this state,
28 a limited liability partnership, and a foreign limited liability partnership with authority to
29 transact business in this state, if organized for a medical purpose, or as a holding entity, are
30 each subject to ORS 58.375 or 58.376 or section 7 of this 2024 Act, as appropriate, and unless
31 exempted under ORS 58.375 or 58.376 or section 7 of this 2024 Act, must comply with the
32 requirements specified for, and the limitations imposed upon, a professional corporation and
33 the shareholders, directors and officers of a professional corporation, with respect to the
34 partnership’s, foreign partnership’s, limited liability partnership’s, foreign limited liability
35 partnership’s or holding entity’s ownership, control, governance and management and the
36 qualifications of the limited liability partnership’s, foreign limited liability partnership’s or
37 holding entity’s general partners.

38 (3) For the purposes described in subsection (2) of this section and the purposes of de-
39 termining the management and control of a partnership, foreign partnership, limited liability
40 partnership or foreign limited liability partnership organized for a medical purpose, or of a
41 holding entity:

42 (a) A general partner in the limited liability partnership or foreign limited liability part-
43 nership, or a general partner in a holding entity, is equivalent to a shareholder in a profes-
44 sional corporation; and

45 (b) A partner’s or general partner’s rights and obligations in the limited liability part-

1 nership, foreign limited liability partnership or holding entity are equivalent to the rights and
2 obligations of a shareholder in a professional corporation.

3 **SECTION 12.** Section 13 of this 2024 Act is added to and made a part of ORS chapter 70.

4 **SECTION 13.** (1) As used in this section:

5 (a) “Holding entity” means a limited partnership that is organized for the purpose of
6 holding or owning a majority of the ownership interests in:

7 (A) A professional corporation;

8 (B) A limited liability company that is organized for a medical purpose;

9 (C) A partnership or limited liability partnership that is organized for a medical purpose;

10 or

11 (D) A limited partnership that is organized for a medical purpose.

12 (b) “Medical purpose” means, as appropriate:

13 (A) The purpose of practicing medicine;

14 (B) The purpose of allowing physicians, physician assistants and nurse practitioners to
15 jointly render professional health care services; or

16 (C) The purpose of practicing naturopathic medicine.

17 (c) “Professional corporation” means, as appropriate:

18 (A) A professional corporation described in ORS 58.375;

19 (B) A professional corporation described in ORS 58.376; or

20 (C) A professional corporation described in section 7 of this 2024 Act.

21 (2) A limited partnership, and a foreign limited partnership with authority to transact
22 business in this state, if organized for a medical purpose, or as a holding entity, are each
23 subject to ORS 58.375 or 58.376 or section 7 of this 2024 Act, as appropriate, and unless ex-
24 empted under ORS 58.375 or 58.376 or section 7 of this 2024 Act, must comply with the re-
25 quirements specified for, and the limitations imposed upon, a professional corporation and
26 the shareholders, directors and officers of a professional corporation, with respect to the
27 limited partnership’s, foreign limited partnership’s or holding entity’s ownership, control,
28 governance and management and the qualifications of the limited partnership’s, foreign lim-
29 ited partnership’s or holding entity’s general partners.

30 (3) For the purposes described in subsection (2) of this section and the purposes of de-
31 termining the management and control of a limited partnership, or a foreign limited part-
32 nership, that is organized for a medical purpose, or of a holding entity:

33 (a) A general partner in a limited partnership, or a foreign limited partnership, that is
34 organized for a medical purpose, or a general partner in a holding entity is equivalent to a
35 shareholder in a professional corporation; and

36 (b) A partner’s or general partner’s rights and obligations in the limited partnership,
37 foreign limited partnership or holding entity are equivalent to the rights and obligations of
38 a shareholder in a professional corporation.

39 **SECTION 14.** Sections 15, 16 and 17 of this 2024 Act are added to and made a part of ORS
40 chapter 677.

41 **SECTION 15.** (1) As used in this section and section 16 of this 2024 Act:

42 (a) “Disciplinary action” means discrimination, dismissal, demotion, transfer, reassign-
43 ment, supervisory reprimand, warning of possible dismissal, or withholding of work, even if
44 the action does not affect or will not affect a licensee’s compensation.

45 (b)(A) “Management services organization” means an entity that under a written agree-

1 ment and in return for compensation provides to or on behalf of a licensee business man-
2 agement services including, but not limited to, payroll, human resources, employment
3 screening, employee relations and other similar or related services that do not constitute the
4 practice of medicine.

5 (B) "Management services organization" does not include a hospital, as defined in ORS
6 442.015, or a hospital-affiliated entity that provides outpatient health services and that is
7 owned, operated or controlled by, or is under common ownership, operation or control with,
8 a hospital. For the purposes of this subparagraph, "control" has the meaning given that term
9 in ORS 732.548.

10 (c) "Noncompetition agreement" means a written agreement between a licensee and an-
11 other person under which the licensee agrees that the licensee, either alone or as an em-
12 ployee, associate or affiliate of a third person, will not compete with the other person in
13 providing products, processes or services that are similar to the other person's products,
14 processes or services for a period of time or within a specified geographic area after termi-
15 nation of employment or termination of a contract under which the licensee supplied goods
16 to or performed services for the other person.

17 (d) "Nondisclosure agreement" means a written agreement under the terms of which a
18 licensee must refrain from disclosing partially, fully, directly or indirectly to any person,
19 other than another party to the written agreement or to a person specified in the agreement
20 as a third-party beneficiary of the agreement:

21 (A) A policy or practice that a party to the agreement required the licensee to use, in
22 patient care, other than individually identifiable health information that the licensee may not
23 disclose under the Health Insurance Portability and Accountability Act of 1996, P.L. 104-191,
24 as in effect on the effective date of this 2024 Act;

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

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

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

37 (f) "Professional medical entity" means:

38 (A) A professional corporation described in ORS 58.375;

39 (B) A professional corporation described in ORS 58.376;

40 (C) A professional corporation described in section 7 of this 2024 Act;

41 (D) A limited liability company organized for a medical purpose, as defined in ORS 63.074
42 (3)(a); or

43 (E) A limited liability partnership organized for a medical purpose, as defined in section
44 11 of this 2024 Act.

45 (2)(a) Notwithstanding ORS 653.295 (1) and (2), and except as provided in paragraph (b)

1 of this subsection, a noncompetition agreement between a licensee and another person is
2 void and unenforceable.

3 (b) A noncompetition agreement between a licensee and another person is valid and en-
4 forceable to the extent and under the terms provided in ORS 653.295 if the licensee is a
5 shareholder or member of the other person or otherwise owns or controls an ownership or
6 membership interest that is equivalent to 25 percent or more of the entire ownership or
7 membership interest that exists in the other person.

8 (3)(a) A nondisclosure agreement or nondisparagement agreement between a licensee and
9 a management services organization is void and unenforceable.

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

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

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

18 SECTION 16. (1) A management services organization or a professional medical entity
19 may not take disciplinary action against a licensee as retaliation for, or as a consequence
20 of, the licensee's violation of a nondisclosure agreement or nondisparagement agreement or
21 because the licensee in good faith disclosed or reported information that the licensee believes
22 is evidence of a violation of a federal or state law, rule or regulation.

23 (2) A management services organization or professional medical entity that takes disci-
24 plinary action against a licensee in the circumstances described in subsection (1) of this
25 section engages in an unlawful employment practice, as defined in ORS 659A.001, that is
26 subject to enforcement under ORS chapter 659A.

27 SECTION 17. (1) Except as provided in subsection (2) of this section, sections 5, 6, 7, 11,
28 13, 15 and 16 of this 2024 Act and the amendments to ORS 58.375, 58.376, 58.381, 60.754 and
29 63.074 by sections 1, 2, 3, 8 and 9 of this 2024 Act apply to contracts that a person enters into
30 or renews on or after the operative date specified in section 18 of this 2024 Act.

31 (2) Except as otherwise provided in section 15 of this 2024 Act, a noncompetition agree-
32 ment, nondisclosure agreement or nondisparagement agreement, as those terms are defined
33 in section 15 of this 2024 Act, into which a licensee, as defined in ORS 677.010, enters before,
34 on or after the operative date specified in section 18 of this 2024 Act may not be enforced.

35 SECTION 18. (1) Sections 5, 6, 7, 11 and 13 of this 2024 Act and the amendments to ORS
36 58.375, 58.376, 58.381, 60.754 and 63.074 by sections 1, 2, 3, 8 and 9 of this 2024 Act become
37 operative on January 1, 2031.

38 (2) The Secretary of State and the Director of the Oregon Health Authority may adopt
39 rules and take any other action before the operative date specified in subsection (1) of this
40 section that is necessary to enable the Secretary of State and the Director of the Oregon
41 Health Authority, on and after the operative date specified in subsection (1) of this section,
42 to undertake and exercise all of the duties, functions and powers conferred on the Secretary
43 of State and the Director of the Oregon Health Authority by sections 5, 6, 7, 11, 13, 15 and
44 16 of this 2024 Act and the amendments to ORS 58.375, 58.376, 58.381, 60.754 and 63.074 by
45 sections 1, 2, 3, 8 and 9 of this 2024 Act.

1 **SECTION 19.** This 2024 Act takes effect on the 91st day after the date on which the 2024
2 regular session of the Eighty-second Legislative Assembly adjourns sine die.
3 _____