

HB 4130-4
(LC 9)
2/14/24 (DJ/ps)

Requested by Representative BOWMAN

**PROPOSED AMENDMENTS TO
HOUSE BILL 4130**

1 On page 1 of the printed bill, delete line 3 and insert “58.381, 60.754 and
2 63.074; and prescribing an effective date.”.

3 After line 3, insert:

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

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

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

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

18 “Whereas some business entities have sought to silence criticism of their
19 operations and management practices through nondisclosure, noncompetition
20 and nondisparagement agreements and other devices that stifle reporting of
21 and accountability for these operations and practices; and

1 “Whereas to protect the best interests of patients in this state, and enable
2 medical practitioners to exercise medical judgment free from interference
3 from those who are not licensed to practice medicine in this state, the Leg-
4 islative Assembly must prohibit business entities from practicing medicine
5 or employing actively practicing physicians and other practitioners and us-
6 ing noncompetition agreements, non-disclosure agreements and non-
7 disparagement agreements to restrict reasonable and honest criticism; and

8 “Whereas the Legislative Assembly supports existing exemptions for pro-
9 fessional corporations and hospitals that are organized specifically for the
10 purpose of practicing medicine or providing medical services, and are
11 majority-owned and managed by physicians and other practitioners who can
12 exercise medical judgment without interference; now, therefore,”.

13 Delete lines 5 through 13 and delete pages 2 through 14 and insert:

14 “**SECTION 1.** ORS 58.375 is amended to read:

15 “58.375. (1) **As used in this section, ‘professional corporation’ means**
16 **a professional corporation organized for the purpose of practicing**
17 **medicine or a foreign professional corporation with authority to**
18 **transact business in this state that is organized for the purpose of**
19 **practicing medicine.**

20 “[~~(1)~~] (2) In a professional corporation [*organized for the purpose of prac-*
21 *ticing medicine*]:

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

24 “(b) Physicians who are licensed in this state to practice medicine must
25 be a majority of the directors.

26 “(c) All officers except the secretary and treasurer, if any, must be phy-
27 sicians who are licensed in this state to practice medicine. The same person
28 may hold any two or more offices.

29 “(d) Except as otherwise provided by law, the Oregon Medical Board may
30 expressly require that physicians who are licensed in this state to practice

1 medicine hold more than a majority of each class of shares that is entitled
2 to vote.

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

6 **“(f)(A) A shareholder, director or officer of a professional corpo-
7 ration may not:**

8 **“(i) Own or control shares in, serve as a director or officer of, be
9 an employee of or an independent contractor with, or otherwise par-
10 ticipate in managing both the professional corporation and a manage-
11 ment services organization with which the professional corporation
12 has a contract; or**

13 **“(ii) Participate in hiring, terminating, evaluating the performance
14 of, setting work schedules or compensation for, or otherwise specifying
15 terms of employment of a physician that the professional corporation
16 employs or may employ while at the same time owning or controlling
17 shares in, serving as a director of, being an employee of or an inde-
18 pendent contractor with or otherwise participating in managing a
19 management services organization with which the professional corpo-
20 ration has a contract.**

21 **“(B) Subparagraph (A) of this paragraph does not apply if the pro-
22 fessional corporation owns a majority of the interest in the manage-
23 ment services organization.**

24 **“(C) Subparagraph (A) of this paragraph does not apply if the pro-
25 fessional corporation is solely and exclusively:**

26 **“(i) Engaged in the practice of telemedicine, as defined in ORS
27 677.494, without a physical presence in this state;**

28 **“(ii) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect
29 on the effective date of this 2024 Act, licensed in this state as a PACE
30 organization;**

1 “(iii) An affiliate of a hospital, as defined in ORS 442.015; or

2 “(iv) A behavioral health services provider licensed in this state as
3 a behavioral health services provider.

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

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

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

21 “(B) Was the subject of a disciplinary proceeding by the Oregon
22 Medical Board in which the board suspended or revoked the director’s
23 or officer’s license to practice medicine in this state; or

24 “(C) Engaged in fraud, misfeasance or malfeasance with respect to
25 the director’s or officer’s performance of duties for or on behalf of the
26 professional corporation.

27 “(4)(a) Except as provided in paragraph (c) of this subsection, a
28 professional corporation may not by means of a contract or other
29 agreement or arrangement, by providing in the professional
30 corporation’s articles of incorporation or bylaws, by forming a sub-

1 subsidiary or affiliated entity or by other means relinquish control over
2 or otherwise transfer de facto control over the professional
3 corporation's assets, business operations, clinical practices or deci-
4 sions or the clinical practices or decisions of a physician that the
5 professional corporation employs or with whom the professional cor-
6 poration has a contract.

7 “(b) Methods of relinquishing or transferring control over a pro-
8 fessional corporation that are prohibited under paragraph (a) of this
9 subsection include, but are not limited to:

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

12 “(B) Issuing shares of stock in the professional corporation, in a
13 subsidiary of the professional corporation or an entity affiliated with
14 the professional corporation, or paying dividends;

15 “(C) Controlling hiring or termination of, evaluations of perform-
16 ance of, setting of work schedules or compensation for, or otherwise
17 specifying terms of employment of, employees who are licensed to
18 practice medicine in this state or who are licensed in this state as
19 physician assistants or nurse practitioners;

20 “(D) Controlling staffing levels for any location that serves pa-
21 tients;

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

24 “(F) Controlling diagnostic coding decisions, establishing clinical
25 standards directly or by suggestion or protocol or making policies for
26 patient, client or customer billing and collection;

27 “(G) Limiting access to, taking control from or otherwise obscuring
28 from a physician the prices, rates or amounts the professional corpo-
29 ration charges for the physician's services;

30 “(H) Controlling the negotiation, execution, performance, enforce-

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

3 **“(I) Entering into noncompetition agreements, nondisclosure**
4 **agreements or nondisparagement agreements prohibited under section**
5 **16 of this 2024 Act.**

6 **“(c) A professional corporation may relinquish or transfer control**
7 **over the professional corporation’s assets, business operations, clinical**
8 **practices or decisions only if:**

9 **“(A) The professional corporation executes a shareholder agreement**
10 **exclusively between or among and for the benefit of a majority of**
11 **shareholders who are physicians licensed in this state to practice**
12 **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**
16 **677.494, without a physical presence in this state;**

17 **“(ii) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect**
18 **on the effective date of this 2024 Act, licensed in this state as a PACE**
19 **organization;**

20 **“(iii) An affiliate of a hospital, as defined in ORS 442.015; or**

21 **“(iv) A behavioral health services provider licensed in this state as**
22 **a behavioral health services provider.**

23 **“[(2)] (5) A professional corporation that is not organized for the pur-**
24 **pose of practicing medicine** may be a shareholder of a professional corpo-
25 **ration organized for the purpose of practicing medicine solely for the purpose**
26 **of effecting a reorganization as defined in the Internal Revenue Code.**

27 **“[(3)(a)] (6)(a) The provisions of subsections [(1) and] (2) to (4) of this**
28 **section do not apply to:**

29 **“(A) A nonprofit corporation that is organized under [Oregon law] the**
30 **laws of this state** to provide medical services to migrant, rural, homeless

1 or other medically underserved populations under 42 U.S.C. 254b or 254c, as
2 in effect on [*January 1, 2018*] **the effective date of this 2024 Act**;

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

6 “(C) Except as provided in paragraph (b) of this subsection, a for-profit
7 or nonprofit business entity that is incorporated or organized under the laws
8 of this state, that provides the entirety of the business entity’s medical ser-
9 vices through one or more rural health clinics, as defined in 42 U.S.C. 1395x,
10 as in effect on [*January 1, 2018*] **the effective date of this 2024 Act**, and
11 that operates in compliance with state and federal laws that apply to rural
12 health clinics.

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

20 **“SECTION 2.** ORS 58.376 is amended to read:

21 “58.376. (1) As used in this section[,]:

22 “(a) ‘Licensee’ means an individual who has a license as a physician or
23 a license as a physician assistant from the Oregon Medical Board or who
24 has a license as a nurse practitioner from the Oregon State Board of Nurs-
25 ing.

26 “(b) ‘**Professional corporation**’ means a professional corporation
27 **that is organized for the purpose of allowing physicians, physician as-**
28 **stants and nurse practitioners to jointly render professional health**
29 **care services or a foreign professional corporation with authority to**
30 **transact business in this state that is organized for the purpose of al-**

1 **lowing physicians, physician assistants and nurse practitioners to**
2 **jointly render professional health care services.**

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

6 “[*a*] (A) Hold a majority of each class of shares of the professional
7 corporation that is entitled to vote; and

8 “[*b*] (B) Be a majority of the directors of the professional corporation.

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

12 “(3) An individual whom the professional corporation employs, or an in-
13 dividual who owns an interest in the professional corporation, may not direct
14 or control the professional judgment of a licensee who is practicing within
15 the professional corporation and within the scope of practice permitted under
16 the licensee’s license.

17 “(4) A licensee whom the professional corporation employs, or a licensee
18 who owns an interest in the professional corporation, may not direct or
19 control the services of another licensee who is practicing within the profes-
20 sional corporation unless the other licensee is also practicing within the
21 scope of practice permitted under the licensee’s license.

22 **“(5)(a) A shareholder, director or officer of a professional corpo-**
23 **ration may not:**

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

28 **“(B) Participate in hiring, terminating, evaluating the performance**
29 **of, setting work schedules or compensation for, or otherwise specifying**
30 **terms of employment of a licensee that the professional corporation**

1 employs or may employ while at the same time owning or controlling
2 shares in, serving as a director of, or otherwise participating in man-
3 aging a management services organization with which the professional
4 corporation has a contract.

5 “(b) Paragraph (a) of this subsection does not apply if the profes-
6 sional corporation owns a majority of the interest in the management
7 services organization.

8 “(c) Paragraph (a) of this subsection does not apply if the profes-
9 sional corporation is solely and exclusively:

10 “(A) Engaged in the practice of telemedicine, as defined in ORS
11 677.494, without a physical presence in this state;

12 “(B) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect
13 on the effective date of this 2024 Act, licensed in this state as a PACE
14 organization;

15 “(C) An affiliate of a hospital, as defined in ORS 442.015; or

16 “(D) A behavioral health services provider licensed in this state as
17 a behavioral health services provider.

18 “(6)(a) Except as provided in paragraph (b) of this subsection, a
19 professional corporation may not provide in the professional
20 corporation’s articles of incorporation or bylaws, or by means of a
21 contract or other agreement or arrangement, for removing a director
22 described in subsection (2)(a)(B) of this section from the professional
23 corporation’s board of directors, or an officer described in subsection
24 (2)(b) of this section from an office of the professional corporation,
25 except by a majority vote of the shareholders described in subsection
26 (2)(a)(A) of this section or, as appropriate, a majority vote of the di-
27 rectors described in subsection (2)(a)(B) of this section.

28 “(b) A professional corporation may remove a director or officer by
29 means other than a majority vote of the shareholders described in
30 subsection (2)(a)(A) of this section or a majority vote of the directors

1 **described in subsection (2)(a)(B) of this section if the director or offi-**
2 **cer that is subject to removal:**

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

5 **“(B) Was the subject of a disciplinary proceeding by the regulatory**
6 **board that governs the director’s or officer’s practice as a licensee in**
7 **which the board suspended or revoked the director’s or officer’s li-**
8 **cense; or**

9 **“(C) Engaged in fraud, misfeasance or malfeasance with respect to**
10 **the director’s or officer’s performance of duties for or on behalf of the**
11 **professional corporation.**

12 **“(7)(a) Except as provided in paragraph (c) of this subsection, a**
13 **professional corporation may not by means of a contract or other**
14 **agreement or arrangement, by providing in the professional**
15 **corporation’s articles of incorporation or bylaws, by forming a sub-**
16 **sidary or affiliated entity or by other means relinquish control over**
17 **or otherwise transfer de facto control over the professional**
18 **corporation’s assets, business operations, clinical practices or deci-**
19 **sions or the clinical practices or decisions of a physician, physician**
20 **assistant or nurse practitioner that the professional corporation em-**
21 **ployes or with whom the professional corporation has a contract.**

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

25 **“(A) Selling, restricting the sale of, encumbering or transferring**
26 **substantially all of the professional corporation’s shares or assets;**

27 **“(B) Issuing shares of stock in the professional corporation, in a**
28 **subsidiary of the professional corporation or an entity affiliated with**
29 **the professional corporation, or paying dividends;**

30 **“(C) Controlling hiring or termination of, evaluations of perform-**

1 **ance of, setting of work schedules or compensation for, or otherwise**
2 **specifying terms of employment of, employees who are licensed to**
3 **practice medicine in this state or who are licensed in this state as**
4 **physician assistants or nurse practitioners;**

5 **“(D) Controlling staffing levels for any location that serves pa-**
6 **tients;**

7 **“(E) Advertising the professional corporation’s services under the**
8 **name of an entity that is not a professional corporation;**

9 **“(F) Controlling diagnostic coding decisions, establishing clinical**
10 **standards directly or by suggestion or protocol or making policies for**
11 **patient, client or customer billing and collection;**

12 **“(G) Limiting access to, taking control from or otherwise obscuring**
13 **from a physician, physician assistant or nurse practitioner the prices,**
14 **rates or amounts the professional corporation charges for the**
15 **physician’s, physician assistant’s or nurse practitioner’s services;**

16 **“(H) Controlling the negotiation, execution, performance, enforce-**
17 **ment or termination of contracts with third-party payors or persons**
18 **that are not employees of the professional corporation; or**

19 **“(I) Entering into noncompetition agreements, nondisclosure**
20 **agreements or nondisparagement agreements prohibited under section**
21 **16 of this 2024 Act.**

22 **“(c) A professional corporation may relinquish or transfer control**
23 **over the professional corporation’s assets, business operations, clinical**
24 **practices or decisions only if:**

25 **“(A) The professional corporation executes a shareholder agreement**
26 **exclusively between or among and for the benefit of a majority of**
27 **shareholders described in subsection (2)(a)(A) of this section and the**
28 **shareholder agreement complies with the provisions of ORS 60.265; or**

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

30 **“(i) Engaged in the practice of telemedicine, as defined in ORS**

1 **677.494, without a physical presence in this state;**

2 **“(ii) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect**
3 **on the effective date of this 2024 Act, licensed in this state as a PACE**
4 **organization;**

5 **“(iii) An affiliate of a hospital, as defined in ORS 442.015; or**

6 **“(iv) A behavioral health services provider licensed in this state as**
7 **a behavioral health services provider.**

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

11 **“SECTION 3.** ORS 58.381 is amended to read:

12 **“58.381. (1)(a) Except as provided in paragraph (b) of this subsection,**
13 **a proxy to vote the shares of a professional corporation organized for the**
14 **purpose of practicing medicine may be given under the following conditions:**

15 “[a] (A) If the shareholder granting the proxy is a physician licensed in
16 this state to practice medicine, the proxy may be given only to a shareholder
17 of the same corporation who is also a physician licensed in this state to
18 practice medicine, or to an attorney licensed to practice law in this state or
19 another person similarly licensed.

20 “[b] (B) If the shareholder granting the proxy is not a physician licensed
21 in this state to practice medicine, the proxy may be given only to another
22 shareholder of the same corporation, whether or not the other shareholder
23 is a physician licensed in this state to practice medicine, or to an attorney
24 licensed to practice law in this state or another person similarly licensed.

25 **“(b) A shareholder may not give a proxy to vote the shares of a**
26 **professional corporation, or a foreign professional corporation with**
27 **authority to transact business in this state, that is organized for the**
28 **purpose of practicing medicine, for the purpose of allowing physicians,**
29 **physician assistants and nurse practitioners to jointly render profes-**
30 **sional health care services, or for the purpose of practicing**

1 **naturopathic medicine if the shareholder is also a shareholder, direc-**
2 **tor, member, officer or employee of a management services organiza-**
3 **tion with which the professional corporation or foreign professional**
4 **corporation has a contract.**

5 “(2) [No] A voting trust may **not** be created to vote the shares of a pro-
6 fessional corporation organized for the purpose of practicing medicine.

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

14 **“SECTION 4. Sections 5, 6, 7 and 8 of this 2024 Act are added to and**
15 **made a part of ORS chapter 58.**

16 **“SECTION 5. (1) As used in ORS 58.375, 58.376 and 58.381 and section**
17 **8 of this 2024 Act ‘management services organization’ means an entity**
18 **that under a written agreement, and in return for compensation, pro-**
19 **vides any or all of the following management services to or on behalf**
20 **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 con-**
26 **stitute the practice of medicine.**

27 **“(2) As used in sections 6 and 7 of this 2024 Act, ‘professional med-**
28 **ical entity’ means:**

29 **“(a) A professional corporation, as defined in ORS 58.375;**

30 **“(b) A professional corporation, as defined in ORS 58.376;**

1 “(c) A professional corporation, as defined in section 8 of this 2024
2 Act;

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

6 “(e) A partnership or foreign partnership with authority to transact
7 business in this state, or a limited liability partnership or foreign
8 limited liability partnership with authority to transact business in this
9 state, that is organized for a medical purpose, as defined in section 12
10 of this 2024 Act; or

11 “(f) A limited partnership or foreign limited partnership with au-
12 thority to transact business in this state that is organized for a med-
13 ical purpose, as defined in section 14 of this 2024 Act.

14 “SECTION 6. (1) The Oregon Health Authority or any person may
15 submit to the Secretary of State a complaint, and evidence concerning
16 the complaint, that a professional medical entity violated the require-
17 ments of ORS 58.375, 58.376, 58.381 or 63.074 (3) or section 8, 12, 14, 16,
18 17, 18, 20 or 22 of this 2024 Act. The Secretary of State may investigate
19 any violation that the complaint addresses. If the Secretary of State
20 finds that a violation has occurred, the Secretary of State may com-
21 mence a proceeding to, as appropriate:

22 “(a) Administratively dissolve the professional corporation or the
23 limited liability company that engaged in the violation;

24 “(b) Revoke the registration of the limited partnership or limited
25 liability partnership that engaged in the violation; or

26 “(c) Revoke the authority to transact business for a foreign pro-
27 fessional corporation, a foreign limited liability company, a foreign
28 limited partnership or a foreign limited liability partnership that en-
29 gaged in the violation.

30 “(2) For the purposes of a proceeding under ORS 60.651, 63.651, 67.660

1 or 70.435, a reinstatement under ORS 60.654, 63.654, 67.665 or 70.440, or
2 an appeal under ORS 60.657, 63.657 or 67.670:

3 “(a) A violation of ORS 58.375, 58.376 or 58.381 or section 8 of this
4 2024 Act is grounds under ORS 60.647 or 63.647 for a proceeding to ad-
5 ministratively dissolve:

6 “(A) A professional corporation organized for the purpose of prac-
7 ticing medicine, a professional corporation organized for the purpose
8 of allowing physicians, physician assistants and nurse practitioners to
9 jointly render professional medical services or a professional corpo-
10 ration organized for the purpose of practicing naturopathic medicine;
11 or

12 “(B) A limited liability company organized for a medical purpose,
13 as defined in ORS 63.074 (3).

14 “(b) A violation of ORS 58.375, 58.376 or 58.381 or section 8 of this
15 2024 Act is grounds under ORS 67.655 for a proceeding to revoke the
16 registration of a limited liability partnership organized for a medical
17 purpose, as defined in section 12 of this 2024 Act.

18 “(c) A violation of ORS 58.375, 58.376 or 58.381 or section 8 of this
19 2024 Act is grounds:

20 “(A) Under ORS 60.737 for the Secretary of State to revoke the au-
21 thority to transact business in this state of a foreign professional
22 corporation organized for the purpose of practicing medicine;

23 “(B) Under ORS 63.737 for the Secretary of State to revoke the au-
24 thority to transact business in this state of a foreign limited liability
25 company organized for a medical purpose, as defined in ORS 63.074 (3);

26 “(C) Under ORS 67.750 for the Secretary of State to revoke the au-
27 thority to transact business in this state of a foreign limited liability
28 partnership organized for a medical purpose, as defined in section 12
29 of this 2024 Act; and

30 “(D) Under ORS 70.430 for the Secretary of State to revoke the au-

1 **thority to transact business in this state of a foreign limited partner-**
2 **ship organized for a medical purpose, as defined in section 14 of this**
3 **2024 Act.**

4 **“(d) A professional corporation described in ORS 58.375 or 58.376 or**
5 **section 8 of this 2024 Act is a corporation that is subject to the Sec-**
6 **retary of State’s administrative dissolution authority.**

7 **“(e) A limited liability company organized for a medical purpose or**
8 **a holding entity, as defined in ORS 63.074 (3)(a), is a limited liability**
9 **company that is subject to the Secretary of State’s administrative**
10 **dissolution authority.**

11 **“(f) A limited liability partnership described in section 12 (2) of this**
12 **2024 Act is subject to the Secretary of State’s administrative dissol-**
13 **ution authority.**

14 **“(g) A limited partnership organized for a medical purpose, as de-**
15 **efined in section 14 of this 2024 Act, is subject to the Secretary of**
16 **State’s authority to inactivate the limited partnership’s certificate of**
17 **registration.**

18 **“(h) A foreign professional corporation organized for the purpose**
19 **of practicing medicine, a foreign limited liability company organized**
20 **for a medical purpose, as defined in ORS 63.074 (3), a foreign limited**
21 **liability partnership organized for a medical purpose, as defined in**
22 **section 12 of this 2024 Act, and a foreign limited partnership organized**
23 **for a medical purpose, as defined in section 14 of this 2024 Act, are**
24 **each subject to the power of the Secretary of State to revoke the au-**
25 **thority to transact business in this state.**

26 **“(3) Notwithstanding the 45-day period set forth in ORS 60.651,**
27 **63.651, 67.660 and 70.435 within which a professional medical entity**
28 **must take action to remove grounds for dissolution or a revocation**
29 **of registration, the Secretary of State, within not more than seven**
30 **years after the date of a complaint alleging a violation of ORS 58.375,**

1 58.376 or 58.381 or section 8 of this 2024 Act, shall require the profes-
2 sional medical entity to remove the grounds set forth under this sec-
3 tion for an administrative dissolution, a revocation of registration or
4 a revocation of authority to transact business in this state.

5 “(4)(a) If the Oregon Health Authority determines that a person’s
6 merger with or acquisition of a professional corporation, limited li-
7 ability company, limited liability partnership or limited partnership
8 has or will have the effect of violating ORS 58.375, 58.376, 58.381 or
9 63.074 (3) or section 8, 12, 14, 16, 17, 18, 20 or 22 of this 2024 Act, as
10 appropriate, the authority may refer the matter to the Attorney Gen-
11 eral. The Attorney General may apply to a circuit court of this state
12 for an order staying the merger or acquisition pending the Attorney
13 General’s determination that the merger or acquisition does or does
14 not constitute a violation.

15 “(b) If the Attorney General determines during the period of the
16 stay that the merger or acquisition does or will constitute a violation,
17 the Attorney General may:

18 “(A) Seek an enforceable agreement from the parties involved to
19 modify the terms and conditions of the merger or acquisition to come
20 into compliance with ORS 58.375, 58.376, 58.381 or 63.074 (3) or section
21 8, 12, 14, 16, 17, 18, 20 or 22 of this 2024 Act, as appropriate; or

22 “(B) Petition the court to permanently enjoin the merger or acqui-
23 sition if the parties are unable or unwilling to comply with ORS 58.375,
24 58.376, 58.381 or 63.074 (3) or section 8, 12, 14, 16, 17, 18, 20 or 22 of this
25 2024 Act, as appropriate.

26 “SECTION 7. (1) A professional medical entity shall disclose to the
27 Oregon Health Authority, within 10 calendar days after any change in
28 the ownership or control of more than 50 percent of the interest in the
29 professional medical entity, the identity of each person that owns or
30 controls:

1 “(a) More than 50 percent of the outstanding shares of or interest
2 in the professional medical entity; or

3 “(b) Any of the three largest voting groups, as defined in ORS
4 60.001, in the professional corporation if a person described in para-
5 graph (a) of this subsection does not exist.

6 “(2) The authority by rule shall prescribe the form, format, con-
7 tents and manner of the disclosure required under this section and
8 may compel compliance with the requirements of this section as pro-
9 vided in ORS chapter 183.

10 “(3) The authority shall make the information that a professional
11 medical entity discloses under this section publicly available on the
12 authority’s website.

13 “SECTION 8. (1) As used in this section:

14 “(a) ‘Naturopathic medicine’ has the meaning given that term in
15 ORS 685.010.

16 “(b) ‘Naturopathic physician’ has the meaning given that term in
17 ORS 685.010.

18 “(c) ‘Professional corporation’ means a professional corporation
19 organized for the purpose of practicing naturopathic medicine or a
20 foreign professional corporation with authority to transact business in
21 this state that is organized for the purpose of practicing naturopathic
22 medicine.

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

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

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

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

30 “(3) An individual whom the professional corporation employs, or

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

6 “(4)(a) A shareholder, director or officer of a professional corpo-
7 ration may not:

8 “(A) Own or control shares in, serve as a director or officer of, or
9 otherwise participate in managing both the professional corporation
10 and a management services organization with which the professional
11 corporation has a contract; or

12 “(B) Participate in hiring, terminating, evaluating the performance
13 of, setting work schedules or compensation for, or otherwise specifying
14 terms of employment of a naturopathic physician that the professional
15 corporation employs or may employ while at the same time owning
16 or controlling shares in, serving as a director of, or otherwise partic-
17 ipating in managing a management services organization with which
18 the professional corporation has a contract.

19 “(b) Paragraph (a) of this subsection does not apply if a professional
20 corporation owns a majority of the interest in the management ser-
21 vices organization.

22 “(c) Paragraph (a) of this subsection does not apply if the profes-
23 sional corporation is solely and exclusively:

24 “(A) Engaged in the practice of telemedicine, as defined in ORS
25 677.494, without a physical presence in this state;

26 “(B) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect
27 on the effective date of this 2024 Act, licensed in this state as a PACE
28 organization;

29 “(C) An affiliate of a hospital, as defined in ORS 442.015; or

30 “(D) A behavioral health services provider licensed in this state as

1 a behavioral health services provider.

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

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

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

19 “(B) Was the subject of a disciplinary proceeding by the Oregon
20 Board of Naturopathic Medicine in which the board suspended or re-
21 voked the director’s or officer’s license; or

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

25 “(6)(a) Except as provided in paragraph (c) of this subsection, a
26 professional corporation may not by means of a contract or other
27 agreement or arrangement, by providing in the professional
28 corporation’s articles of incorporation or bylaws, by forming a sub-
29 sidiary or affiliated entity or by other means relinquish control over
30 or otherwise transfer de facto control over the professional

1 corporation's assets, business operations, clinical practices or deci-
2 sions or the clinical practices or decisions of a physician that the
3 professional corporation employs or with whom the professional cor-
4 poration has a contract.

5 “(b) Methods of relinquishing or transferring control over a pro-
6 fessional corporation that are prohibited under paragraph (a) of this
7 subsection include, but are not limited to:

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

10 “(B) Issuing shares of stock in the professional corporation, in a
11 subsidiary of the professional corporation or an entity affiliated with
12 the professional corporation, or paying dividends;

13 “(C) Controlling hiring or termination of, evaluations of perform-
14 ance of, setting of work schedules or compensation for, or otherwise
15 specifying terms of employment of, employees who are licensed to
16 practice naturopathic medicine in this state;

17 “(D) Controlling staffing levels for any location that serves pa-
18 tients;

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

21 “(F) Controlling diagnostic coding decisions, establishing clinical
22 standards directly or by suggestion or protocol or making policies for
23 patient, client or customer billing and collection;

24 “(G) Limiting access to, taking control from or otherwise obscuring
25 from a naturopathic physician the prices, rates or amounts the pro-
26 fessional corporation charges for the naturopathic physician's ser-
27 vices;

28 “(H) Controlling the negotiation, execution, performance, enforce-
29 ment or termination of contracts with third-party payors or persons
30 that are not employees of the professional corporation; or

1 **“(I) Entering into noncompetition agreements, nondisclosure**
2 **agreements or nondisparagement agreements prohibited under section**
3 **16 of this 2024 Act.**

4 **“(c) A professional corporation may relinquish or transfer control**
5 **over the professional corporation’s assets, business operations, clinical**
6 **practices or decisions only if:**

7 **“(A) The professional corporation executes a shareholder agreement**
8 **exclusively between or among and for the benefit of a majority of**
9 **shareholders who are naturopathic physicians licensed in this state to**
10 **practice naturopathic medicine and the shareholder agreement com-**
11 **plies with the provisions of ORS 60.265; or**

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

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

15 **“(ii) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect**
16 **on the effective date of this 2024 Act, licensed in this state as a PACE**
17 **organization;**

18 **“(iii) An affiliate of a hospital, as defined in ORS 442.015; or**

19 **“(iv) A behavioral health services provider licensed in this state as**
20 **a behavioral health services provider.**

21 **“SECTION 9. ORS 60.754 is amended to read:**

22 **“60.754. (1)(a) Notwithstanding ORS 60.074 (2), a corporation incorporated**
23 **under ORS chapter 60 is a benefit company under ORS 60.750 to 60.770 if the**
24 **corporation’s articles of incorporation state that the corporation is a benefit**
25 **company subject to ORS 60.750 to 60.770.**

26 **“(b) Notwithstanding ORS 63.074 [(3)] (4), a limited liability company or-**
27 **ganized under ORS chapter 63 is a benefit company under ORS 60.750 to**
28 **60.770 if the limited liability company’s articles of organization state that the**
29 **limited liability company is a benefit company subject to ORS 60.750 to**
30 **60.770.**

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

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

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

17 “(4) An entity that is not a benefit company may become a benefit com-
18 pany by merging or exchanging equity interests with a benefit company if
19 the shareholders or holders of equity interests of the entity that is not the
20 benefit company approve, by a minimum status vote, a plan of merger or a
21 plan for exchanging equity interests with a benefit company under which the
22 surviving entity will be a benefit company.

23 “(5) A benefit company may become an entity other than a benefit com-
24 pany only if an action to remove from the articles of incorporation, articles
25 of organization or articles of conversion the provision that states that the
26 entity is a benefit company subject to ORS 60.750 to 60.770 is approved by
27 a minimum status vote.

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

30 “(A) Merge the benefit company with an entity that is not a benefit

1 company, if the surviving entity would not be a benefit company;

2 “(B) Provide for exchanging equity interests with an entity that is not a
3 benefit company, if the exchange would create an entity that is not a benefit
4 company and that would hold substantially all of the benefit company’s as-
5 sets;

6 “(C) Convert the benefit company to an entity that is not a benefit com-
7 pany; or

8 “(D) Otherwise cause ORS 60.750 to 60.770 not to apply to the benefit
9 company.

10 “(b) A sale, lease, exchange or other disposition of all or substantially all
11 of a benefit company’s assets must be approved by a minimum status vote
12 unless the benefit company conducts the sale, lease, exchange or other dis-
13 position in the ordinary course of the benefit company’s business.

14 “(7) A provision of a benefit company’s articles of incorporation, articles
15 of organization, articles of conversion or plan described in subsection (6) of
16 this section may be inconsistent with or supersede a provision of ORS 60.750
17 to 60.770 only to the extent that the provision in the articles of incorpo-
18 ration, articles of organization, articles of conversion or plan imposes a more
19 stringent requirement on the benefit company, in keeping with the purposes
20 set forth in ORS 60.750 to 60.770, than a provision of ORS 60.750 to 60.770
21 imposes.

22 “**SECTION 10.** ORS 63.074 is amended to read:

23 “63.074. (1) Except as otherwise provided by the laws of the state and in
24 this section, a limited liability company formed under this chapter may
25 conduct or promote any lawful business or purpose that a partnership, cor-
26 poration or professional corporation as defined in ORS 58.015 may conduct
27 or promote, unless the articles of organization set forth a more limited pur-
28 pose. A person may not organize a limited liability company under this
29 chapter for any illegal purpose or with an intent to fraudulently conceal any
30 business activity from another person or a governmental agency.

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

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

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

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

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

17 “(ii) **A limited liability company, or foreign limited liability com-**
18 **pany, that is organized for a medical purpose;**

19 “(iii) **A limited liability partnership, or foreign limited liability**
20 **partnership, that is organized for a medical purpose; or**

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

23 “(B) **‘Medical purpose’ means, as appropriate:**

24 “(i) **The purpose of practicing medicine;**

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

27 **or**

28 “(iii) **The purpose of practicing naturopathic medicine.**

29 “(C) **‘Professional corporation’ means, as appropriate:**

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

1 “(ii) A professional corporation described in ORS 58.376; or
2 “(iii) A professional corporation described in section 8 of this 2024
3 Act.

4 “(b) A limited liability company, or foreign limited liability com-
5 pany with authority to transact business in this state, that is organ-
6 ized for a medical purpose, or as a holding entity, is subject to ORS
7 58.375 or 58.376 or section 8 of this 2024 Act, as appropriate, and must
8 comply with the requirements specified for, and the limitations im-
9 posed upon, a professional corporation and the shareholders, directors
10 and officers of a professional corporation, with respect to the limited
11 liability company’s, foreign limited liability company’s or holding
12 entity’s ownership, control, governance and management and the
13 qualifications of the limited liability company’s or foreign limited li-
14 ability company’s members or managers or the holding entity’s
15 shareholders, members, directors, officers or managers.

16 “(c) For the purposes described in paragraph (b) of this subsection
17 and the purposes of determining the management and control of a
18 limited liability company, or a foreign limited liability company with
19 authority to transact business in this state, that is organized for a
20 medical purpose, or of a holding entity:

21 “(A) A member or manager of the limited liability company, or the
22 foreign limited liability company and a shareholder, member, director,
23 officer or manager of a holding entity, is equivalent to a shareholder
24 in a professional corporation; and

25 “(B) The rights and obligations of a member or manager of the
26 limited liability company, or foreign limited liability company and the
27 rights of a shareholder, member, director, officer or manager in the
28 holding entity, are equivalent to the rights and obligations of a
29 shareholder, director or officer in a professional corporation.

30 “[(3)] (4) A business that is subject to regulation under another statute

1 of the state may not be organized under this chapter if the business is re-
2 quired to be organized only under the other statute.

3 **“SECTION 11. Section 12 of this 2024 Act is added to and made a**
4 **part of ORS chapter 67.**

5 **“SECTION 12. (1) As used in this section:**

6 **“(a) ‘Holding entity’ means a partnership or limited liability part-**
7 **nership that is organized for the purpose of holding or owning a ma-**
8 **jority of the ownership interests in:**

9 **“(A) A professional corporation;**

10 **“(B) A limited liability company that is organized for a medical**
11 **purpose;**

12 **“(C) A partnership or limited liability partnership that is organized**
13 **for a medical purpose; or**

14 **“(D) A limited partnership that is organized for a medical purpose.**

15 **“(b) ‘Medical purpose’ means, as appropriate:**

16 **“(A) The purpose of practicing medicine;**

17 **“(B) The purpose of allowing physicians, physician assistants and**
18 **nurse practitioners to jointly render professional health care services;**
19 **or**

20 **“(C) The purpose of practicing naturopathic medicine.**

21 **“(c) ‘Professional corporation’ means, as appropriate:**

22 **“(A) A professional corporation described in ORS 58.375;**

23 **“(B) A professional corporation described in ORS 58.376; or**

24 **“(C) A professional corporation described in section 8 of this 2024**
25 **Act.**

26 **“(2) A partnership, or a foreign partnership with authority to**
27 **transact business in this state, a limited liability partnership, and a**
28 **foreign limited liability partnership with authority to transact busi-**
29 **ness in this state, if organized for a medical purpose, or as a holding**
30 **entity, are each subject to ORS 58.375 or 58.376 or section 8 of this 2024**

1 Act, as appropriate, and must comply with the requirements specified
2 for, and the limitations imposed upon, a professional corporation and
3 the shareholders, directors and officers of a professional corporation,
4 with respect to the partnership's, foreign partnership's, limited liabil-
5 ity partnership's, foreign limited liability partnership's or holding
6 entity's ownership, control, governance and management and the
7 qualifications of the limited liability partnership's, foreign limited li-
8 ability partnership's or holding entity's general partners.

9 “(3) For the purposes described in subsection (2) of this section and
10 the purposes of determining the management and control of a part-
11 nership, foreign partnership, limited liability partnership or foreign
12 limited liability partnership organized for a medical purpose, or of a
13 holding entity:

14 “(a) A general partner in the limited liability partnership or foreign
15 limited liability partnership, or a general partner in a holding entity,
16 is equivalent to a shareholder in a professional corporation; and

17 “(b) A partner's or general partner's rights and obligations in the
18 limited liability partnership, foreign limited liability partnership or
19 holding entity are equivalent to the rights and obligations of a share-
20 holder in a professional corporation.

21 “SECTION 13. Section 14 of this 2024 Act is added to and made a
22 part of ORS chapter 70.

23 “SECTION 14. (1) As used in this section:

24 “(a) ‘Holding entity’ means a limited partnership that is organized
25 for the purpose of holding or owning a majority of the ownership in-
26 terests in:

27 “(A) A professional corporation;

28 “(B) A limited liability company that is organized for a medical
29 purpose;

30 “(C) A partnership or limited liability partnership that is organized

1 **for a medical purpose; or**

2 **“(D) A limited partnership that is organized for a medical purpose.**

3 **“(b) ‘Medical purpose’ means, as appropriate:**

4 **“(A) The purpose of practicing medicine;**

5 **“(B) The purpose of allowing physicians, physician assistants and**
6 **nurse practitioners to jointly render professional health care services;**

7 **or**

8 **“(C) The purpose of practicing naturopathic medicine.**

9 **“(c) ‘Professional corporation’ means, as appropriate:**

10 **“(A) A professional corporation described in ORS 58.375;**

11 **“(B) A professional corporation described in ORS 58.376; or**

12 **“(C) A professional corporation described in section 8 of this 2024**
13 **Act.**

14 **“(2) A limited partnership, and a foreign limited partnership with**
15 **authority to transact business in this state, if organized for a medical**
16 **purpose, or as a holding entity, are each subject to ORS 58.375 or 58.376**
17 **or section 8 of this 2024 Act, as appropriate, and must comply with the**
18 **requirements specified for, and the limitations imposed upon, a pro-**
19 **fessional corporation and the shareholders, directors and officers of a**
20 **professional corporation, with respect to the limited partnership’s,**
21 **foreign limited partnership’s or holding entity’s ownership, control,**
22 **governance and management and the qualifications of the limited**
23 **partnership’s, foreign limited partnership’s or holding entity’s general**
24 **partners.**

25 **“(3) For the purposes described in subsection (2) of this section and**
26 **the purposes of determining the management and control of a limited**
27 **partnership, or a foreign limited partnership, that is organized for a**
28 **medical purpose, or of a holding entity:**

29 **“(a) A general partner in a limited partnership, or a foreign limited**
30 **partnership, that is organized for a medical purpose, or a general**

1 partner in a holding entity is equivalent to a shareholder in a profes-
2 sional corporation; and

3 “(b) A partner’s or general partner’s rights and obligations in the
4 limited partnership, foreign limited partnership or holding entity are
5 equivalent to the rights and obligations of a shareholder in a profes-
6 sional corporation.

7 “SECTION 15. Sections 16, 17 and 18 of this 2024 Act are added to
8 and made a part of ORS chapter 677.

9 “SECTION 16. (1) As used in this section and section 17 of this 2024
10 Act:

11 “(a) ‘Disciplinary action’ means discrimination, dismissal, de-
12 motion, transfer, reassignment, supervisory reprimand, warning of
13 possible dismissal, or withholding of work, even if the action does not
14 affect or will not affect a licensee’s compensation.

15 “(b) ‘Management services organization’ means an entity that un-
16 der a written agreement and in return for compensation provides to
17 or on behalf of a licensee business management services including, but
18 not limited to, payroll, human resources, employment screening, em-
19 ployee relations and other similar or related services that do not con-
20 stitute the practice of medicine.

21 “(c) ‘Noncompetition agreement’ means a written agreement be-
22 tween a licensee and another person under which the licensee agrees
23 that the licensee, either alone or as an employee, associate or affiliate
24 of a third person, will not compete with the other person in providing
25 products, processes or services that are similar to the other person’s
26 products, processes or services for a period of time or within a speci-
27 fied geographic area after termination of employment or termination
28 of a contract under which the licensee supplied goods to or performed
29 services for the other person.

30 “(d) ‘Nondisclosure agreement’ means a written agreement under

1 the terms of which a licensee must refrain from disclosing partially,
2 fully, directly or indirectly to any person, other than another party to
3 the written agreement or to a person specified in the agreement as a
4 third-party beneficiary of the agreement:

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

10 “(B) A policy, practice or other information about or associated
11 with the licensee’s employment, conditions of employment or rate or
12 amount of pay or other compensation; or

13 “(C) Any other information the licensee possesses or to which the
14 licensee has access by reason of the licensee’s employment by, or
15 provision of services for or on behalf of, a party to the agreement,
16 other than information that is subject to protection under applicable
17 law as a trade secret of, or as otherwise proprietary to, another party
18 to the agreement or to a person specified in the agreement as a
19 third-party beneficiary of the agreement.

20 “(e) ‘Nondisparagement agreement’ means a written agreement
21 under which a licensee must refrain from making to a third party a
22 statement about another party to the agreement or about another
23 person specified in the agreement as a third-party beneficiary of the
24 agreement, the effect of which causes or threatens to cause harm to
25 the other party’s or person’s reputation, business relations or other
26 economic interests.

27 “(f) ‘Professional medical entity’ means:

28 “(A) A professional corporation described in ORS 58.375;

29 “(B) A professional corporation described in ORS 58.376;

30 “(C) A professional corporation described in section 8 of this 2024

1 **Act;**

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

4 **“(E) A limited liability partnership organized for a medical purpose,**
5 **as defined in section 12 of this 2024 Act.**

6 **“(2)(a) Notwithstanding ORS 653.295 (1) and (2), and except as pro-**
7 **vided in paragraphs (b) and (c) of this subsection, a noncompetition**
8 **agreement between a licensee and another person is void and**
9 **unenforceable.**

10 **“(b) A noncompetition agreement that a licensee executes in con-**
11 **nection with the licensee’s sale, as owner, of a medical practice, or a**
12 **sale of all or substantially all of the operating assets of the medical**
13 **practice, is enforceable to the extent and under the terms provided in**
14 **ORS 653.295.**

15 **“(c) A noncompetition agreement between a licensee and another**
16 **person is valid and enforceable to the extent and under the terms**
17 **provided in ORS 653.295 if the licensee is a shareholder or member of**
18 **the other person or otherwise owns or controls an ownership or**
19 **membership interest that is equivalent to 25 percent or more of the**
20 **entire ownership or membership interest that exists in the other per-**
21 **son.**

22 **“(3)(a) A nondisclosure agreement or nondisparagement agreement**
23 **between a licensee and a management services organization is void**
24 **and unenforceable.**

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

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

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

3 “SECTION 17. (1) A management services organization or a profes-
4 sional medical entity may not take disciplinary action against a
5 licensee as retaliation for, or as a consequence of, the licensee’s vio-
6 lation of a nondisclosure agreement or nondisparagement agreement
7 or because the licensee in good faith disclosed or reported information
8 that the licensee believes is evidence of a violation of a federal or state
9 law, rule or regulation.

10 “(2) A management services organization or professional medical
11 entity that takes disciplinary action against a licensee in the circum-
12 stances described in subsection (1) of this section engages in an un-
13 lawful employment practice, as defined in ORS 659A.001, that is subject
14 to enforcement under ORS chapter 659A.

15 “SECTION 18. A licensee may not practice medicine and a physician
16 assistant may not collaborate in practicing medicine, or provide a
17 medical service, as an employee of, or under contract with, another
18 person that is not:

19 “(1) A hospital, as defined in ORS 442.015, or a limited liability
20 company, limited liability partnership or clinic that the hospital owns
21 for the purpose of practicing medicine or providing professional health
22 care services;

23 “(2) A professional corporation organized under ORS 58.375 or 58.376;

24 “(3) A limited liability company organized in accordance with the
25 requirements of ORS 63.074 (3);

26 “(4) A partnership or limited liability partnership organized in ac-
27 cordance with the requirements of section 12 of this 2024 Act;

28 “(5) A limited partnership that is organized in accordance with the
29 requirements of section 14 of this 2024 Act;

30 “(6) A professional corporation that is solely and exclusively:

1 “(a) Engaged in the practice of telemedicine, as defined in ORS
2 677.494, without a physical presence in this state;

3 “(b) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect
4 on the effective date of this 2024 Act, licensed in this state as a PACE
5 organization;

6 “(c) An affiliate of a hospital, as defined in ORS 442.015; or

7 “(d) A behavioral health services provider licensed in this state as
8 a behavioral health services provider;

9 “(7) A nonprofit corporation that is organized under the laws of this
10 state to provide medical services to migrant, rural, homeless or other
11 medically underserved populations under 42 U.S.C. 254b or 254c, as in
12 effect on the effective date of this 2024 Act;

13 “(8) A health center that is qualified under 42 U.S.C. 1396d(1)(2)(B),
14 as in effect on the effective date of this 2024 Act, that operates in
15 compliance with other applicable state or federal law; or

16 “(9) A for-profit or nonprofit business entity that is incorporated
17 or organized under the laws of this state, that provides the entirety
18 of the business entity’s medical services through one or more rural
19 health clinics, as defined in 42 U.S.C. 1395x, as in effect on the effec-
20 tive date of this 2024 Act, and that operates in compliance with state
21 and federal laws that apply to rural health clinics. A business entity
22 qualifies under this subsection for a period of up to one year after the
23 business entity establishes a rural health clinic, even if the rural
24 health clinic that the business entity establishes does not meet all of
25 the elements of the definition set forth in 42 U.S.C. 1395x, as in effect
26 on the effective date of this 2024 Act, if during the one-year period an
27 applicable certification for the rural health clinic is pending.

28 “SECTION 19. Section 20 of this 2024 Act is added to and made a
29 part of ORS chapter 678.

30 “SECTION 20. A nurse practitioner may not practice nursing within

1 a nurse practitioner’s scope of practice as an employee of, or under
2 contract with, another person that is not:

3 “(1) A hospital, as defined in ORS 442.015, or a limited liability
4 company, limited liability partnership or clinic that the hospital owns
5 for the purpose of practicing medicine or providing professional health
6 care services;

7 “(2) A professional corporation organized under ORS 58.375 or 58.376;

8 “(3) A limited liability company organized in accordance with the
9 requirements of ORS 63.074 (3);

10 “(4) A partnership or limited liability partnership organized in ac-
11 cordance with the requirements of section 12 of this 2024 Act;

12 “(5) A limited partnership that is organized in accordance with the
13 requirements of section 14 of this 2024 Act;

14 “(6) A professional corporation that is solely and exclusively:

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

17 “(b) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect
18 on the effective date of this 2024 Act, licensed in this state as a PACE
19 organization;

20 “(c) An affiliate of a hospital, as defined in ORS 442.015; or

21 “(d) A behavioral health services provider licensed in this state as
22 a behavioral health services provider;

23 “(7) A nonprofit corporation that is organized under the laws of this
24 state to provide medical services to migrant, rural, homeless or other
25 medically underserved populations under 42 U.S.C. 254b or 254c, as in
26 effect on the effective date of this 2024 Act;

27 “(8) A health center that is qualified under 42 U.S.C. 1396d(1)(2)(B),
28 as in effect on the effective date of this 2024 Act, that operates in
29 compliance with other applicable state or federal law; or

30 “(9) A for-profit or nonprofit business entity that is incorporated

1 or organized under the laws of this state, that provides the entirety
2 of the business entity’s medical services through one or more rural
3 health clinics, as defined in 42 U.S.C. 1395x, as in effect on the effec-
4 tive date of this 2024 Act, and that operates in compliance with state
5 and federal laws that apply to rural health clinics. A business entity
6 qualifies under this subsection for a period of up to one year after the
7 business entity establishes a rural health clinic, even if the rural
8 health clinic that the business entity establishes does not meet all of
9 the elements of the definition set forth in 42 U.S.C. 1395x, as in effect
10 on the effective date of this 2024 Act, if during the one-year period an
11 applicable certification for the rural health clinic is pending.

12 **“SECTION 21.** Section 22 of this 2024 Act is added to and made a
13 part of ORS chapter 685.

14 **“SECTION 22.** A naturopathic physician may not practice
15 naturopathic medicine as an employee of, or under contract with, an-
16 other person that is not:

17 **“(1)** A hospital, as defined in ORS 442.015, or a limited liability
18 company, limited liability partnership or clinic that the hospital owns
19 for the purpose of practicing medicine or providing professional health
20 care services;

21 **“(2)** A professional corporation organized under ORS 58.375 or 58.376
22 or section 8 of this 2024 Act;

23 **“(3)** A limited liability company organized in accordance with the
24 requirements of ORS 63.074 (3);

25 **“(4)** A partnership or limited liability partnership organized in ac-
26 cordance with the requirements of section 12 of this 2024 Act;

27 **“(5)** A limited partnership that is organized in accordance with the
28 requirements of section 14 of this 2024 Act;

29 **“(6)** A professional corporation that is solely and exclusively:

30 **“(a)** Engaged in the practice of telemedicine, as defined in ORS

1 **677.494, without a physical presence in this state;**

2 **“(b) A PACE organization, as defined in 42 C.F.R. 460.6, as in effect**
3 **on the effective date of this 2024 Act, licensed in this state as a PACE**
4 **organization;**

5 **“(c) An affiliate of a hospital, as defined in ORS 442.015; or**

6 **“(d) A behavioral health services provider licensed in this state as**
7 **a behavioral health services provider;**

8 **“(7) A nonprofit corporation that is organized under the laws of this**
9 **state to provide medical services to migrant, rural, homeless or other**
10 **medically underserved populations under 42 U.S.C. 254b or 254c, as in**
11 **effect on the effective date of this 2024 Act;**

12 **“(8) A health center that is qualified under 42 U.S.C. 1396d(1)(2)(B),**
13 **as in effect on the effective date of this 2024 Act, that operates in**
14 **compliance with other applicable state or federal law; or**

15 **“(9) A for-profit or nonprofit business entity that is incorporated**
16 **or organized under the laws of this state, that provides the entirety**
17 **of the business entity’s medical services through one or more rural**
18 **health clinics, as defined in 42 U.S.C. 1395x, as in effect on the effec-**
19 **tive date of this 2024 Act, and that operates in compliance with state**
20 **and federal laws that apply to rural health clinics. A business entity**
21 **qualifies under this subsection for a period of up to one year after the**
22 **business entity establishes a rural health clinic, even if the rural**
23 **health clinic that the business entity establishes does not meet all of**
24 **the elements of the definition set forth in 42 U.S.C. 1395x, as in effect**
25 **on the effective date of this 2024 Act, if during the one-year period an**
26 **applicable certification for the rural health clinic is pending.**

27 **“SECTION 23. (1) Except as provided in subsection (2) of this sec-**
28 **tion, sections 5, 6, 7, 8, 12, 14, 16, 17, 18, 20 and 22 of this 2024 Act and**
29 **the amendments to ORS 58.375, 58.376, 58.381, 60.754, and 63.074 by**
30 **sections 1, 2, 3, 9 and 10 of this 2024 Act apply to contracts that a**

1 person enters into or renews on and after the operative date specified
2 in section 24 of this 2024 Act.

3 “(2) Except as otherwise provided in section 16 of this 2024 Act, a
4 noncompetition agreement, nondisclosure agreement or
5 nondisparagement agreement, as those terms are defined in section
6 16 of this 2024 Act, into which a licensee, as defined in ORS 677.010,
7 enters before, on or after the operative date specified in section 24 of
8 this 2024 Act may not be enforced.

9 “SECTION 24. (1) Sections 5, 6, 7, 8, 12, 14, 16, 17, 18, 20 and 22 of
10 this 2024 Act and the amendments to ORS 58.375, 58.376, 58.381, 60.754
11 and 63.074 by sections 1, 2, 3, 9 and 10 of this 2024 Act become operative
12 on January 1, 2025.

13 “(2) The Secretary of State, the Attorney General and the director
14 of the Oregon Health Authority may adopt rules and take any other
15 action before the operative date specified in subsection (1) of this sec-
16 tion that is necessary to enable the Secretary of State, the Attorney
17 General and the authority, on and after the operative date specified
18 in subsection (1) of this section, to undertake and exercise all of the
19 duties, functions and powers conferred on the Secretary of State, the
20 Attorney General and the director of the Oregon Health Authority by
21 sections 5, 6, 7, 8, 12, 14, 16, 17, 18, 20 and 22 of this 2024 Act and the
22 amendments to ORS 58.375, 58.376, 58.381, 60.754 and 63.074 by sections
23 1, 2, 3, 9 and 10 of this 2024 Act.

24 “SECTION 25. This 2024 Act takes effect on the 91st day after the
25 date on which the 2024 regular session of the Eighty-second Legislative
26 Assembly adjourns sine die.”

27
