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Oregon Opens New Front in Battle Over Corporate Practice of Medicine

The Oregon Senate opened a new front in the battle over corporate control of medical decisions with the passage of Senate Bill 951, representing yet another jurisdiction to restrict corporate control of medical decision-making. This bill attempts to restrict the use of common structures that have allegedly created corporate entities to control physician practices by vesting day-to-day decisions in privately-owned management services organizations (“MSOs”), which effectively run day-to-day, non-clinical operations of the practices. The stated goal is to make sure that doctors and other licensed medical professionals, not business managers or outside companies, are the ones making decisions about patient care.

KEY CHANGES UNDER THE NEW LAW

1. Who Can Own and Control Medical Practices?

Only licensed doctors, nurse practitioners, and physician associates can own and control most medical practices in Oregon. The bill further restricts common means to assure alignment between MSOs and their managed physician practices by restricting MSOs and their shareholders, directors, members, managers, offices, and employees from being employed by, contracting with, or receiving compensation from an MSO to manage a professional medical entity. Moreover, the legislation prohibits MSOs from entering into agreements to control or restrict the transfer of medical practice’s ownership or assets. MSOs are further barred from exercising de facto control over clinical, business, or administrative operations that affect clinical decision-making or the quality of care. This includes, among other restrictions:

- Hiring, firing, setting work schedules, or compensation for medical licensees;
- Setting clinical staffing levels or patient visit durations;
- Making diagnostic coding decisions;
- Establishing clinical standards or policies;
- Determining billing, collection, or pricing policies; and
- Negotiating or terminating contracts with payors or vendors

2. Doctors Must Be in Charge

Under this legislation, Oregon-licensed doctors must hold most of the voting shares in any practice and make up most of the board of directors, and only doctors (except for the secretary and treasurer) can serve as officers of these corporations. Doctors can only be removed from leadership roles by a vote of other doctor-owners, unless there is a serious issue like fraud or loss of a medical license.

3. Limits on Noncompete and Confidentiality Agreements

Most noncompete agreements that would prevent doctors or nurses from working elsewhere after leaving a job would be void and unenforceable, with only a few exceptions. In addition, non-disclosure and non-disparagement agreements between medical licensees and MSOs, hospitals, or hospital-affiliated clinics would be void and unenforceable, except in specific circumstances such as negotiated settlements or post-termination, provided they do not restrict good faith reporting of legal violations. Lastly, the law would prohibit

employers from retaliating against doctors or nurses for reporting concerns in good faith.

4. What MSOs and Business Partners Can Still Do

MSOs can help with business operations, such as accounting, compliance, and negotiating contracts, as long as they do not interfere with clinical decisions or the quality of care. They may also assist with business operations, value-based contracts, and compliance, provided they do not cross into clinical or professional decision-making.

5. Who Is Exempt?

Some organizations, like hospitals, rural health clinics, mental health crisis lines, and telemedicine companies without a physical clinic in Oregon, are exempt from some of these rules.

6. What Happens If the Law Is Violated?

Any contract that goes against these rules is automatically void. Doctors and practices harmed by violations can sue for damages, get court orders to stop illegal practices, and may be awarded attorney fees.

7. When Does This Take Effect?

For new medical practices and contracts, these rules would apply starting January 1, 2026, while for existing practices, the rules would apply starting January 1, 2029.

WHAT THIS MEANS FOR YOU

This proposed law is reflective of continuing national concern around interference in the physician-patient relationship, reflected in legislation and case law related to the corporate practice of medicine as well as the proliferation of health care transaction notice laws across the country. However, a skeptic might note that by excepting out certain entities, including hospitals and telehealth companies, the legislation could have the effect of protecting existing profit-driven enterprises and restricting innovations that could improve access to care in medically underserved areas.

For more information or assistance, please contact [Eric S. Tower](#) or another member of Blank Rome's [Corporate, M&A, and Securities](#) group or [Healthcare](#) industry team.

Eric S. Tower
312.776.2595 | eric.tower@blankrome.com