

Oregon Expands Prohibition on the Corporate Practice of Medicine, Severely Restricting Management Services Organizations

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On June 9, 2025, Oregon Governor, Tina Kotek, signed SB 951^[1] into law, making Oregon's "corporate practice of medicine" doctrine one of the country's most restrictive. SB 951 places numerous restrictions on the relationships between management services organizations and clinician practices, which will impact many of the written arrangements and techniques that management services organizations and clinician practices currently use. SB 951 also places new and/or clarified restrictions on professional medical corporation structuring and the use of certain restrictive covenants in contracts among health industry parties. This blog post provides a general overview of these new restrictions.

Key Definitions

Here are key definitions that help clarify the scope of SB 951:

- "Management services organization" or "MSO" is defined as an entity that provides management services to a professional medical entity in return for monetary compensation under a written agreement.
- "Management services" is broadly defined and includes payroll, human resources, employment screening, employee relations, and other administrative or business services.
- "Medical licensee" or "licensee" is defined as an individual who is licensed in Oregon to practice medicine or naturopathic medicine or as a nurse practitioner or physician assistant.
- "Professional medical entity" is defined as an Oregon professional corporation organized for the purpose of practicing medicine, practicing naturopathic medicine, or allowing physicians, nurse practitioners and physician assistants to jointly render healthcare services, or a limited liability company, partnership limited liability partnership or partnership organized for a medical purpose that is authorized to transact business in Oregon.^[2]

Restrictions on MSOs

MSOs, including their shareholders, directors, members, managers, officers and

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employees (collectively, “agents”), may not, with certain exceptions:

- own or control a majority of;
- be a director, officer, employee or independent contractor of, or receive compensation from the MSO to manage; or
- exercise a proxy, right or power to vote the shares of;

a professional medical entity with which it has a management services agreement (“MSA”).

Additionally, MSOs and their agents may not, with certain exceptions:

- control or enter into agreements to, or otherwise permit a non-licensee to, control or restrict the sale or transfer of a professional medical entity’s ownership interests or assets;
- issue, or cause a professional medical entity to issue, ownership interests in the professional medical entity or a subsidiary or affiliate of the professional medical entity;
- pay dividends from a professional medical entity’s ownership interests;
- acquire, or finance the acquisition of, a majority of a professional medical entity’s ownership interests; or
- exercise *de facto* control over a professional medical entity’s administrative, business or clinical operations in a manner that affects the professional medical entity’s clinical decision making or the nature and quality of its medical care, which includes, but is not limited to, hiring or setting compensation for licensees, setting clinical or billing and collection policies, and negotiating agreements with third-party payors and other third parties that are not employees of the professional medical entity.

So, what can an MSO still do? SB 951 clarifies that the restrictions still permit an MSO to:

- enter into agreements to control or restrict the transfer or sale of a professional medical entity’s ownership interests or assets for cause, including, but not limited to, an owner’s loss of their professional license, exclusion from a federal health care program, breach of the MSA or death;
- provide management services as long as the MSO is not exercising *de facto* control over a professional medical entity’s operations in a manner that affects the professional medical entity’s clinical decision making or the nature and quality of its medical care;
- purchase, lease or take assignment of a right to possess a professional medical entity’s assets in an arms’-length transaction with a willing seller, lessor or assignor;
- provide support and consultation on any business operations matters, such as accounting, facilities management and compliance with applicable laws;
- advise a professional medical entity’s participation in payor arrangements, value-based arrangements or vendor agreements;
- collect quality metrics as required by law or one of the professional medical entity’s agreements; and
- set criteria for reimbursement under an agreement between a professional medical entity and a payor.

Any MSA provision that violates any of the above restrictions is void and unenforceable.

Additionally, professional medical entities and licensees have a private right of action against MSOs and the MSO's agents, and damages may include actual damages, an injunction or other equitable relief, punitive damages and attorneys' fees.

Existing MSOs and professional medical entities conducting business in Oregon have until January 1, 2029 to comply with these restrictions. However, new MSOs and professional medical entities planning to conduct business in Oregon, including those involved in a sale or transfer of ownership, must comply with these restrictions by January 1, 2026.

Restrictions on Professional Medical Corporations

SB 951 also imposes restrictions on professional medical corporations ("PCs"), with certain exceptions.

PCs' articles, bylaws and other organizational arrangements may not allow for the removal of any director or officer without a majority vote of licensee-shareholders or licensee-directors, except for cause. Additionally, PCs may only replenish or transfer control over their operations through a valid shareholder agreement that is solely among and for the benefit of a majority of shareholders who are physicians licensed in Oregon.

These restrictions apply to any agreements that are entered into or renewed on or after June 9, 2025.

Non-Competition, Non-Disclosure and Non-Disparagement Agreements

Lastly, non-competition agreements with professional licensees that restrict the practice of medicine or nursing as well as non-disclosure and non-disparagement agreements between an MSO, hospital or hospital-affiliated clinic and an employed licensee are void and unenforceable, with certain exceptions.

These restrictions also apply to any agreements that are entered into or renewed on or after June 9, 2025.

The Big Picture

Notably, as of 2022, OHA requires notice of and reviews material health care transactions. This, along with the passage of SB 951, indicates Oregon's strong focus on its regulation and oversight of the "corporate practice of medicine." And Oregon is not alone. These are recent developments in a long history of state concerns with the separation of corporations and unlicensed individuals and healthcare professional's medical decision making and patients' care (*i.e.*, the corporate practice of medicine) and, more recently, private equity involvement in health care.

SB 951 materially reinforces and expands Oregon's "corporate practice of medicine" doctrine and impacts not only MSAs but other MSO-practice relationships, MSO and PC governance and agreements with restrictive covenants. SB 951 raises difficult issues

such as the permitted scope of an MSO's authority if the requirement is to avoid control that affects the professional medical entity's clinical decision making or the nature and quality of medical care. Given the wide-reaching implications of this new law and to ensure compliance with SB 951 by the applicable compliance dates, existing MSOs and clinician practices conducting business in Oregon will need to review and likely revise their current business models, practices, and written agreements as necessary, and new MSOs and clinician practices planning to conduct business in Oregon will need to closely review their proposed business models and practices.

Please contact the authors or your regular Dorsey attorney with any questions about how these restrictions could affect your current business model or any contemplated transactions.

[1] <https://olis.oregonlegislature.gov/liz/2025R1/Downloads/MeasureDocument/SB951/Enrolled>.

[2] While this law does not currently apply to other healthcare providers. Oregon House Majority Leader, Ben Bowman, predicts that future legislative sessions will likely address the expansion of this law to other healthcare providers, such as hospitals and dentists.