

Oregon Bans Corporate Control of Physicians

On June 9, 2025, Oregon's governor signed into law the country's strictest corporate practice of medicine (CPOM) prohibition. Senate Bill (SB) 951 will severely curtail the involvement of private equity firms and other corporations in the state's medical practices. This Health Capital Topics reviews the bill and discusses the implications on the healthcare industry.

CPOM laws prohibit corporations or other non-physician entities from practicing medicine or employing physicians.¹ The doctrine was developed in the 19th century to preserve medical decision autonomy by prohibiting the "commercialization or exploitation"² of medical professionals, under the reasoning that "the practice of medicine requires something more than the financial ability to hire competent persons to do the actual work."³ Today, state laws and regulations, as well as case law and medical licensing board regulations, have further established CPOM prohibitions.⁴ While approximately 33 states have some form of CPOM regulation in place, they vary significantly in what is regulated.⁵ Nevertheless, the majority of states have adopted all or some of the following measures in the four key areas addressed by the doctrine:

- (1) Prohibiting business entities from employing physicians to provide medical care;
- (2) Requiring that licensed medical doctors own and operate facilities providing medical services;
- (3) Not allowing professional fee splitting between licensed practitioners and non-licensed individuals or entities; and,
- (4) Mandating that management service agreements (MSAs) adhere to fair market value (FMV) standards.⁶

In particular, MSAs and management service organizations (MSOs) have received increased scrutiny in recent years. MSAs allow outside companies (e.g., private equity, health insurers) to manage "friendly" or "captive" medical practices or groups.⁷ Fees for these management services must be consistent with FMV, and state laws and regulations establish certain standards for decisions that must be made by a licensed physician and how much revenue an MSO may receive from the practice.⁸

CPOM exceptions also differ by state. All states have exceptions for professional corporations, which are designed and created specifically to render a professional service, but states may specify the ownership structure

for these organizations.⁹ Many states also allow for physicians to be employed by certain entities, including hospitals (especially nonprofit hospitals), while others allow for restricted non-physician ownership.¹⁰

Although Oregon has historically prohibited CPOM, SB 951 ups the ante by significantly restricting the interaction between MSOs and professional medical corporations.¹¹ Specifically, the law explicitly prohibits MSOs and their owners, directors, officers, and employees from:

- Owning a majority interest in a medical practice they manage;
- Serving as a director, officer, employee or independent contractor to the medical practice they manage (with some exceptions);
- Exercising proxy voting rights;
- Controlling share transfers (e.g., through continuity planning arrangements setting forth the terms of succession or restricting the transfer of stocks); or
- Otherwise exercising de facto control or ultimate decision-making authority over key aspects of the medical practice's business or clinical operations.¹²

Other expressly MSO-prohibited activities include:

- Negotiating or executing payor agreements on behalf of the medical practice;
- Setting the prices, rates, or amounts charged for medical services;
- Making hiring and termination decisions;
- Setting staffing levels or clinical schedules;
- Making diagnostic coding decisions;
- Setting clinical standards or policies;
- Setting policies for patient, client, or customer billing and collection;
- Advertising under the MSO's name; and
- Issuing or managing medical practice equity or dividends.¹³

These prohibitions do not apply in limited circumstances, e.g., if the MSO is owned by a professional medical entity, or if a licensed physician serves – without pay – as a director or officer of the MSO.¹⁴

Perhaps most notably, SB 951 prohibits non-licensees (e.g., MSOs) from using contractual or financial arrangements to exert indirect control over medical practice decision making or operations.¹⁵

Other provisions in SB 951 include:

- An increase to the number of practice voting shares and board seats that medical professionals must hold;
- The eradication of most restrictive covenants (e.g., noncompete agreements); and
- The establishment of a private right of action, which will allow medical professionals and their entities to bring civil suit to enforce the law's ownership and control restrictions (rather than just state regulators);

Interestingly, despite the above added restrictions, SB 951 does not change or increase the current law's requirement that 51% of a medical clinic be owned by

licensed medical providers (a comparatively moderate threshold).¹⁶

The law will be phased in over the next few years. New entities must comply starting January 1, 2026, and preexisting entities must come into compliance by January 1, 2029.¹⁷

As noted by one legal analysis, the Oregon law's "unprecedented and comprehensive approach to the CPOM is sure to reshape compliance strategy and investment risk profiles across the healthcare sector."¹⁸ Whether the Oregon law will be a one-off or a harbinger of a new, emboldened wave of MSO regulatory scrutiny remains to be seen. Considering that a number of states have recently considered legislation to increase transparency and control costs, particularly where private equity is involved, in the healthcare industry,¹⁹ healthcare industry stakeholders would be well-served to monitor the legislative efforts of other states to regulate CPOM.

1 "The Corporate Practice of Medicine 50-State Guide" Permit Health, April 29, 2025, <https://www.permithealth.com/post/the-corporate-practice-of-medicine-50-state-guide> (Accessed 6/24/25).

2 See, e.g., *United States v. American Medical Ass'n*, 110, F.2d 703 (D.C. Cir. 1940) (citing *People v. United Medical Service*, 200 N.E. 157, 163 (Ill. 1936)).

3 *Ibid.*

4 "3 Steps to Navigate Through the Corporate Practice of Medicine" By Jennifer Brunkow, *Becker's Hospital Review*, March 26, 2012, <https://www.beckershospitalreview.com/legal-regulatory-issues/3-steps-to-navigate-through-the-corporate-practice-of-medicine/> (Accessed 6/24/25).

5 "The Corporate Practice of Medicine 50-State Guide" Permit Health, April 29, 2025, <https://www.permithealth.com/post/the-corporate-practice-of-medicine-50-state-guide> (Accessed 6/24/25).

6 Brunkow, *Becker's Hospital Review*, March 26, 2012.

7 "Understanding the Corporate Practice of Medicine Doctrine and the Role of the Management Services Organization" Leeche Tishman, June 6, 2011, <https://www.leechtishman.com/insights/blog/understanding-the-corporate-practice-of-medicine-doctrine-and-the-role-of-the-management-services-organization/> (Accessed 6/24/25).

8 *Ibid.*

9 Permit Health, April 29, 2025.

10 *Ibid.*

11 "Oregon Rewrites the Rules on MSOs—And the Risk Calculus for Investors" By Danika Rothwell, Michael Montgomery, and

Kate Sullivan Morgan, *Dentons On Call*, June 13, 2025, https://www.dentonshealthlaw.com/oregon-rewrites-the-rules-on-msos-and-the-risk-calculus-for-investors/?utm_medium=email (Accessed 6/24/25).

12 SB 951 A: Staff Measure Summary" 83rd Oregon Legislative Assembly – 2025 Regular Session, available at: <https://olis.oregonlegislature.gov/liz/2025R1/Downloads/MeasureAnalysisDocument/89020> (Accessed 6/24/25).

13 "Senate Bill 951" 83rd Oregon Legislative Assembly – 2025 Regular Session, available at: <https://olis.oregonlegislature.gov/liz/2025R1/Downloads/MeasureDocument/SB951> (Accessed 6/24/25).

14 Rothwell, Michael Montgomery, and Kate Sullivan Morgan, *Dentons On Call*, June 13, 2025.

15 *Ibid.*

16 "SB 591 Frequently Asked Questions" From the Desk of Senator Deb Patterson, available at: <https://olis.oregonlegislature.gov/liz/2025R1/Downloads/FloorLetter/4296> (Accessed 6/24/25).

17 Rothwell, Michael Montgomery, and Kate Sullivan Morgan, *Dentons On Call*, June 13, 2025.

18 *Ibid.*

19 For more information, see "California Passes Bill Regulating Private Equity Deals" *Health Capital Topics*, Vol. 17, Issue 9 (September 2024), https://www.healthcapital.com/hcc/newsletter/09_24/HTML/PE/convert_ca-passes-bill-regulating-pe-deals.php (Accessed 6/24/25).



(800) FYI -VALU

Providing Solutions in an Era of Healthcare Reform

- Firm Profile
- HCC Services
- HCC Leadership
- Clients & Projects
- HCC News
- Health Capital Topics
- Contact Us
- Email Us

- Valuation Consulting
- Commercial Reasonableness Opinions
- Commercial Payor Reimbursement Benchmarking
- Litigation Support & Expert Witness
- Financial Feasibility Analysis & Modeling
- Intermediary Services
- Certificate of Need
- ACO Value Metrics & Capital Formation
- Strategic Planning
- Industry Research

LEADERSHIP



Todd A. Zigrang, MBA, MHA, FACHE, CVA, ASA, ABV, is the President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where he focuses on the areas of valuation and financial analysis for hospitals, physician practices, and other healthcare enterprises. Mr. Zigrang has over 30 years of experience providing valuation, financial, transaction and strategic advisory services nationwide in over 2,500 transactions and joint ventures. Mr. Zigrang is also considered an expert in the field of healthcare compensation for physicians, executives and other professionals.

Mr. Zigrang is the co-author of *"The Adviser's Guide to Healthcare - 2nd Edition"* [AICPA - 2015], numerous chapters in legal treatises and anthologies, and peer-reviewed and industry articles such as: *The Guide to Valuing Physician Compensation and Healthcare Service Arrangements (BVR/AHLA)*; *The Accountant's Business Manual (AICPA)*; *Valuing Professional Practices and Licenses (Aspen Publishers)*; *Valuation Strategies*; *Business Appraisal Practice*; and, *NACVA QuickRead*. Additionally, Mr. Zigrang has served as faculty before professional and trade associations such as the American Society of Appraisers (ASA); the National Association of Certified Valuators and Analysts (NACVA); the American Health Lawyers Association (AHLA); the American Bar Association (ABA); the Association of International Certified Professional Accountants (AICPA); the Physician Hospitals of America (PHA); the Institute of Business Appraisers (IBA); the Healthcare Financial Management Association (HFMA); and, the CPA Leadership Institute. He also serves on the Editorial Board of *The Value Examiner* and *QuickRead*, both of which are published by NACVA.

Mr. Zigrang holds a Master of Science in Health Administration (MHA) and a Master of Business Administration (MBA) from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives (FACHE) and holds the Certified Valuation Analyst (CVA) designation from NACVA. Mr. Zigrang also holds the Accredited in Business Valuation (ABV) designation from AICPA, and the Accredited Senior Appraiser (ASA) designation from the American Society of Appraisers, where he has served as President of the St. Louis Chapter. He is also a member of the American Association of Provider Compensation Professionals (AAPCP), AHLA, AICPA, NACVA, NSCHBC, and, the Society of OMS Administrators (SOMSA).



Jessica L. Bailey-Wheaton, Esq., is Senior Vice President and General Counsel of HCC. Her work focuses on the areas of Certificate of Need (CON) preparation and consulting, as well as project management and consulting services related to the impact of both federal and state regulations on healthcare transactions. In that role, Ms. Bailey-Wheaton provides research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of transactions related to healthcare enterprises, assets, and services.

Additionally, Ms. Bailey-Wheaton heads HCC's CON and regulatory consulting service line. In this role, she prepares CON applications, including providing services such as: health planning; researching, developing, documenting, and reporting the market utilization demand and "need" for the proposed services in the subject market service area(s); researching and assisting legal counsel in meeting regulatory requirements relating to licensing and CON application development; and, providing any requested support services required in litigation challenging rules or decisions promulgated by a state agency. Ms. Bailey-Wheaton has also been engaged by both state government agencies and CON applicants to conduct an independent review of one or more CON applications and provide opinions on a variety of areas related to healthcare planning. She has been certified as an expert in healthcare planning in the State of Alabama.

Ms. Bailey-Wheaton is the co-author of numerous peer-reviewed and industry articles in publications such as: *The Health Lawyer (American Bar Association)*; *Physician Leadership Journal (American Association for Physician Leadership)*; *The Journal of Vascular Surgery*; *St. Louis Metropolitan Medicine*; *Chicago Medicine*; *The Value Examiner (NACVA)*; and *QuickRead (NACVA)*. She has previously presented before the American Bar Association (ABA), the American Health Law Association (AHLA), the National Association of Certified Valuators & Analysts (NACVA), the National Society of Certified Healthcare Business Consultants (NSCHBC), and the American College of Surgeons (ACS).



Janvi R. Shah, MBA, MSF, CVA, serves as Senior Financial Analyst of HCC. Mrs. Shah holds a M.S. in Finance from Washington University Saint Louis and the Certified Valuation Analyst (CVA) designation from NACVA. She develops fair market value and commercial reasonableness opinions related to healthcare enterprises, assets, and services. In addition she prepares, reviews and analyzes forecasted and pro forma financial statements to determine the most probable future net economic benefit related to healthcare enterprises, assets, and services and applies utilization demand and reimbursement trends to project professional medical revenue streams and ancillary services and technical component (ASTC) revenue streams.

For more information please visit:
www.healthcapital.com