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Healthcare Alert

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Oregon SB 951: Corporate practice of medicine law explained

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Oregon's revised corporate practice of medicine law introduces sweeping restrictions on private equity, enacting the strictest limits in the nation.



What's the impact?

- SB 951 bans dual ownership and restricts medical services organization (MSO) influence over clinical and business decisions, with phased compliance deadlines for existing and new MSOs.
- The law limits restrictive covenants and compensation models that could affect clinical independence, requiring careful review of contracts and governance structures.

On June 9, 2025, Oregon Governor Tina Kotek signed [Senate Bill 951](#) into law, marking a novel change in how states approach the regulation of ownership and control of certain professional medical entities by codifying and strengthening the corporate practice of medicine ("CPOM")

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doctrine in Oregon. The effective date differs for regulating existing management services organizations (“MSOs”) versus new MSOs. Existing MSOs (those formed before enactment of the law on June 9, 2025) must come into compliance with the new law by January 1, 2029. For MSOs formed *in Oregon* on or after June 9, 2025, the law becomes effective on January 1, 2026.

Key provisions of SB 951

SB 951 expands Oregon’s longstanding CPOM prohibition by enacting new restrictions on the relationship between a MSO and a friendly professional medical entity² (“PME”) physician owners and licensed professionals who own or provide services through them. For purposes of this alert, “medical licensees” refers to physicians and other health professionals licensed to practice medicine in Oregon who are subject to the law’s restrictions. Notable provisions include the following:

RESTRICTIONS ON OWNERSHIP AND CONTROL

The law prohibits dual ownership by the licensed shareholders of the MSO and PMEs managed by the MSO. SB 951 prohibits shareholders, directors, members, managers, officers, and employees of an MSO from owning or controlling, collectively or individually, a majority of ownership interest in a PME that contracts with the MSO. SB 951 limits the use of stock transfer restriction agreements, with limited exceptions. The new law explicitly prohibits MSOs from making clinical decisions, which is not a meaningful shift from Oregon’s existing CPOM prohibition.

GOVERNANCE RESTRICTIONS

SB 951 imposes restrictions regarding director eligibility and governance rights. For example, it limits the ability of an MSO-affiliated individual to serve on the board of a PC and may prohibit governance provisions that confer de facto control. These provisions are aimed at preserving clinical independence by limiting MSO influence over entity governance.

RESTRICTIVE COVENANTS

The law limits noncompete, nondisclosure, and nondisparagement agreements. These limitations apply to agreements between MSOs and medical licensees, and are intended to ensure that such covenants do not interfere with reporting and accountability on PME

²For purposes of SB 951 and this alert, “professional medical entity” includes professional corporations (PCs), professional limited liability companies (PLLCs), and other business organizations authorized to provide medical services in Oregon. The law applies to relationships involving a range of licensed medical professionals, including physicians, nurse practitioners (NPs), and physician assistants (PAs), among others.

operations. The exact scope of permissible restrictions may be further clarified through future rulemaking or enforcement actions.

LIMITS ON EMPLOYMENT AND COMPENSATION MODELS

SB 951 restricts employment and compensation structures that could unduly influence medical judgment. This includes arrangements where a medical licensee's compensation is directly tied to MSO performance or investor profits.

EXEMPTIONS

The law contains exemptions, including hospitals, out-of-state telemedicine companies, and certain behavioral health entities. The law's applicability is limited to "medical entities" and based on such definition, does not apply to practices owned by nonmedical providers, such as dentists or veterinarians.

CONTRACTUAL CONTROL PROVISIONS

SB 951 restricts the use of contractual provisions that confer certain financial or operational controls over a PME. Agreements that give an MSO — or an owner, employee, officer or the like of an MSO — decision-making authority may be deemed impermissible if they amount to de facto control over clinical or business operations. Agreements, such as stock transfer restriction agreements that allow the MSO to restrict the transfer of equity, are similarly prohibited.

Implications for healthcare stakeholders

The new law calls into question use of the MSO-friendly PME model. Even where MSOs do not hold equity stakes, contractual provisions granting financial or decision-making authority may be deemed unlawful under SB 951.

As SB 951 is implemented, one issue to monitor is how the term "incidental," as used in SB 951, is interpreted by Oregon regulators. The law provides an exception to the prohibition on dual MSO and PME ownership where individuals can own shares or an interest in an MSO that contracts with said PME if the individual's ownership in the MSO is "incidental and without relation to the individual's compensation as a shareholder, director, member, manager, officer[,] or employee of, or contractor" with the MSO. The potential flexibility embedded in this exception under SB 951 may present a valuable opportunity for stakeholders to preserve investments in MSOs under carefully structured arrangements.

SB 951 may require a shift away from ownership-driven strategies and toward arm's-length service models that preserve medical licensees' autonomy. An MSO must also ensure that their

scope of services do not violate the law's prohibition on the MSO exerting "de facto control" over the administrative, business, or clinical operations of the entity.

Next steps

SB 951 will require providers, practices, MSOs, and investors to assess the structures of their PMEs and MSOs, the relationship between the parties, and contractual arrangements between the MSO and PME. Providers that rely on MSO partnerships for administrative and business support — and investors that use governance rights or profit-sharing arrangements to capture value — must take care to ensure they do not exert impermissible control over clinical operations.

Organizations should begin reviewing administrative/management service agreements, governance documents, and compensation arrangements now to identify compliance with the new law.

The phased compliance deadline offers an important opportunity for transition planning. At the same time, stakeholders should remain attentive to potential legislative amendments. [House Bill 3410](#) — recently passed by both chambers of the Oregon legislature and awaiting the governor's signature — is expected to modify or clarify aspects of SB 951, including definitions of "control" or permitted MSO activities. Additional rulemaking or interpretive guidance from state agencies may further shape how the law is applied in practice.

Navigating new CPOM regulations

The law sets a new benchmark for how far states may go in targeting, defining, and enforcing prohibitions regarding CPOM. Oregon's actions reflect a larger nationwide effort by state legislators to increase regulatory oversight of healthcare ownership models. In California, for example, [SB 351](#) proposes similar restrictions on private equity and MSO influence in medical practice.

As SB 951 phases in over the coming years, healthcare providers, entities, MSOs, and investors should begin evaluating their current structures and arrangements for compliance. Organizations operating in Oregon, and those monitoring trends in other jurisdictions, should consult with legal counsel to assess their risk exposure and develop a compliance strategy that supports long-term growth.

Nixon Peabody will continue to monitor state-by-state changes and Oregon's implementation of SB 951 and developments related to HB 3410. For more information about the content of this alert, please contact your Nixon Peabody attorney or:

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