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Healthcare Alert

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Oregon amends new corporate practice law

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Oregon's HB 3410 amends the state's new corporate practice law to clarify key restrictions and provide limited flexibility around MSO roles, noncompete agreements, and ownership structures.

What's the impact?

- Clarifies when "medical licensees"[ii] may hold roles within an MSO and friendly professional medical entity (PME),[iii] allowing overlapping positions under certain conditions.
- Refines the rules for enforceable noncompete agreements, tightening ownership thresholds, and preserving protections for nonclinical roles.
- Permits equity transfer restriction agreements between PMEs, its medical licensee owners, and MSOs under defined conditions, including license suspension, fraud investigations, or MSO contract breaches.

On July 24, 2025, Oregon Governor Tina Kotek signed House Bill 3410 (HB 3410), amending Senate Bill 951, the state's sweeping corporate practice of medicine law enacted earlier this year (the CPOM Law). HB 3410 introduces targeted modifications that preserve the core prohibitions

on unlicensed persons controlling clinical decisions while narrowing the application of several key restrictions.

As originally written, the CPOM Law restricts common features of private equity and joint venture-backed structures, including overlapping governance, shared personnel, and the use of restrictive covenants. It also imposes broad limits on the ability of unlicensed persons—including management services organizations (MSOs), investors, and affiliates—to employ, supervise, or contract with physicians, nurse practitioners, and other licensed health professionals.

HB 3410 retains the law's central prohibition: unlicensed persons may not exercise control over a medical licensee's independent clinical judgment or core business operations which have the potential to impact clinical decision making. However, the bill introduces important clarifications aimed at easing implementation concerns.

Changes to overlapping roles and ownership interests in the PME and MSO

The CPOM Law's existing restrictions on the dual ownership or control of an MSO and affiliated PME was strengthened by HB 3410 by expanding the restriction to apply to contractors of an MSO.

HB 3410 also revises an exception applicable to existing governance arrangements, grandfathering in certain existing entities and arrangements. Pursuant to HB 3410, existing governance arrangements that were in place prior to January 1, 2024,[iv] wherein the medical licensee serves as director or officer of the MSO and contracted PME and owns less than 25% of the PME, are not subject to the restrictions of the CPOM Law if they previously met and continue to meet the following requirements:

- The PME holds less than 49% of the ownership interest that has voting rights in the MSO;
- The physician does not receive compensation from the MSO to serve as a director or officer of the MSO; and
- In order to be passed, actions of the MSO that materially impact the interests of the minority MSO owners require a greater-than-majority vote, including the votes of the PME shareholders.

Changes to noncompete provisions

HB 3410 modifies the noncompete provisions introduced by the CPOM Law by clarifying the three narrow circumstances under which noncompete agreements that restrict the practice of medicine or nursing remain enforceable between a medical licensee and another party.

First, a noncompete is enforceable if the medical licensee owns at least 1.5 percent of the other party's equity or membership interest. HB 3410 lowers the CPOM Law's prior ownership-based threshold of at least 10 percent.

Second, a noncompete between a PME and medical licensee is enforceable if the licensee received a documented protectable recruitment investment from the PME. Such "recruitment investment" must equal at least 20 percent of the medical licensee's salary and includes costs associated with the PME's investment into the medical licensee such as costs to recruit the employee, sign-on or relocation bonuses, and costs to educate, train, and onboard the medical licensee. The agreement must also meet specific time limits with the term beginning at the time the medical licensee was hired by the PME: (i) five years if the licensee is directly providing medical services in a health professional shortage area; or (ii) three years if the medical licensee is not directly engaging in providing medical services in a health professional shortage area.

While unchanged by HB 3410, under the CPOM Law a noncompete is enforceable if the medical licensee does not engage directly in providing healthcare services (for example, by maintaining a purely administrative role for the MSO or PME).

Finally, HB 3410 removes a provision in the CPOM Law that would have allowed a PME to enter into a noncompete agreement with its medical licensee owner if (1) the PME did not have a contract with an MSO for administrative and management services, or (2) the PME had a contract with an MSO, but the PME held a majority of the ownership interest of the MSO or the PME itself functioned as the MSO (as set forth in Section 1(c)(3) of the CPOM Law).

Together, these changes provide clearer—but still narrow—pathways for structuring enforceable noncompete agreements, while reinforcing Oregon's policy emphasis on protecting licensee autonomy and limiting non-licensee clinical control.

Equity transfer restriction agreements

With regard to equity transfer restriction agreements which may control or restrict the transfer of a PME's equity, HB 3410 clarifies that the parties to such agreements may include the PME, medical licensee owner, and the contracting MSO and such agreements may be permitted for events such as a PME owner's breach of the management services agreement between the MSO and PME.

Next steps for healthcare organizations

Entities involved in the ownership, management, or support of Oregon-based PME's should assess their current arrangements and, unless grandfathered in as discussed herein, prepare for compliance. In particular, organizations should:

- Review governance and staffing arrangements involving MSOs, PMEs, and their affiliates to confirm compliance with the new standards.
- Reassess any noncompete agreements between medical licensees and other parties in light of the amended exceptions.
- Ensure that contractual frameworks preserve the independence of clinical decision-making and avoid prohibited control by non-professionals over business operations.
- Document recruitment investments, compensation structures, and ownership interests to support enforceability where exceptions apply.

Nixon Peabody's healthcare lawyers will continue monitoring developments related to Oregon's corporate practice statute, including any further guidance or implementation activity.

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[ii] For purposes of this alert, and as defined in the CPOM Law, "medical licensees" refers to physicians and other health professionals licensed to practice medicine in Oregon who are subject to the law's restrictions.

[iii] For purposes of 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.

[iv] Note that HB 3410 significantly shortened this exception as it previously applied under the CPOM Law to governance arrangements that were in place prior to January 1, 2026.