

FINAL BILL REPORT

SHB 1620

PARTIAL VETO

C 390 L 97

Synopsis as Enacted

Brief Description: Abrogating the corporate practice of medicine doctrine.

Sponsors: By House Committee on Health Care (originally sponsored by Representatives Dyer, Zellinsky, Cody, Skinner, Backlund and Sherstad).

House Committee on Health Care

Senate Committee on Health & Long-Term Care

Background: The corporate practice of medicine– doctrine has evolved from case law, under which the court has held that health practitioners cannot be employed by a corporation unless the entity has only those individuals licensed to render the same professional services as its shareholders, directors, and officers. The rationale for these rulings is that corporate nonprofessionals cannot direct the course of licensed medical care. In essence, the doctrine restricts the employment of these practitioners, the ownership of their practices, and the distribution of profits from the practice through corporate enterprises.

The doctrine was developed at a time when the customary practice of health care was largely based on individual practices utilizing a fee-for-service system of reimbursement before the health market became characterized by managed care, capitated provider contracting, and a push toward multi-specialty integrated group practices.

The Legislature affirmed the doctrine with the enactment of a law authorizing the formation of professional service corporations– that permits some regulated health professionals to render their services for pecuniary profit in association with the same or other health professionals.

Summary: The corporate practice of medicine doctrine is fully abrogated for all health care practitioners except dentistry and veterinary medicine, and this abrogation is not to be narrowly construed by the courts. Health care practitioners may use any lawful type of business organization to provide health care services, including professional service corporations or similar limited liability companies or partnerships.

Physicians and osteopathic physicians are included among regulated health professions that may associate together in forming single professional health service corporations or similar professional limited liability companies or partnerships.

The abrogation of the corporate practice of medicine doctrine does not affect the ethical obligation of health care practitioners, require them to violate any federal, state, or local laws.

Votes on Final Passage:

House 94 0

Senate 40 0 (Senate amended)

House 92 0 (House concurred)

Effective: July 27, 1997

Partial Veto Summary: The governor vetoed the repeal of the corporate practice of medicine doctrine, which reinstates the ban on providing health care services by corporations with non-licensed shareholders; and the retroactive effective date of January 1, 1997.