

1.1 Senator moves to amend S.F. No. 2939 as follows:

1.2 Page 1, after line 7, insert:

1.3 **"ARTICLE 1**

1.4 **TRANSPARENCY OF HEALTH CARE ENTITY OWNERSHIP OR CONTROL"**

1.5 Page 3, after line 22, insert:

1.6 "Subd. 11. **Licensee.** "Licensee" has the meaning given to that term in section 319B.41,
1.7 subdivision 1."

1.8 Renumber the subdivisions in sequence

1.9 Page 6, line 19, delete "physicians" and insert "licensees"

1.10 Page 8, line 17, delete everything after "report" and insert ", fails to submit a complete
1.11 report, or fails to submit a report in the form and manner specified by the commissioner"

1.12 Page 8, line 18, delete everything before the period

1.13 Page 9, after line 4, insert:

1.14 **"ARTICLE 2**

1.15 **CORPORATE PRACTICE OF MEDICINE**

1.16 Section 1. Minnesota Statutes 2024, section 319B.09, subdivision 1, is amended to read:

1.17 Subdivision 1. **Governance authority.** (a) Except as stated in paragraph (b), a
1.18 professional firm's governance authority must rest with:

1.19 (1) one or more professionals, each of whom is licensed to furnish at least one category
1.20 of the pertinent professional services; or

1.21 (2) a surviving spouse of a deceased professional who was the sole owner of the
1.22 professional firm, while the surviving spouse owns and controls the firm, but only during
1.23 the period of time ending one year after the death of the professional.

1.24 (b) In a Minnesota professional firm organized under chapter 317A and in a foreign
1.25 professional firm organized under the nonprofit corporation statute of another state, at least
1.26 one individual possessing governance authority must be a professional licensed to furnish
1.27 at least one category of the pertinent professional services, except that the requirements of
1.28 section 319B.41, subdivision 4, apply to medical practices.

1.29 (c) Individuals who possess governance authority within a professional firm may delegate
1.30 administrative and operational matters to others, subject to section 319B.41, subdivisions

3 and 4. No decision entailing the exercise of professional judgment may be delegated or assigned to anyone who is not a professional licensed to practice the professional services involved in the decision.

(d) An individual whose license to practice any pertinent professional services is revoked or suspended may not, during the time the revocation or suspension is in effect, possess or exercise governance authority, hold a position with governance authority, or take part in any decision or other action constituting an exercise of governance authority. Nothing in this chapter prevents a board from further terminating, restricting, limiting, qualifying, or imposing conditions on an individual's governance role as board disciplinary action.

(e) A professional firm owned and controlled by a surviving spouse must comply with all requirements of this chapter, except those clearly inapplicable to a firm owned and governed by a surviving spouse who is not a professional of the same type as the surviving spouse's decedent.

Sec. 2. [319B.41] CORPORATE PRACTICE OF MEDICINE.

Subdivision 1. Definitions. (a) For purposes of this section, the following terms have the meanings given.

(b) "Affiliate" has the meaning given in section 145E.01, subdivision 2.

(c) "Control," including the terms "controlling," "controlled by," and "under common control with," has the meaning given in section 145D.01, subdivision 1, paragraph (d), except:

(1) control is presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing ten percent or more of the voting securities of any other person, or if any person, directly or indirectly, constitutes ten percent or more of the membership of an entity formed under chapter 317A; and

(2) the commissioner may determine that control exists in fact, notwithstanding the absence of a presumption to that effect.

(d) "Health care provider" has the meaning given in section 145E.01, subdivision 8.

(e) "Licensee" means individuals who furnish professional services pursuant to a license, registration, or certificate issued by the state of Minnesota to practice medicine pursuant to chapter 147, as a physician assistant pursuant to chapter 147A, chiropractic pursuant to sections 148.01 to 148.108, registered nursing pursuant to sections 148.171 to 148.285, optometry pursuant to sections 148.52 to 148.62, psychology pursuant to sections 148.88

to 148.981, social work pursuant to chapter 148E, marriage and family therapy pursuant to sections 148B.29 to 148B.392, dentistry pursuant to sections 150A.01 to 150A.22, pharmacy pursuant to sections 151.01 to 151.40, or podiatric medicine pursuant to chapter 153.

(f) "Management services organization" has the meaning given in section 145E.01, subdivision 12.

(g) "Medical practice" means an entity organized for the purpose of practicing medicine and is permitted to practice medicine in this state.

(h) "Practice-based compensation" means an arrangement providing for or resulting in a payment amount based, directly or indirectly, on:

(1) the income, revenue, profit, or other financial metric of the medical practice; or

(2) the volume or value of health care items or services provided by the medical practice.

Practice-based compensation may result, without limitation, from any agreement between the service provider and the medical practice or a direct or indirect owner of the medical practice, regardless of whether such agreement contains an obligation to provide management or administrative services.

(i) "Private equity fund" has the meaning given in section 145E.01, subdivision 15.

(j) "Provider organization" has the meaning given in section 145E.01, subdivision 16.

(k) "Significant equity investor" has the meaning given in section 145E.01, subdivision 17.

Subd. 2. Prohibition. It is unlawful for any person except for a licensee to own a medical practice, employ licensees, or otherwise engage in the practice of medicine.

Subd. 3. Requirements. (a) Licensee owners of a medical practice must exhibit meaningful ownership of the medical practice. Meaningful ownership shall require that each licensee owner is duly licensed and present in this state and substantially engaged in delivering medical care or managing the medical practice.

(b) Unless a shareholder, director, officer, or partner of a medical practice also owns a majority of the interest in the management services organization, they shall not:

(1) own or control shares in, serve as a director or officer of, be an employee of or an independent contractor with, or otherwise participate in managing both the medical practice and a management services organization with which the medical practice has a contract; or

(2) receive substantial compensation or remuneration from a management services organization in return for ownership or management of the medical practice.

(c) A medical practice shall not transfer or relinquish control over the sale, the restriction of the sale, or the encumbrance of the sale of the medical practice's shares or assets.

(d) A medical practice shall not transfer or relinquish control over the issuing of shares of stock in the medical practice, in a subsidiary of the medical practice or an entity affiliated with the medical practice, or the paying of dividends.

(e) A nondisclosure agreement or nondisparagement agreement between a licensee and a management services organization is void and unenforceable.

(f) It is unlawful for a management services organization or other entity that is not the medical practice to advertise the medical practice's services under the name of the entity that is not the medical practice.

Subd. 4. Relinquishing control; interference. (a) A medical practice may not, by means of a contract or other agreement or arrangement, by providing in the medical practice's articles of incorporation or bylaws, by forming a subsidiary or affiliated entity or by other means, relinquish control over or otherwise transfer de facto control over any of the medical practice's administrative, business, or clinical operations that may affect clinical decision-making or the nature or quality of medical care that the medical practice delivers.

(b) Conduct prohibited under paragraph (a) includes, but is not limited to, relinquishing ultimate decision-making authority over:

(1) hiring or terminating, setting work schedules and compensation, or otherwise specifying terms of employment of licensees;

(2) the disbursement of revenue generated from physician fees and other revenue generated by physician services;

(3) collaboration and negotiation with hospitals and other institutions in which the licensees of the medical practice may deliver clinical care, particularly with regard to controlling licensee schedules as a means of discipline;

(4) setting staffing levels, or specifying the period of time a licensee may see a patient, for any location that serves patients;

(5) making diagnostic coding decisions;

(6) setting clinical standards or policies;

(7) setting policies for patient, client, or customer billing and collection;

5.1 (8) setting the prices, rates, or amounts the medical practice charges for a licensee's
5.2 services; or

5.3 (9) negotiating, executing, performing, enforcing, or terminating contracts with third-party
5.4 payors or persons that are not employees of the medical practice.

5.5 (c) The conduct described in paragraph (b) does not prohibit:

5.6 (1) collection of quality metrics as required by law or in accordance with an agreement
5.7 to which the medical practice is a party; or

5.8 (2) setting criteria for reimbursement under a contract between the medical practice and
5.9 an insurer or payer or entity that otherwise reimburses the medical practice for medical care.

5.10 (d) A medical practice may not interfere, control, or otherwise direct the professional
5.11 judgment or clinical decisions of a licensee. Conduct prohibited under this paragraph includes,
5.12 but is not limited to, controlling, either directly or indirectly, through discipline, punishment,
5.13 threats, adverse employment actions, coercion, retaliation, or excessive pressure, the
5.14 following:

5.15 (1) the period of time a licensee may spend with a patient, including the time permitted
5.16 for a licensee to triage patients in the emergency department or evaluate admitted patients;

5.17 (2) the period of time within which a licensee must discharge a patient;

5.18 (3) the clinical status of the patient, including whether the patient should be admitted to
5.19 inpatient status, whether the patient should be kept in observation status, whether the patient
5.20 should receive palliative care, and whether and where the patient should be referred upon
5.21 discharge, such as a skilled nursing facility;

5.22 (4) the diagnoses, diagnostic terminology, or codes that are entered into the medical
5.23 record by the licensee;

5.24 (5) the range of clinical orders available to licensees, including by configuring the medical
5.25 record to prohibit or significantly limit the options available to the licensee; or

5.26 (6) any other action specified by regulation to constitute impermissible interference or
5.27 control over the clinical judgment and decision-making of a licensee.

5.28 (e) Notwithstanding paragraph (a), a medical practice may delegate administrative,
5.29 business, or clinical operations to a managed services organization if:

5.30 (1) the medical practice's shareholder or partnership agreement delegates authority
5.31 exclusively to the majority of shareholders or partners who are licensees; and

6.1 (2) the delegation does not relinquish de facto control of the medical practice to
6.2 nonlicensees.

6.3 Subd. 5. **Compensation prohibition for management and administrative services.** (a)
6.4 The provision of management or administrative services for practice-based compensation
6.5 is prohibited.

6.6 (b) The provision of management or administrative services for compensation exceeding
6.7 the services' fair market value is prohibited.

6.8 Subd. 6. **Enforcement.** The attorney general shall enforce this section under section
6.9 8.31."

6.10 Amend the title accordingly