

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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SENATE BILL 570

Short Title: Prohibit the Corporate Practice of Medicine. (Public)

Sponsors: Senator Mayfield (Primary Sponsor).

Referred to: Rules and Operations of the Senate

March 26, 2025

A BILL TO BE ENTITLED
AN ACT TO RESTORE THE SUPREMACY OF MEDICAL PROVIDERS' PROFESSIONAL
JUDGEMENT AND TO PROHIBIT THE "CORPORATE PRACTICE OF MEDICINE".
The General Assembly of North Carolina enacts:

**PART I. PROHIBIT A COMMON STAKEHOLDER BETWEEN MEDICAL
PRACTICES AND MANAGEMENT SERVICES ORGANIZATIONS**

SECTION 1.(a) G.S. 55B-2 reads as rewritten:

"§ 55B-2. Definitions.

As used in this Chapter, the following words shall, unless the context requires otherwise, have the following meanings:

- (1) ~~"Disqualified person" means a~~ Disqualified person. – A licensed person who for any reason becomes legally disqualified to render the same professional services ~~which that~~ are or were being rendered by the professional corporation of which ~~such the~~ person is an officer, director, shareholder or employee.
- (2) ~~"Licensee" means any~~ Licensee. – Any natural person who is duly licensed by the appropriate licensing board to render the same professional services ~~which that~~ will be rendered by the professional corporation of which ~~he the~~ licensee is, or intends to become, an officer, director, ~~shareholder~~ shareholder, or employee.
- (3) ~~"Licensing board" means a~~ Licensing board. – A board ~~which is~~ charged with the licensing and regulating of the profession or practice in this State in which the professional corporation is organized to engage.
- (4) ~~The term "licensing board,"~~ Licensing board, as ~~the same it~~ applies to attorneys at law, ~~shall mean the~~ law. – The Council of the North Carolina State Bar, ~~and it shall include~~ including the North Carolina State Board of Law Examiners only to the extent that the North Carolina Board of Law Examiners is authorized to issue licenses for the practice of law under the supervision of the Council of the North Carolina State Bar.
- (4a) Management services organization. – A domestic or foreign entity that provides non-clinical services to a professional corporation rendering professional service under Article 1 of Chapter 90 of the General Statutes.
- (5) ~~"Professional corporation" means a~~ Professional corporation. – A corporation ~~which is~~ engaged in rendering the professional services ~~as herein specified and defined,~~ service pursuant to a certificate of registration issued by the Licensing Board regulating the profession or practice, and ~~which that~~ (i) has



- 1 as its shareholders only those individuals permitted by G.S. 55B-6 of this
2 ~~Chapter to be shareholders and which Chapter, (ii)~~ designates itself as ~~may be~~
3 required by this ~~statute, Chapter, and which (ii)~~ is organized under the
4 provisions of this Chapter and of Chapter ~~55, the North 55~~ of the General
5 Statutes, "North Carolina Business Corporation Act. Act."
- 6 (6) ~~The term "professional service" means any Professional service. – Any type~~
7 of personal or professional service of the public ~~which that~~ requires as a
8 condition precedent to the rendering of ~~such the~~ service the obtaining of a
9 license from a licensing board ~~as herein defined~~, and pursuant to the following
10 provisions of the General Statutes: Chapter 83A, "Architects"; Chapter 84,
11 "Attorneys-at-Law"; Chapter 93, "Public Accountants"; and the following
12 Articles in Chapter 90: Article 1, "Practice of Medicine," Article 2,
13 "Dentistry," Article 6, "Optometry," Article 7, "Osteopathy," Article 8,
14 "Chiropractic," Article 9A, "Nursing Practice Act," with regard to registered
15 nurses, Article 11, "Veterinarians," Article 12A, "Podiatrists," Article 18A,
16 "Practicing Psychologists," Article 18C, "Marriage and Family Therapy
17 Licensure," Article 18D, "Occupational Therapy," Article 22, "Licensure Act
18 for Speech and Language Pathologists and Audiologists," and Article 24,
19 "Licensed Clinical Mental Health Counselors"; Chapter 89C, "Engineering
20 and Land Surveying"; Chapter 89A, "Landscape Architects"; Chapter 90B,
21 "Social Worker Certification and Licensure Act" with regard to Licensed
22 Clinical Social Workers as defined by G.S. 90B-3; Chapter 89E, "Geologists";
23 Chapter 89B, "Foresters"; and Chapter 89F, "North Carolina Soil Scientist
24 Licensing Act."
- 25 (9) Stakeholder. – An incorporator, officer, director, shareholder, or employee of
26 a professional corporation or management services organization."

27 **SECTION 1.(b)** G.S. 55B-4 reads as rewritten:

28 **"§ 55B-4. Formation of corporation.**

29 A professional corporation under this Chapter may be formed pursuant to the provisions of
30 Chapter 55, the North Carolina Business Corporation Act, with the following limitations:

- 31 (1) At least one incorporator shall be a "licensee" as hereinabove defined in
32 G.S. 55B-2(2).
- 33 (2) All of the shares of stock of the corporation shall be owned and held by a
34 licensee, or licensees, as hereinabove defined in G.S. 55B-2(2), except as
35 otherwise permitted in G.S. 55B-6.
- 36 (3) At least one director and one officer shall be a "licensee" as hereinabove
37 defined in G.S. 55B-2(2).
- 38 (4) The articles of incorporation, in addition to the requirements of Chapter 55,
39 shall designate the personal services to be rendered by the professional
40 corporation and shall be accompanied by a certification by the appropriate
41 licensing board that the ownership of the shares of stock is in compliance with
42 the requirements of ~~G.S. 55B-4(2) – subdivision (2) of this section~~ and
43 G.S. 55B-6. If applicable, it shall also certify that stakeholders are in
44 compliance with subdivision (5) of this section.
- 45 (5) For a professional corporation rendering professional service pursuant to
46 Article 1 of Chapter 90 of the General Statutes, no stakeholder of the
47 professional corporation shall be a stakeholder of a management services
48 organization with which the professional corporation shall at any time contract
49 for services unless the management services organization is owned and held
50 entirely by licensees of this State."

1 **SECTION 1.(c)** For purposes of this subsection, "stakeholder" is defined as in
2 G.S. 55B-2. Pursuant to its authority under G.S. 55B-10, the North Carolina Medical Board shall
3 adopt rules to require that an application for certificate of registration for a professional
4 corporation or professional limited liability company and each annual renewal include a
5 statement certifying that no stakeholder is also a stakeholder of a management services
6 organization with which the professional corporation or limited liability company contracts for
7 services, unless the management services organization is owned and held entirely by licensees of
8 this State.

9 **SECTION 1.(d)** This section is effective when it becomes law and applies to
10 contracts entered into, modified, or renewed on or after that date. Rules adopted pursuant to this
11 section shall be adopted to take effect as soon as practicable but no later than October 1, 2026.
12

13 **PART II. REQUIRE THAT PHYSICIANS HAVE CONTROL OF PATIENT CARE** 14 **WITHOUT INTERFERENCE FROM NON-PHYSICIANS**

15 **SECTION 2.(a)** Article 1 of Chapter 90 of the General Statutes is amended by adding
16 a new section to read:

17 **"§ 90-8.3. Control over medical decisions of patient care.**

18 If a licensee is employed by or is an independent contractor in a contractual agreement with
19 an employer under G.S. 90-8.4(a) to practice medicine or surgery, then the employment
20 agreement or contract shall ensure and require that the licensee has control over all medical
21 decisions of patient care without clinical interference from (i) an individual not licensed to
22 practice medicine or surgery, (ii) a stakeholder of a management services organization, or (iii) an
23 out-of-state physician or medical professional who may be employed by or affiliated with the
24 professional corporation. For purposes of this section, the term "stakeholder" and "management
25 services organization" are defined as in Chapter 55B of the General Statutes."

26 **SECTION 2.(b)** Article 1 of Chapter 90 of the General Statutes is amended by
27 adding a new section to read:

28 **"§ 90-8.4. Practice of medicine permitted entities; enforcement.**

29 (a) Other than sole proprietors and partnerships with other licensees of this Article,
30 licensees shall only practice on behalf of the following entities, as an employee or an independent
31 contractor:

- 32 (1) Professional corporations, including foreign professional corporations as
33 defined by G.S. 55B-16(b), registered with the Board pursuant to Chapter 55B
34 of the General Statutes or professional limited liability companies registered
35 with the Board pursuant to G.S. 57D-2-02. The ownership requirements shall
36 comply with Chapter 55B of the General Statutes.
- 37 (2) Entities licensed, certified, or registered with the North Carolina Department
38 of Health and Human Services, Division of Health Service Regulation,
39 including hospitals and mental health facilities.
- 40 (3) Non-profits or free clinics providing medical services to indigent populations
41 that are not required to be licensed, certified, or registered with the North
42 Carolina Department of Health and Human Services, Division of Health
43 Service Regulation.
- 44 (4) Health maintenance organizations established under Chapter 58 of the General
45 Statutes.
- 46 (5) Federal or State agencies providing health care services, including the North
47 Carolina Department of Public Safety, Division of Adult Correction and
48 Juvenile Justice; United States Veterans Health Administration; United States
49 Armed Forces or Public Health Service; or any federally recognized tribe
50 subject to tribal law.

(6) Any other employer recognized by the Board pursuant to a rule adopted by the Board.

Licensees who are hired as independent contractors through staffing companies to practice medicine shall contract only with one of the entities in this subsection.

(b) If the Board receives a complaint or report alleging violation of this section, upon the Board's request, an employer under subdivision (a)(1) or (a)(2) of this section shall provide a response to the Board signed by a majority of shareholders, a majority of the board of directors, or the Chief Medical Officer or Chief Executive Officer, as applicable, that includes all of the following:

(1) Explanation of the structure and ownership interests of the entity, including the roles, responsibilities, and relationships between the medical staff, stakeholders as defined by G.S. 55B-2, hospital administration, and hospital governing board.

(2) Affirmation that the employer shall not (i) prevent the licensee from meeting the standards of acceptable and prevailing medical practice in this State, (ii) require the licensee to practice beyond his or her area of competence, or (iii) prevent the licensee from complying with any requirement under Article 1 of Chapter 90 of the General Statutes, any rule adopted by the Board, or any other law pertaining to the practice of medicine.

(3) Affirmation that the licensee's professional medical judgment takes priority when the interests of the employer and licensee conflict.

(4) Affirmation that the employment agreement will not impact the patient's right to choose the patient's health care provider or continuity of care if the employment relationship is terminated.

(5) Affirmation that the employer shall not interfere with the patient's right to access the patient's medical records or the right to be notified of the licensee's departure or new practice information.

(c) All bylaws requested by the Board are public record under Chapter 132 of the General Statutes.

(d) An employer who fails to comply with subsection (b) of this section and, if applicable, with Chapter 55B of the General Statutes, is an unapproved employer and shall not hire licensees of the Board. An employer required to comply with Chapter 55B of the General Statutes that fails to do so may be subject to suspension or revocation of its certificate of registration by the Board.

(e) Working as an employee or independent contractor for an unapproved employer is grounds for discipline under G.S. 90-14(a).

(f) The Board may consult with the Attorney General's Office to investigate alleged violations of this section or Chapter 55B of the General Statutes and may refer the matter for prosecution.

(g) If the Board investigates alleged violations of this section or Chapter 55B of the General Statutes, the Board may inform the Attorney General's Office of its findings. The Attorney General shall review any findings provided by the Board under this section and shall take appropriate action or seek appropriate relief or legal remedies if the Board is consulted and agrees with the Attorney General to pursue alleged violations.

(h) The Board shall only reinstate approval of employers upon recommendation of the North Carolina Medical Care Commission, the Attorney General, or pursuant to a court finding that the violations of this section have been rectified."

SECTION 2.(c) This section is effective when it becomes law and applies to contracts entered into, modified, or renewed on or after that date.

PART III. RULEMAKING AND EFFECTIVE DATE

- 1 **SECTION 3.(a)** The North Carolina Board of Medicine may adopt rules to
2 implement Part II of this act.
3 **SECTION 3.(b)** Except as otherwise provided, this act is effective when it becomes
4 law.