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**SUBSTITUTE HOUSE BILL 1620**

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**State of Washington**

**55th Legislature**

**1997 Regular Session**

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

Read first time 02/25/97.

1 AN ACT Relating to abrogating the corporate practice of medicine  
2 doctrine; amending RCW 18.100.040, 18.100.050, and 25.04.720;  
3 reenacting and amending RCW 25.15.045; creating new sections; and  
4 declaring an emergency.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** The legislature finds that the corporate  
7 practice of medicine doctrine, as most recently articulated in the case  
8 of *Morelli v. Ehsan*, is an impediment to innovative practice  
9 arrangements necessary for the health care reform process to move  
10 forward as to physicians licensed pursuant to chapter 18.71 RCW and  
11 osteopathic physicians licensed pursuant to chapter 18.57 RCW. The  
12 doctrine restricts, at a minimum, who can employ physicians, who can  
13 own a physician practice office, and who can derive profits from  
14 physician practice. The legislature intends to abrogate the doctrine  
15 as to all those elements and as to any other elements of the doctrine  
16 as recognized by the courts in the past, currently, or in the future.

17 **Sec. 2.** RCW 18.100.040 and 1969 c 122 s 4 are each amended to read  
18 as follows:

1       (1) This chapter shall not apply to any individuals or groups of  
2 individuals within this state who prior to the passage of this chapter  
3 were permitted to organize a corporation and perform personal services  
4 to the public by means of a corporation, and this chapter shall not  
5 apply to any corporation organized by such individual or group of  
6 individuals prior to the passage of this chapter: PROVIDED, That any  
7 such individual or group of individuals or any such corporation may  
8 bring themselves and such corporation within the provisions of this  
9 chapter by amending the articles of incorporation in such a manner so  
10 as to be consistent with all the provisions of this chapter and by  
11 affirmatively stating in the amended articles of incorporation that the  
12 shareholders have elected to bring the corporation within the  
13 provisions of this chapter.

14       (2) The corporate practice of medicine doctrine as it applies to  
15 health care practitioners, other than dentists and veterinarians  
16 licensed pursuant to chapters 18.32 and 18.92 RCW respectively, is  
17 hereby abrogated in whole, although nothing in this section is meant to  
18 affect the ethical obligations of health care practitioners. This  
19 abrogation shall not be construed to authorize anyone to require health  
20 care practitioners to violate federal, state, or local law. In  
21 construing this abrogation, courts shall not apply rules of legislative  
22 interpretation that result in narrowly construing this abrogation  
23 because it is in derogation of common law.

24       (3) Except for dentists and veterinarians licensed pursuant to  
25 chapters 18.32 and 18.92 RCW respectively, any person, including a  
26 health care practitioner, may use any otherwise lawful type of business  
27 organization to provide health care professional services. Health care  
28 practitioners may elect to use the professional form of a business  
29 organization to provide professional services as otherwise permitted by  
30 law.

31       (4) A professional corporation, professional limited liability  
32 company, or professional limited liability partnership may convert to  
33 a business corporation, limited liability company, or limited liability  
34 partnership by so amending its articles of incorporation, certificate  
35 of formation, or other basic business organization document as the case  
36 may be and filing the amendment with the state.

37       **Sec. 3.** RCW 18.100.050 and 1996 c 22 s 1 are each amended to read  
38 as follows:

1 (1) An individual or group of individuals duly licensed or  
2 otherwise legally authorized to render the same professional services  
3 within this state may organize and become a shareholder or shareholders  
4 of a professional corporation for pecuniary profit under the provisions  
5 of Title 23B RCW for the purpose of rendering professional service.  
6 One or more of the legally authorized individuals shall be the  
7 incorporators of the professional corporation.

8 (2) Notwithstanding any other provision of this chapter, registered  
9 architects and registered engineers may own stock in and render their  
10 individual professional services through one professional service  
11 corporation.

12 (3) Licensed health care professionals, providing services to  
13 enrolled participants either directly or through arrangements with a  
14 health maintenance organization registered under chapter 48.46 RCW or  
15 federally qualified health maintenance organization, may own stock in  
16 and render their individual professional services through one  
17 professional service corporation.

18 (4) Professionals may organize a nonprofit nonstock corporation  
19 under this chapter and chapter 24.03 RCW to provide professional  
20 services, and the provisions of this chapter relating to stock and  
21 referring to Title 23B RCW shall not apply to any such corporation.

22 (5)(a) Notwithstanding any other provision of this chapter, health  
23 care professionals who are licensed or certified pursuant to chapters  
24 18.06, 18.19, 18.22, 18.25, 18.29, 18.34, 18.35, 18.36A, 18.50, 18.53,  
25 18.55, 18.57, 18.57A, 18.64, 18.71, 18.71A, 18.79, 18.83, 18.89,  
26 18.108, and 18.138 RCW may own stock in and render their individual  
27 professional services through one professional service corporation and  
28 are to be considered, for the purpose of forming a professional service  
29 corporation, as rendering the "same specific professional services" or  
30 "same professional services" or similar terms.

31 ~~(b) ((Notwithstanding any other provision of this chapter, health~~  
32 ~~care professionals who are licensed pursuant to chapters 18.57 and~~  
33 ~~18.71 RCW may own stock in and render their individual professional~~  
34 ~~services through one professional service corporation and are to be~~  
35 ~~considered, for the purpose of forming a professional service~~  
36 ~~corporation, as rendering the "same specific professional services" or~~  
37 ~~"same professional services" or similar terms.~~

38 ~~(c))~~ Formation of a professional service corporation under this  
39 subsection does not restrict the application of the uniform

1 disciplinary act under chapter 18.130 RCW, or applicable health care  
2 professional statutes under Title 18 RCW, including but not limited to  
3 restrictions on persons practicing a health profession without being  
4 appropriately credentialed and persons practicing beyond the scope of  
5 their credential.

6 **Sec. 4.** RCW 25.15.045 and 1996 c 231 s 7 and 1996 c 22 s 2 are  
7 each reenacted and amended to read as follows:

8 (1) A person or group of persons licensed or otherwise legally  
9 authorized to render professional services within this state may  
10 organize and become a member or members of a professional limited  
11 liability company under the provisions of this chapter for the purposes  
12 of rendering professional service. A "professional limited liability  
13 company" is subject to all the provisions of chapter 18.100 RCW that  
14 apply to a professional corporation, and its managers, members, agents,  
15 and employees shall be subject to all the provisions of chapter 18.100  
16 RCW that apply to the directors, officers, shareholders, agents, or  
17 employees of a professional corporation, except as provided otherwise  
18 in this section. Nothing in this section prohibits a person duly  
19 licensed or otherwise legally authorized to render professional  
20 services in any jurisdiction other than this state from becoming a  
21 member of a professional limited liability company organized for the  
22 purpose of rendering the same professional services. Nothing in this  
23 section prohibits a professional limited liability company from  
24 rendering professional services outside this state through individuals  
25 who are not duly licensed or otherwise legally authorized to render  
26 such professional services within this state. Notwithstanding RCW  
27 18.100.065, persons engaged in a profession and otherwise meeting the  
28 requirements of this chapter may operate under this chapter as a  
29 professional limited liability company so long as each member  
30 personally engaged in the practice of the profession in this state is  
31 duly licensed or otherwise legally authorized to practice the  
32 profession in this state and:

33 (a) At least one manager of the company is duly licensed or  
34 otherwise legally authorized to practice the profession in this state;  
35 or

36 (b) Each member in charge of an office of the company in this state  
37 is duly licensed or otherwise legally authorized to practice the  
38 profession in this state.

1 (2) If the company's members are required to be licensed to  
2 practice such profession, and the company fails to maintain for itself  
3 and for its members practicing in this state a policy of professional  
4 liability insurance, bond, or other evidence of financial  
5 responsibility of a kind designated by rule by the state insurance  
6 commissioner and in the amount of at least one million dollars or a  
7 greater amount as the state insurance commissioner may establish by  
8 rule for a licensed profession or for any specialty within a  
9 profession, taking into account the nature and size of the business,  
10 then the company's members are personally liable to the extent that,  
11 had the insurance, bond, or other evidence of responsibility been  
12 maintained, it would have covered the liability in question.

13 (3) For purposes of applying the provisions of chapter 18.100 RCW  
14 to a professional limited liability company, the terms "director" or  
15 "officer" means manager, "shareholder" means member, "corporation"  
16 means professional limited liability company, "articles of  
17 incorporation" means certificate of formation, "shares" or "capital  
18 stock" means a limited liability company interest, "incorporator" means  
19 the person who executes the certificate of formation, and "bylaws"  
20 means the limited liability company agreement.

21 (4) The name of a professional limited liability company must  
22 contain either the words "Professional Limited Liability Company," or  
23 the words "Professional Limited Liability" and the abbreviation "Co.,"  
24 or the abbreviation "P.L.L.C." or "PLLC" provided that the name of a  
25 professional limited liability company organized to render dental  
26 services shall contain the full names or surnames of all members and no  
27 other word than "chartered" or the words "professional services" or the  
28 abbreviation "P.L.L.C." or "PLLC."

29 (5) Subject to the provisions in article VII of this chapter, the  
30 following may be a member of a professional limited liability company  
31 and may be the transferee of the interest of an ineligible person or  
32 deceased member of the professional limited liability company:

33 (a) A professional corporation, if its shareholders, directors, and  
34 its officers other than the secretary and the treasurer, are licensed  
35 or otherwise legally authorized to render the same specific  
36 professional services as the professional limited liability company;  
37 and

38 (b) Another professional limited liability company, if the managers  
39 and members of both professional limited liability companies are

1 licensed or otherwise legally authorized to render the same specific  
2 professional services.

3 (6)(a) Notwithstanding any other provision of this chapter, health  
4 care professionals who are licensed or certified pursuant to chapters  
5 18.06, 18.19, 18.22, 18.25, 18.29, 18.34, 18.35, 18.36A, 18.50, 18.53,  
6 18.55, 18.57, 18.57A, 18.64, 18.71, 18.71A, 18.79, 18.83, 18.89,  
7 18.108, and 18.138 RCW may own membership interests in and render their  
8 individual professional services through one limited liability company  
9 and are to be considered, for the purpose of forming a limited  
10 liability company, as rendering the "same specific professional  
11 services" or "same professional services" or similar terms.

12 ~~(b) ((Notwithstanding any other provision of this chapter, health  
13 care professionals who are licensed pursuant to chapters 18.57 and  
14 18.71 RCW may own membership interests in and render their individual  
15 professional services through one limited liability company and are to  
16 be considered, for the purpose of forming a limited liability company,  
17 as rendering the "same specific professional services" or "same  
18 professional services" or similar terms.~~

19 ~~(c))~~ Formation of a limited liability company under this  
20 subsection does not restrict the application of the uniform  
21 disciplinary act under chapter 18.130 RCW, or any applicable health  
22 care professional statutes under Title 18 RCW, including but not  
23 limited to restrictions on persons practicing a health profession  
24 without being appropriately credentialed and persons practicing beyond  
25 the scope of their credential.

26 **Sec. 5.** RCW 25.04.720 and 1996 c 231 s 4 are each amended to read  
27 as follows:

28 (1) A person or group of persons licensed or otherwise legally  
29 authorized to render professional services, as defined in RCW  
30 18.100.030, within this state may organize and become a member or  
31 members of a limited liability partnership under the provisions of this  
32 chapter for the purposes of rendering professional service. Nothing in  
33 this section prohibits a person duly licensed or otherwise legally  
34 authorized to render professional services in any jurisdiction other  
35 than this state from becoming a member of a limited liability  
36 partnership organized for the purpose of rendering the same  
37 professional services. Nothing in this section prohibits a limited  
38 liability partnership from rendering professional services outside this

1 state through individuals who are not duly licensed or otherwise  
2 legally authorized to render such professional services within this  
3 state.

4 (2)(a) Notwithstanding any other provision of this chapter, health  
5 care professionals who are licensed or certified pursuant to chapters  
6 18.06, 18.19, 18.22, 18.25, 18.29, 18.34, 18.35, 18.36A, 18.50, 18.53,  
7 18.55, 18.57, 18.57A, 18.64, 18.71, 18.71A, 18.79, 18.83, 18.89,  
8 18.108, and 18.138 RCW may join and render their individual  
9 professional services through one limited liability partnership and are  
10 to be considered, for the purpose of forming a limited liability  
11 partnership, as rendering the "same specific professional services" or  
12 "same professional services" or similar terms.

13 ~~(b) ((Notwithstanding any other provision of this chapter, health  
14 care professionals who are licensed pursuant to chapters 18.57 and  
15 18.71 RCW may join and render their individual professional services  
16 through one limited liability partnership and are to be considered, for  
17 the purpose of forming a limited liability partnership, as rendering  
18 the "same specific professional services" or "same professional  
19 services" or similar terms.~~

20 (e)) Formation of a limited liability partnership under this  
21 subsection does not restrict the application of the uniform  
22 disciplinary act under chapter 18.130 RCW, or any applicable health  
23 care professional statutes under Title 18 RCW, including but not  
24 limited to restrictions on persons practicing a health profession  
25 without being appropriately credentialed and persons practicing beyond  
26 the scope of their credential.

27 NEW SECTION. **Sec. 6.** This act does not apply retroactively.

28 NEW SECTION. **Sec. 7.** This act is necessary for the immediate  
29 preservation of the public peace, health, or safety, or support of the  
30 state government and its existing public institutions, and takes effect  
31 immediately.

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