
SUBSTITUTE HOUSE BILL 1620

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 (e)) 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.

--- END ---