

1620-S

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

Brief Title: Abrogating the corporate practice of medicine doctrine.

HB 1620-S - DIGEST

(DIGEST AS ENACTED)

Includes physicians and osteopathic physicians among those regulated health professions which may associate together in forming single professional health service corporations or similar professional limited liability companies or partnerships.

VETO MESSAGE ON HB 1620-S

May 15, 1997

To the Honorable Speaker and Members,

The House of Representatives of the State of Washington

Ladies and Gentlemen:

I am returning herewith, without my approval as to sections 1, 2, 6 and 7, Substitute House Bill No. 1620 entitled:

"AN ACT Relating to abrogating the corporate practice of medicine doctrine;"

Sections 1 and 2 of Substitute House Bill No. 1620 would have abrogated the corporate practice of medicine doctrine, as most recently articulated in Morelli v. Ehsan, 110 Wn.2d 555, 756 P.2d 129 (1988), on the basis that the doctrine is an impediment to the development of health care reform.

The corporate practice of medicine doctrine states that a corporation cannot engage in the practice of a learned profession through licensed employees unless legislatively authorized. (Morelli at 561) In essence, the doctrine prevents non-doctors from being shareholders in corporations, partners in partnerships, or members of limited liability companies formed to practice medicine.

While I completely agree that the law should not inhibit the development of corporations and other entities to enhance business opportunities in the medical field, abrogation of the doctrine could have unintended consequences. Abrogation would make it far easier for unscrupulous individuals to engage in insurance fraud, a growing problem in this state and nationally.

I urge insurance companies and other interested parties work with the legislature to develop legislation that would adequately address the problems the corporate practice of medicine doctrine is designed to prevent, yet also make Washington law more accommodating to modern forms of medical business entities.

Sections 6 and 7 would make the bill effective retroactively, to January 1, 1997. Retroactive application of this bill is unnecessary.

For these reasons, I have vetoed sections 1, 2, 6 and 7 of

Substitute House Bill No. 1620.

With the exception of sections 1, 2, 6 and 7, Substitute House Bill No. 1620 is approved.

Respectfully submitted,
Gary Locke
Governor