

# HOUSE BILL REPORT

## SSB 6150

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### As Reported By House Committee On:

Health Care

**Title:** An act relating to health care professionals doing business as professional service corporations or limited liability companies.

**Brief Description:** Modifying allowed composition of health care professional service corporations and limited liability companies.

**Sponsors:** Senate Committee on Health & Long-Term Care (originally sponsored by Senators Thibaudeau, Deccio, Kohl, Franklin and Wood).

### **Brief History:**

#### **Committee Activity:**

Health Care: 2/20/96, 2/22/96 [DP].

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### HOUSE COMMITTEE ON HEALTH CARE

**Majority Report:** Do pass. Signed by 12 members: Representatives Dyer, Chairman; Backlund, Vice Chairman; Hymes, Vice Chairman; Cody, Ranking Minority Member; Murray, Assistant Ranking Minority Member; Casada; Conway; Crouse; Morris; Sherstad; Skinner and H. Sommers.

**Staff:** Bill Hagens (786-7131).

**Background:** In the early decades of this century, as physicians moved to consolidate their positions nationally, they strongly opposed what later became known as the "Corporate Practice of Medicine"«a general term used to describe agreements whereby doctors were hired to treat employees or provide services marketed to the public. Many state courts and legislatures, despite the strong industrial demand for "company doctors," sided with physicians by outlawing or greatly limiting corporate practice. The basis for concern was the potential for of non-professional control over professional judgment, such as a physician's divided loyalty between the patient and the employer, and the commercial exploitation of the medical practice.

In the 1950s and 60s the expansion of hospitals as health care delivery organizations and the advent of health maintenance organizations reduced restrictions on physician involvement in corporate structures. However, when Washington State adopted its Professional Service Corporation Act in 1969 and Limited Liability Company Act in

1994, groups of individual health care professionals were permitted to form corporations only if all the professionals were members of the same profession. These restrictions have had a chilling effect on the ability of different health care professionals to organize for the purpose of improving efficiency that is demanded by the current health care market.

Regarding a related concern, doctors of medicine (MDs) and osteopathy (DOS

**Sec.** RCW are each amended to read as follows:) have been allowed to incorporate in the past because they were considered to be providing the same service. However, upon a recent examination of the two practice acts, the Secretary of State's Office (the regulatory agency) has come to question this interpretation since DOs have a broader scope of practice by virtue of the fact that MDs are prohibited from performing spinal adjustments or extremity manipulations. As a result, both physicians' groups believe that some clarification is needed.

**Summary of Bill:** Certain licensed and certified health care professionals are given the ability to form a single professional service corporation or limited liability company, i.e., acupuncturists; counselors; podiatrists; chiropractors; dental hygienists; opticians; hearing aid fitter/dispensers; naturopaths; midwives; optometrists; ophthalmologists; pharmacists; nurses; psychologists; respiratory care practitioners; and dietitians and nutritionists. MDs, DOs, occupational therapists, physical therapists, and dentists, by general agreement, are not included in these provisions. The statute is clarified to permit DOs and MDs to continue to form a personal service corporation or limited liability company. The applicability of the Uniform Disciplinary Act and other health care professional statutes is affirmed, including restrictions on persons practicing beyond the scope of their credentials.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** The bill will improve the efficiency of health care providers.

**Testimony Against:** None

**Testified:** Gail McGaffick, Washington State Psychological Association; and Warren Lawless and Jeff Larsen, Washington State Osteopathic Medical Association.