

STATE OF NEW YORK

9012

2025-2026 Regular Sessions

IN ASSEMBLY

August 13, 2025

Introduced by M. of A. KELLES -- read once and referred to the Committee on Corporations, Authorities and Commissions

AN ACT to amend the not-for-profit corporation law, the business corporation law and the public health law, in relation to prohibiting non-physician management services organizations or their representatives to hold majority shares in or serve as directors of professional corporations organized to practice medicine

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. The not-for-profit corporation law is amended by adding two
2 new sections 1406-a and 1406-b to read as follows:

3 § 1406-a. Professional corporations; medicine.

4 (a) As used in this section, the following terms shall have the
5 following meanings:

6 (1) "Professional corporation" means a professional corporation organ-
7 ized for the purpose of practicing medicine.

8 (2) "Practice of medicine", "practicing medicine" or any variation of
9 such term shall have the same meaning as the term "practice of medicine"
10 is defined by section sixty-five hundred twenty-two of the education
11 law.

12 (b) (1) In a professional corporation: (i) physicians who are licensed
13 in this state to practice medicine shall hold the majority of each class
14 of shares which are entitled to vote;

15 (ii) physicians who are licensed in this state to practice medicine
16 shall be a majority of the directors; and

17 (iii) all officers, except the secretary and treasurer, if any, shall
18 be physicians who are licensed in this state to practice medicine. The
19 same person may hold any two or more offices.

20 (2) Except as otherwise provided by law, the department of health may
21 require that physicians who are licensed in this state to practice medi-

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

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1 icine hold more than a majority of each class of shares that is entitled
2 to vote.

3 (3) Except as otherwise provided by law, the department of health may
4 require that physicians who are licensed in this state to practice medi-
5 cine be more than a majority of the directors.

6 (c) A corporation which is not organized for the purpose of practicing
7 medicine may be a shareholder of a professional corporation solely for
8 the purpose of effecting a reorganization as defined by 26 USC 368.

9 (d)(1) Except as provided in subparagraph (2) of this paragraph, a
10 professional corporation shall not provide in such professional corpo-
11 ration's articles of incorporation or bylaws, or by means of a contract
12 or other agreement or arrangement, for removing a director, appointed in
13 accordance with subparagraph (1) of paragraph (b) of this section, from
14 such professional corporation's board of directors, or an officer,
15 appointed in accordance with subparagraph (1) of paragraph (b) of this
16 section, from such person's position in such professional corporation,
17 except by a majority vote of the shareholders or, as appropriate, a
18 majority vote of the directors.

19 (2) A professional corporation may remove a director or officer by
20 means other than a majority vote of the shareholders or a majority vote
21 of the directors if such director or officer that is subject to removal:

22 (i) violated a duty of care, a duty of loyalty, or another fiduciary
23 duty to such professional corporation;

24 (ii) was the subject of a disciplinary proceeding by the department of
25 health, the department of education, or the state board for medicine, in
26 this state, or such equivalent entity in another state, in which such
27 director or officer's license to practice medicine in this or another
28 state was suspended or revoked;

29 (iii) engaged in fraud, misfeasance, or malfeasance with respect to
30 the director or officer's performance of duties for or on behalf of such
31 professional corporation;

32 (iv) resigned, separated, or was terminated from employment with such
33 professional corporation; or

34 (v) failed to meet standards or criteria such professional corporation
35 established for a position as a director or officer.

36 (e) A professional corporation may relinquish or transfer control over
37 such professional corporation's administrative, business, or clinical
38 operations only if such professional corporation executes a shareholder
39 agreement exclusively between or among and for the benefit of a majority
40 of shareholders who are physicians licensed in this state to practice
41 medicine and such shareholder agreement complies with the provisions of
42 article six of the business corporation law.

43 (f)(1) The provisions of this section shall not apply to:

44 (i) a nonprofit corporation that is organized under the laws of this
45 state to provide medical services to migrant, rural, homeless or other
46 medically underserved populations under 42 USC 254b or 254c, as in
47 effect on the effective date of this section;

48 (ii) a federally-qualified health center, as defined by 42 USC
49 1396d(I), as in effect on the effective date of this section, that oper-
50 ates in compliance with other applicable state or federal law; or

51 (iii) except as provided in subparagraph (2) of this paragraph, a
52 for-profit or nonprofit business entity that is incorporated or organ-
53 ized under the laws of this state, that provides the entirety of the
54 business entity's medical services through one or more rural health
55 clinics, as defined in 42 USC 1395x, as in effect on the effective date

1 of this section, and that operates in compliance with state and federal
2 laws that apply to rural health clinics.

3 (2) A business entity is exempt under this paragraph for a period of
4 up to one year after the business entity establishes a rural health
5 clinic, even though the rural health clinic that the business entity
6 establishes does not meet all of the elements of the definition set
7 forth in 42 USC 1395x, as in effect on the effective date of this
8 section, if during such one-year period an applicable certification for
9 such rural health clinic is pending.

10 (g) A professional corporation or medical services corporation shall
11 not take any retaliatory action, as defined by section seven hundred
12 forty of the labor law, against a medical licensee as retaliation for,
13 or as a consequence of, such medical licensee's violation of a nondis-
14 closure agreement or non-disparagement agreement or because such medical
15 licensee, in good faith, disclosed or reported information that such
16 medical licensee believes is evidence of a violation of a federal or
17 state law, rule or regulation to:

18 (1) the management services organization;

19 (2) a hospital, as defined in section twenty-eight hundred one of the
20 public health law; or

21 (3) a state or federal authority.

22 § 1406-b. Professional corporations; health care services.

23 (a) As used in this section, the following terms shall have the
24 following meanings:

25 (1) "Licensee" means an individual who has a license as a physician or
26 a license as a physician associate from the state board for medicine or
27 the department of education or who has a license as a nurse practitioner
28 from the state board for nursing or the department of education.

29 (2) "Professional corporation" means a professional corporation that
30 is organized for the purpose of enabling physicians, physician associ-
31 ates and nurse practitioners to jointly render professional health care
32 services.

33 (b) In a professional corporation, licensees shall:

34 (1) hold a majority of each class of shares of such professional
35 corporation that is entitled to vote; and

36 (2) be a majority of the directors of such professional corporation.

37 (c) An individual whom a professional corporation employs, or an indi-
38 vidual who owns an interest in such professional corporation, shall not
39 direct or control the professional judgment of a licensee who is prac-
40 ticing within such professional corporation and within the scope of
41 practice permitted under such licensee's license.

42 (d) A licensee whom a professional corporation employs, or a licensee
43 who owns an interest in such professional corporation, shall not direct
44 or control the services of another licensee who is practicing within
45 such professional corporation unless such other licensee is also prac-
46 ticing within the scope of practice permitted under such licensee's
47 license.

48 (e)(1) Except as provided in subparagraph (2) of this paragraph, a
49 professional corporation shall not provide in such professional corpo-
50 ration's articles of incorporation or bylaws, or by means of a contract
51 or other agreement or arrangement, for removing a director from such
52 professional corporation's board of directors, except by a majority vote
53 of the shareholders or, as appropriate, a majority vote of the direc-
54 tors.

1 (2) A professional corporation may remove a director by means other
2 than a majority vote of the shareholders or a majority vote of the
3 directors if the director that is subject to removal:

4 (i) violated a duty of care, a duty of loyalty, or another fiduciary
5 duty to such professional corporation;

6 (ii) was the subject of a disciplinary proceeding by the department of
7 health, the department of education, or the state board for medicine, in
8 this state, or such equivalent entity in another state, in which such
9 director or officer's license to practice medicine in this or another
10 state was suspended or revoked;

11 (iii) engaged in fraud, misfeasance, or malfeasance with respect to
12 such director's performance of duties for or on behalf of such profes-
13 sional corporation;

14 (iv) resigned, separated, or was terminated from employment with such
15 professional corporation; or

16 (v) failed to meet standards or criteria such professional corporation
17 established for a position as a director.

18 (f) A professional corporation may relinquish or transfer control over
19 such professional corporation's administrative, business, or clinical
20 operations only if such professional corporation executes a shareholder
21 agreement exclusively between or among and for the benefit of a majority
22 of shareholders and such shareholder agreement complies with the
23 provisions of article six of the business corporation law.

24 (g) A professional corporation which is subject to section fourteen
25 hundred six-a of this article may elect to become subject to this
26 section by amending such professional corporation's articles of incorpo-
27 ration or bylaws.

28 (h) A professional corporation or medical services corporation shall
29 not take any retaliatory action, as defined by section seven hundred
30 forty of the labor law, against a medical licensee as retaliation for,
31 or as a consequence of, such medical licensee's violation of a non-dis-
32 closure agreement or non-disparagement agreement or because such medical
33 licensee, in good faith, disclosed or reported information that such
34 medical licensee believes is evidence of a violation of a federal or
35 state law, rule or regulation to:

36 (1) the management services organization;

37 (2) a hospital, as defined in section twenty-eight hundred one of the
38 public health law; or

39 (3) a state or federal authority.

40 § 2. The business corporation law is amended by adding two new
41 sections 1517 and 1518 to read as follows:

42 § 1517. Professional corporations; medicine.

43 (a) As used in this section, the following terms shall have the
44 following meanings:

45 (1) "Professional corporation" means a professional corporation organ-
46 ized for the purpose of practicing medicine.

47 (2) "Practice of medicine", "practicing medicine" or any variation of
48 such term shall have the same meaning as the term "practice of medicine"
49 is defined by section sixty-five hundred twenty-two of the education
50 law.

51 (b) (1) In a professional corporation:

52 (i) physicians who are licensed in this state to practice medicine
53 shall hold the majority of each class of shares that are entitled to
54 vote;

55 (ii) physicians who are licensed in this state to practice medicine
56 shall be a majority of the directors; and

1 (iii) all officers, except the secretary and treasurer, if any, shall
2 be physicians who are licensed in this state to practice medicine. The
3 same person may hold any two or more offices.

4 (2) Except as otherwise provided by law, the department of health may
5 expressly require that physicians who are licensed in this state to
6 practice medicine hold more than a majority of each class of shares that
7 is entitled to vote.

8 (3) Except as otherwise provided by law, the department of health may
9 expressly require that physicians who are licensed in this state to
10 practice medicine be more than a majority of the directors.

11 (c) A corporation which is not organized for the purpose of practicing
12 medicine may be a shareholder of a professional corporation solely for
13 the purpose of effecting a reorganization as defined by 26 USC 368.

14 (d)(1) Except as provided in subparagraph (2) of this paragraph, a
15 professional corporation shall not provide in such professional corpo-
16 ration's articles of incorporation or bylaws, or by means of a contract
17 or other agreement or arrangement, for removing a director, appointed in
18 accordance with subparagraph (1) of paragraph (b) of this section, from
19 such professional corporation's board of directors, or an officer,
20 appointed in accordance with subparagraph (1) of paragraph (b) of this
21 section, from an office of such professional corporation, except by a
22 majority vote of the shareholders or, as appropriate, a majority vote of
23 the directors.

24 (2) A professional corporation may remove a director or officer by
25 means other than a majority vote of the shareholders or a majority vote
26 of the directors if such director or officer which is subject to
27 removal:

28 (i) violated a duty of care, a duty of loyalty, or another fiduciary
29 duty to such professional corporation;

30 (ii) was the subject of a disciplinary proceeding by the department of
31 health, the department of education, or the state board for medicine, in
32 this state, or such equivalent entity in another state, in which such
33 director or officer's license to practice medicine in this or another
34 state was suspended or revoked;

35 (iii) engaged in fraud, misfeasance, or malfeasance with respect to
36 such director or officer's performance of duties for or on behalf of
37 such professional corporation;

38 (iv) resigned, separated, or was terminated from employment with such
39 professional corporation; or

40 (v) failed to meet standards or criteria such professional corporation
41 established for a position as a director or officer.

42 (e) A professional corporation may relinquish or transfer control over
43 such professional corporation's administrative, business, or clinical
44 operations only if such professional corporation executes a shareholder
45 agreement exclusively between or among and for the benefit of a majority
46 of shareholders who are physicians licensed in this state to practice
47 medicine and the shareholder agreement complies with the provisions of
48 article six of this chapter.

49 (f)(1) The provisions of this section shall not apply to:

50 (i) a nonprofit corporation which is organized under the laws of this
51 state to provide medical services to migrant, rural, homeless, or other
52 medically underserved populations under 42 USC 254b or 254c, as in
53 effect on the effective date of this section;

54 (ii) a federally-qualified health center, as defined by 42 USC
55 1396d(I), as in effect on the effective date of this section, which
56 operates in compliance with other applicable state or federal law; or

(iii) except as provided in subparagraph (2) of this paragraph, a for-profit or nonprofit business entity which is incorporated or organized under the laws of this state, which provides the entirety of such business entity's medical services through one or more rural health clinics, as defined in 42 USC 1395x, as in effect on the effective date of this section, and which operates in compliance with state and federal laws that apply to rural health clinics.

(2) A business entity is exempt under this subsection for a period of up to one year after such business entity establishes a rural health clinic, even though such rural health clinic which such business entity establishes does not meet all of the elements of the definition set forth in 42 USC 1395x, as in effect on the effective date of this section, if during such one-year period an applicable certification for such rural health clinic is pending.

(g) A professional corporation or medical services corporation shall not take any retaliatory action, as defined by section seven hundred forty of the labor law, against a medical licensee as retaliation for, or as a consequence of, such medical licensee's violation of a nondisclosure agreement or non-disparagement agreement or because such medical licensee, in good faith, disclosed or reported information that such medical licensee believes is evidence of a violation of a federal or state law, rule or regulation to:

(1) the management services organization;

(2) a hospital, as defined in section twenty-eight hundred one of the public health law; or

(3) a state or federal authority.

§ 1518. Professional corporations; health care services.

(a) As used in this section, the following terms shall have the following meanings:

(1) "Licensee" means an individual who has a license as a physician or a license as a physician associate from the state board for medicine or the department of education or who has a license as a nurse practitioner from the state board for nursing or the department of education.

(2) "Professional corporation" means a professional corporation that is organized for the purpose of enabling physicians, physician associates and nurse practitioners to jointly render professional health care services.

(b) In a professional corporation, licensees shall:

(1) hold a majority of each class of shares of such professional corporation which is entitled to vote; and

(2) be a majority of the directors of such professional corporation.

(c) An individual whom a professional corporation employs, or an individual who owns an interest in such professional corporation, shall not direct or control the professional judgment of a licensee who is practicing within such professional corporation and within the scope of practice permitted under such licensee's license.

(d) A licensee whom a professional corporation employs, or a licensee who owns an interest in such professional corporation, shall not direct or control the services of another licensee who is practicing within such professional corporation unless the other licensee is also practicing within the scope of practice permitted under such licensee's license.

(e)(1) Except as provided in subparagraph (2) of this paragraph, a professional corporation shall not provide in such professional corporation's articles of incorporation or bylaws, or by means of a contract or other agreement or arrangement, for removing a director from such

1 professional corporation's board of directors, except by a majority vote
2 of the shareholders or, as appropriate, a majority vote of the direc-
3 tors.

4 (2) A professional corporation may remove a director by means other
5 than a majority vote of the shareholders or a majority vote of the
6 directors if such director that is subject to removal:

7 (i) violated a duty of care, a duty of loyalty, or another fiduciary
8 duty to such professional corporation;

9 (ii) was the subject of a disciplinary proceeding by the department of
10 health, the department of education, or the state board for medicine, in
11 this state, or such equivalent entity in another state, in which such
12 director or officer's license to practice medicine in this or another
13 state was suspended or revoked;

14 (iii) engaged in fraud, misfeasance, or malfeasance with respect to
15 such director's performance of duties for or on behalf of such profes-
16 sional corporation;

17 (iv) resigned, separated, or was terminated from employment with such
18 professional corporation; or

19 (v) failed to meet standards or criteria such professional corporation
20 established for a position as a director.

21 (f) A professional corporation may relinquish or transfer control over
22 such professional corporation's administrative, business, or clinical
23 operations only if such professional corporation executes a shareholder
24 agreement exclusively between or among and for the benefit of a majority
25 of shareholders and such shareholder agreement complies with the
26 provisions of article six of this chapter.

27 (g) A professional corporation which is subject to section fifteen
28 hundred seventeen of this article may elect to become subject to this
29 section by amending such professional corporation's articles of incorpo-
30 ration or bylaws.

31 (h) A professional corporation or medical services corporation shall
32 not take any retaliatory action, as defined by section seven hundred
33 forty of the labor law, against a medical licensee as retaliation for,
34 or as a consequence of, such medical licensee's violation of a nondis-
35 closure agreement or non-disparagement agreement or because such medical
36 licensee, in good faith, disclosed or reported information that such
37 medical licensee believes is evidence of a violation of a federal or
38 state law, rule or regulation to:

39 (1) the management services organization;

40 (2) a hospital, as defined in section twenty-eight hundred one of the
41 public health law; or

42 (3) a state or federal authority.

43 § 3. Section 1508 of the business corporation law is amended by adding
44 a new paragraph (d) to read as follows:

45 (d) The directors and officers of any professional corporation estab-
46 lished for the purpose of practicing medicine may include individuals
47 who are not licensed to practice medicine in any state, provided however
48 that at least a simple majority of each class of shares which are enti-
49 tled to voting rights of such corporation, as well as the president, the
50 chairperson of the board of directors, and the chief executive officer
51 or officers, except the secretary or treasurer, if any, are authorized
52 by law to practice medicine in this state, and are either shareholders
53 of such corporation or engaged in the practice of medicine in such
54 corporation.

55 § 4. Section 2801 of the public health law is amended by adding a new
56 subdivision 15 to read as follows:

1 15. "Professional corporation" means a professional corporation or
2 partnership organized for the purpose of practicing medicine.

3 § 5. Subdivision 4 of section 2801-a of the public health law is
4 amended by adding a new paragraph (e-1) to read as follows:

5 (e-1) (i) No hospital shall be approved for establishment which would
6 be operated by a professional corporation unless:

7 (A) physicians who are licensed in this state to practice medicine
8 hold the majority of each class of shares which are entitled to vote;

9 (B) physicians who are licensed in this state to practice medicine
10 constitute a majority of the directors; and

11 (C) all officers, except the secretary and treasurer, if any, are
12 physicians who are licensed in this state to practice medicine. The same
13 person may hold any two or more offices.

14 (ii) Except as otherwise provided by law, the department may expressly
15 require that physicians who are licensed in this state to practice medi-
16 cine hold more than a majority of each class of shares that is entitled
17 to vote.

18 (iii) Except as otherwise provided by law, the department may express-
19 ly require that physicians who are licensed in this state to practice
20 medicine be more than a majority of the directors.

21 § 6. This act shall take effect immediately.