STATE OF NEW YORK

8442

2025-2026 Regular Sessions

IN SENATE

June 18, 2025

Introduced by Sen. MAY -- read twice and ordered printed, and when printed to be committed to the Committee on Rules

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:

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

§ 1406-a. Professional corporations; medicine.

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

(1) "Professional corporation" means a professional corporation organized for the purpose of practicing medicine.

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

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

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

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

(2) Except as otherwise provided by law, the department of health may 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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cine hold more than a majority of each class of shares that is entitled to vote.

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

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

(d)(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, appointed in accordance with subparagraph (1) of paragraph (b) of this section, from such professional corporation's board of directors, or an officer, appointed in accordance with subparagraph (1) of paragraph (b) of this section, from such person's position in such professional corporation, except by a majority vote of the shareholders or, as appropriate, a majority vote of the directors.

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

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

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

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

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

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

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

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

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

(ii) a federally-qualified health center, as defined by 42 USC 1396d(I), as in effect on the effective date of this section, that 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 that is incorporated or organized under the laws of this state, that provides the entirety of the 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 that operates in compliance with state and federal laws that apply to rural health clinics.

(2) A business entity is exempt under this paragraph for a period of up to one year after the business entity establishes a rural health clinic, even though the rural health clinic that the 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.

§ 1406-b. 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 that 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 such 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 professional corporation's board of directors, except by a majority vote of the shareholders or, as appropriate, a majority vote of the directors.

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

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

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

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

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

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

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

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

(h) 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 non-disclosure 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.

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

§ 1517. Professional corporations; medicine.

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

(1) "Professional corporation" means a professional corporation organized for the purpose of practicing medicine.

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

(b) (1) In a professional corporation:

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

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

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

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

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

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

(d)(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, appointed in accordance with subparagraph (1) of paragraph (b) of this section, from such professional corporation's board of directors, or an officer, appointed in accordance with subparagraph (1) of paragraph (b) of this section, from an office of such professional corporation, except by a majority vote of the shareholders or, as appropriate, a majority vote of the directors.

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

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

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

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

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

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

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

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

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

(ii) a federally-qualified health center, as defined by 42 USC 1396d(I), as in effect on the effective date of this section, which 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

professional corporation's board of directors, except by a majority vote of the shareholders or, as appropriate, a majority vote of the directors.

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

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

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

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

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

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

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

(g) A professional corporation which is subject to section fifteen hundred seventeen of this article may elect to become subject to this section by amending such professional corporation's articles of incorporation or bylaws.

(h) 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.

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

(d) The directors and officers of any professional corporation established for the purpose of practicing medicine may include individuals who are not licensed to practice medicine in any state, provided however that at least a simple majority of each class of shares which are entitled to voting rights of such corporation, as well as the president, the chairperson of the board of directors, and the chief executive officer or officers, except the secretary or treasurer, if any, are authorized by law to practice medicine in this state, and are either shareholders of such corporation or engaged in the practice of medicine in such corporation.

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

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

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

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

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

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

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

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

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

§ 6. This act shall take effect immediately.