

State by State Analysis of Corporate Practice of Medicine and Physician Employment

Addendum C

State	Brief Statement of Law	Summary of Legal Guidance
Alabama	Corporate practice of medicine not addressed in state statute or regulation.	The state does not prohibit a physician from working for a corporation as long as the corporation does not exercise control over the physician's independent medical judgment. 2001 Ala. Op. Att'y Gen. 089.
Alaska	Corporate practice of medicine not addressed in state statute or regulation.	No additional guidance is available.
Arizona	Corporate practice of medicine not addressed in state statute or regulation.	No additional guidance is available.
Arkansas	A limited liability company may be organized for any lawful purpose, including the performance of professional services. However, a limited liability company that will engage in the practice of medicine must register with the Arkansas State Medical Board and comply with the Medical Corporation Act. Ark. Code Ann. §4-29-304, 306.	A non-physician owned corporation may not employ physicians for profit. Three entities may practice medicine: (1) medical corporations if all shareholders and directors are licensed physicians; (2) hospital or medical service corporations; and (3) HMOs. 1994 Op. Ark. Att'y Gen. No. 94-204.

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<p>California</p>	<p>Corporations and other artificial legal entities shall have no professional rights, privileges or powers. California Business and Professions Code § 2400.</p> <p>The following entities may charge for professional services rendered by employed licensees: (1) a nonprofit medical research corporation; (2) private nonprofit university medical school; (3) a narcotic treatment program; and (4) a hospital owned and operated by a health care district. §2401.</p>	<p>Supreme Court of California reaffirmed the state's long-standing prohibition against corporate practice. <i>People v. Cole</i>. 135 P.3d 669, 671 (Cal. 2006).</p>
<p>Colorado</p>	<p>Corporations shall not practice medicine. Colo. Rev. Stat. §12-36-134(1)(g)(7) It is unprofessional conduct to practice medicine with any corporation other than a professional service corporation. §25-3-103.7. A hospital, hospice, community mental health center, federally qualified health center, school-based health center or rural health clinic may employ physicians provided the facility does not limit or otherwise exercise control over the physician's independent professional judgment concerning the practice of medicine or require physicians to refer exclusively to the facility. §25-3-103.7.</p>	<p>No additional guidance is available.</p>
<p>Connecticut</p>	<p>Corporate practice of medicine not addressed in state statute or regulation.</p>	<p>No additional guidance is available.</p>

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Delaware	Corporate practice of medicine not addressed in state statute or regulation.	No additional guidance is available.
District of Columbia	Corporate practice of medicine not addressed in state statute or regulation.	No additional guidance is available.
Florida	Corporate practice of medicine not addressed in state statute or regulation.	No additional guidance is available.
Georgia	A physician may be disciplined or refused a license if he knowingly aids an unlicensed person or entity in practicing medicine. Ga. Code §43-34-37(a)(9).	Ga. Code §43-34-37 still does not allow a corporation to employ a professional to perform his or her profession on behalf of the corporation. <i>Clower v. Orthalliance, Inc.</i> , 337 F. Supp. 2d 1322, 1330 (N.D. Ga. 2004), Ga. Code Ann. § 33-18-17, and Ga. Code Ann. §33-18-20.
Hawaii	Corporate practice of medicine not addressed in state statute or regulation.	No additional guidance is available.
Idaho	A physician is prohibited from aiding and abetting any person to practice medicine who is not authorized. Idaho Code §54-1814.	A hospital may not practice medicine, even though it may own or provide facilities for such activities. There must be a direct relationship between the patient and medical professional. Idaho Op. Att’y Gen. (May 26, 1954); <i>Worlton v. Davis</i> , 249 P.2d 810 (Idaho 1952).

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Illinois	<p>Licensed hospitals and hospital affiliates may employ licensed physicians if they meet certain requirements. 210 I. Comp. Stat. 85/10.8.</p>	<p>Licensed hospitals may employ physicians and practice medicine. <i>Berlin v. Sara Bush Lincoln Health Ctr.</i>, 688 N.E.2d 106, 113 (Ill. 1997).</p> <p>The hospital exception to the prohibition on corporate practice is very narrow. The court refused to extend it to a nonprofit health care institute (not a hospital) that employed a physician. <i>Carter-Shields, M.D. v. Alton Health Inst.</i>, 777 N.E.2d 948, 958 (Ill. 2002).</p>
Indiana	<p>An employee or other contractual relationship between the following entities and a licensed physician does not constitute the unlawful practice of medicine: (1) a hospital; (2) a physician; (3) a psychiatric hospital; (4) a health maintenance organization; (5) a health facility; (6) a dentist; (7) a registered or licensed practical nurse; (8) a midwife; (9) an optometrist; (10) a podiatrist; (11) a chiropractor; (12) a physical therapist; (13) a psychologist. Ind. Code §25-22.4-1.2(c), §25-22.5-1.1(a)(1).</p>	<p>No additional guidance is available.</p>
Iowa	<p>Corporate practice of medicine not addressed in state statute or regulation.</p>	<p>After reviewing Iowa case law, Attorney General determined that the question of whether the employment of a physician violates the corporate practice of medicine doctrine turns on degree of dominion or control exercised over the physician and is decided on an individual case basis. Iowa Op. Att’y Gen. 91-7-1 (July 12, 1991).</p>

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<p>Kansas</p>	<p>Corporate practice of medicine not addressed in state statute or regulation.</p>	<p>Licensed physicians may be employed by licensed hospitals because such contracts do not violate the public health, safety or welfare. Hospitals are licensed health care facilities and as such are subject to regulations and oversight. <i>St. Francis Reg'l Med. Ctr. v. Weiss</i>, 869 P.2d 606, 618 (Kan. 1994).</p> <p>General corporations may not employ physicians. <i>Early Detection Ctr. v. Wilson</i>, 811 P.2d 860, 877 (Kan. 1991).</p>
<p>Kentucky</p>	<p>Corporate practice of medicine not addressed in state statute or regulation.</p>	<p>Corporations cannot lawfully engage in the practice of medicine. <i>Kendall v. Beiling</i>, 175 S.W.2d 489 (Ky. 1943); <i>Johnson v. Stumbo</i>, 126 S.W.2d 165 (Ky. 1938).</p> <p>Even though court decisions adopting the corporate practice of medicine doctrine have not been overturned, the Kentucky Board of Medical Licensure indicates that it is acceptable for the physicians to be full-time employees of hospitals. Kentucky Board of Medical Licensure, February 1995.</p>
<p>Louisiana</p>	<p>Corporate practice of medicine not addressed in state statute or regulation.</p>	<p>Corporate employment of a physician is not by itself a violation of the Louisiana Medical Practice Act. A physician employment arrangement is lawful if it does not interfere with the physician-patient relationship. Louisiana State Board of Medical Examiners Statement of Position: "Employment of Physician by Corporation Other Than A Professional</p>

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		Medical Corporation,” Sept. 24, 1991, reviewed March 21, 2001.
Maine	Corporate practice of medicine not addressed in state statute or regulation.	In an opinion of the Maine Board of Licensure in Medicine, the board stated that each medical license holder is individually responsible for his or her own conduct regardless of any employment relationship. Opinion of the Board of Licensure in Medicine (Nov. 2, 1992).
Maryland	A physician may be disciplined if he practices medicine with an unauthorized person or aids an unauthorized person in the practice of medicine. Md. Health Occupations Code §14- 404(18).	The Maryland Board of Physicians states that a corporation may not employ a physician except in the case of: (1) a professional service corporation; (2) a hospital; or (3) a health maintenance organization. See Information on Corporate Issues statement; Md. Code Ann. Health-General §19-351.
Massachusetts	Corporate practice of medicine not addressed in state statute or regulation.	The Massachusetts Supreme Court has adopted the prohibition on the corporate practice of medicine. <i>McMurdo v. Getter</i> , 10 N.E.2d 139, 142 (Mass. 1937).
Michigan	Corporate practice of medicine not addressed in state statute or regulation.	Nonprofit corporations (including hospitals) may employ physicians to provide medical services. MI Op. Att’y Gen. No. 6770 (Sept. 17, 1993).
Minnesota	A physician may be disciplined or refused a license if he aids or abets an unlicensed person in the practice of medicine. MN. Stat. §147.09(1)(i).	A nonprofit corporation is engaged in a lawful purpose if it contracts with physicians to provide medical services to its members, and specifically prohibits any interference between the physician and the patient. MN Op. Att’y Gen. No. 92-B-11 (Oct. 5, 1955).
Mississippi	Corporate practice of medicine not addressed in	As long as there is no interference with the

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	state statute or regulation.	physician-patient relationship, then various forms of business relationships with physicians are permissible. Mississippi State Board of Medical Licensure, "Internal Policy Regarding Corporate Practice of Medicine," revised May 16, 1996, and Sept. 20, 2001.
Missouri	Corporate practice of medicine not addressed in state statute or regulation.	Persons engaged in professions or occupations other than those authorized under professional corporation statute may not form a professional corporation. Mo. Op. Atty. Gen. No. 65-82 (April 23, 1982).
Montana	Corporate practice of medicine not addressed in state statute or regulation.	State law does not include the practice of medicine as one of the purposes for which a corporation may be organized and "it may be assumed that its courts would infer...an intention to prohibit a corporation from practicing medicine." <i>United States v. Kintner</i> , 216 F.2d 418 (9 th Cir. 1954).
Nebraska	Permitting, aiding or abetting the practice of a profession or the performance of activities requiring a credential by a person not credentialed to do so. Neb. Rev. Stat. §38-178(10).	Statute cannot be construed to prevent licensed practitioners of medicine to form a corporation, and to make contracts with their patients in the corporate name. <i>State Electro-Medical Institute v. Platner</i> , 74 Neb. 23, 103 N.W. 1079 (1905). Prohibition on the practice of medicine does not apply to a corporation. The court held that it is impossible for an impersonal entity to diagnose a disease or prescribe a remedy. Members of the corporation may perform these functions, but it is impossible for a corporation to do so.

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		<i>State Electro-Medical Institute v. State of Nebraska</i> , 74 Neb. 40; 103 N.W. 1078 (1905).
Nevada	<p>Members of an organized professional association must all be licensed to render the same professional service for which the association is organized. Nev. Rev. Stat. Ann. §89.230.</p> <p>A physician is subject to disciplinary action or denial of licensure if he directly or indirectly receives from any person, corporation or other business organization any fee, commission, rebate or other form of compensation which is intended or tends to influence the physician's objective evaluation or treatment of a patient. §630.305(a).</p> <p>A physician is subject to disciplinary action for aiding, assisting, employing or advising any unlicensed person to engage in the practice of medicine. §630.305(e).</p> <p>An HMO shall not be deemed to be practicing medicine and is exempt from the provisions of Chapter 630 of NRS. §695C.050 (3).</p>	The corporate practice of medicine is legal only by a physician professional association. It is illegal if done by a general, for-profit corporation. A corporate health maintenance organization is a special, exempt entity under Chapter 695C. Op. Atty. Gen. Nev. 40 (1977); Op. Atty. Gen. Nev. 2002-10 (Feb. 26, 2002)
New Hampshire	Corporate practice of medicine not addressed in state statute or regulation.	No legal interpretation or guidance available.
New Jersey	A physician may be a shareholder or employee of a general business corporation in one of the following settings: (1) a health maintenance organization, hospital, long- or short-term care facility, ambulatory care facility or other type of	No legal interpretation or guidance available.

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	<p>health care facility; (2) a corporation not in the business of offering treatment services, but that maintains a medical clinic for the purpose of providing first aid to customers or employees and/or for monitoring the health environment of employees; (3) a nonprofit corporation providing health care services to members only; (4) a corporation accredited as an educational institution which maintains a medical clinic for health care service to students and faculty; and (5) an insurance carrier offering coverage for medical treatment and the licensee is employed to perform quality assurance services for the insurance carrier.</p> <p>A physician may have an equity or employment interest in a professional practice (including a professional service corporation or limited liability company) which is a limited partner to a general business corporation which, in turn, has a contractual agreement with the professional service entity.</p> <p>N.J. Admin. Code Title. 13 §35-6.16(f).</p>	
New Mexico	<p>A physician is prohibited from allowing another to use his medical license or aiding or abetting the practice of a person not licensed.</p> <p>N.M. Stat. §61-6-15 (10) and (11).</p>	<p>Corporations, organized and controlled by non-physicians, may provide medical services to the general public through employed physicians, unless prohibited by statute or if it exercises lay control of medical judgment or engages in lay exploitation of the medical profession in a manner prohibited by public policy. New Mexico Atty. Gen. Op. No. 87-39 (July 30, 1987).</p>

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<p>New York</p>	<p>A not-for-profit medical expense indemnity corporation or a hospital services corporation organized under the insurance law may employ licensed physicians and enter into contracts with partnerships or medical corporations. N.Y. Educ. Law §6527(1).</p> <p>A physician is prohibited from permitting, aiding or abetting an unlicensed person to perform activities requiring a license. §6509(7).</p>	<p>Corporations may not practice medicine without express legislative authority. <i>People v. John H. Woodbury Dermatological Inst.</i>, 85 N.E. 697 (N.Y. 1908).</p> <p>An abortion referral agency which hired and paid doctors to perform abortions violated public policy forbidding a corporation from practicing medicine by hiring doctors to act for it. <i>State v. Abortion Information Agency, Inc.</i> 69 Misc. 2d 825; 323 N.Y.S.2d 597; 1971 N.Y. Misc. LEXIS 1629 (1971).</p> <p>“The college has a corporate charter empowering it to promote medical science and instruction; its treatment of patients did not constitute the illegal corporate practice of medicine.” <i>Albany Medical College, v. Richard H. McShane</i> 66 N.Y.2d 982; 489 N.E.2d 1278; 499 N.Y.S.2d 376; 1985 N.Y. LEXIS 18343 (1985)</p>
<p>North Carolina</p>	<p>A professional corporation may be formed by and between or among a physician and other health care providers. N.C. Gen. Stat. §55B-14(c)(3)-(9).</p>	<p>Nonprofit and public hospitals may promulgate reasonable rules fixing the standards of those who may practice therein and limiting or fixing reasonable fees for services to be rendered, including medical or surgical, and may arrange with duly licensed physicians and surgeons to provide these services in the hospital. Such services do not constitute the practice of medicine. A private corporation is prohibited from practicing medicine, and employment by a corporation of a physician or surgeon to treat the ill in order that the corporation may profit is</p>

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		prohibited by the laws of North Carolina. 33 N.C. Atty. Gen. Rep. 43 (Dec. 5, 1955).
North Dakota	A licensed hospital may employ directly or indirectly a physician provided there is a written contract evidencing the hospital's employment relationship with the physician and containing language that the relationship may not affect the physician's independent medical judgment and the physician's independent judgment is in fact unaffected by the employment relationship. N D. Cent. Code §43-17-42.	A nonprofit corporation could not employ physicians. N.D. Atty. Gen. Adv. Ltr. (Oct. 23, 1990).
Ohio	The administrator of a county hospital may obtain physicians and other employees by direct employment, contract or grant of authority. Ohio Rev. Code Ann. §339.07. A professional corporation may be formed by physicians to render the physicians' professional services. § 1785.02. No professional corporation shall control the professional clinical judgment exercised within accepted and prevailing standards of practice of a licensed, certificated or otherwise legally authorized physician. §1701.03(D).	Corporations may not practice medicine unless they are professional corporations composed of physicians. Op. Atty. Gen. No. 52-1751 (1952).
Oklahoma	A hospital or related institution, which has the principal purpose or function of providing hospital or medical care, may employ one or more persons who are duly licensed to practice	No legal interpretations or guidance available.

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	<p>medicine in Oklahoma without being regarded as itself practicing medicine. 59 Okla. St. §492.</p>	
Oregon	<p>A physician is prohibited from aiding or abetting the practice of medicine by a person not licensed. Or. Rev. Stat. §677.190.</p>	<p>Hospitals and other health care facilities are themselves specifically licensed to perform medical services and, thus, is a facility which provides medical services, i.e., it ‘practices medicine.’ Op. Or. Att’y Gen. No. 7230 (Oct. 28, 1975). The opinion appears to allow hospitals to employ physicians to practice medicine.</p>
Pennsylvania	<p>A health care practitioner may practice the healing arts as an employee or independent contractor of a health care facility or health care provider or an affiliate of a health care facility or health care provider established to provide health care. 35 P.S. §448.817a.</p>	<p>The Medical Practice Act provides for a private right of action based on the corporate practice of medicine. Likewise, Pennsylvania case law provides no support or guidance in connection with a private right of action for the corporate practice of medicine. <i>State Farm Mut. Auto. Ins. Co. v. Midtown Med. Ctr.</i>, 2005 U.S. Dist. Lexis 4077.</p>
Rhode Island	<p>Corporate practice of medicine not addressed in state statute or regulation.</p>	<p>No legal interpretations or guidance available.</p>
South Carolina	<p>Corporate practice of medicine not addressed in state statute or regulation.</p>	<p>A corporation may not engage in the practice of medicine even through licensed employees. <i>Wadsworth v. McRae Drug Company</i>, 28 S.E.2d 417 (1943). This holding was acknowledged in a later supreme court opinion, in which the court reiterated that South Carolina has a common law</p>

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		prohibition against the corporate practice of medicine. <i>Baird v. Charleston County</i> , 511 S.E.2d 69 (1999).
South Dakota	A corporation may not practice medicine or osteopathy. However, a corporation is not practicing medicine by entering into an employment agreement with a physician if the agreement does not: (1) regulate the physician's independent medical judgment; (2) benefit the corporation, except that it may make additional charges reasonably associated with the services rendered, such as facility, equipment or administrative charges; and (3) remain effective for more than three years (and annually thereafter). S.D. Codified Laws §36-4-8.1.	“Practice of the learned professions by a profit corporation tends to the commercialization and debasement of those professions” and “is against public policy. <i>Bartron v. Codington County</i> , 2 N.W.2d 337, 329 (1942).
Tennessee	A hospital or an affiliate of a hospital may employ physicians other than radiologists, anesthesiologists, pathologists or emergency physicians, to provide medical services, subject to certain conditions. TCA §63-6-204(f)(1). The conditions relate to independent medical judgment, referral capability and certain practice restrictions. TCA §63-6-204(f)(1)(A), (B), (f)(2), (f)(3). A research hospital may employ radiologists, anesthesiologists or pathologists under the same terms and conditions as other physicians. TCA 63-6-204(f)(6)(B).	No legal interpretations or guidance available.

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<p>Texas</p>	<p>A physician is prohibited from permitting another to use the physician’s license to practice medicine; or directly or indirectly aiding or abetting the practice of medicine by a person, partnership, association or corporation that is not licensed to practice medicine. Tex. Occupations Code §164.052.</p> <p>There are a number of exceptions which allow employment of physicians: nonprofit health corporations (§162.001 – 162.003); federally qualified health centers (§162.001(c); migrant health centers (§162.001(d); nonprofit medical schools (§162.201); school districts (§33.202 and §38.016, Education Code); and certain state institutions and hospital districts.</p>	<p>Texas courts have held that when a corporation comprised of lay individuals employs a licensed physician to treat patients and the corporation receives the fee, the corporation is unlawfully engaged in the practice of medicine and the physician so employed is violating the Medical Practice Act and is subject to having his license to practice medicine in Texas cancelled, revoked or suspended. <i>F.W.B. Rockett, M.D. v. State Board of Medical Examiners</i>, 287 S.W. 2d 190 (Tex. Civ. App., 1956); <i>Watt v. State Board of Medical Examiners</i>, 303 S.W. 2d 884 (Tex. Civ. App., 1957); <i>Garcia v. State Board of Medical Examiners</i>, 284 F. Supp. 434 (W.D. Tex. 1974); <i>Flynn Bros., Inc. v. First Medical Assoc.</i>, 715 S.W. 2d 782 (Tex. App. – Dallas, 1986).</p>
<p>Utah</p>	<p>A physician may be an employee of another person. Utah Code, Title 58§67-802(1)(B)</p> <p>A person who manages, owns or operates a business that has a direct or indirect financial interest in a physician’s practice commits unlawful conduct if that person substantially interferes with the physician’s practice of medicine. §58-67-501(1)(c).</p>	<p>Utah Department of Commerce Division of Occupational & Professional Licensing determined that medical clinics may be owned by non-physician investors provided they do not interfere with the physician’s practice of medicine. (Informal letter dated Sept. 8, 1993).</p>
<p>Vermont</p>	<p>A physician is prohibited from permitting his</p>	<p>No legal interpretations or guidance available.</p>

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	<p>license to be used by another person, group or corporation when the physician is not in charge of or responsible for treatment given. Vermont Statutes, Title 26 §1354(a)(21).</p>	
Virginia	<p>A physician is prohibited from aiding or abetting, or lending his name to any person known to him to be practicing illegally any of the healing arts. Virginia Code, Title 54.1 §2915(A)(11).</p> <p>A state hospital or treatment center may employ or contract with a physician to furnish professional services. §54.1-2941</p>	<p>The Virginia Attorney General concluded that Virginia statutes and court decisions allow a hospital to employ a physician as long as the employment agreement authorizes the physician to exercise control over the diagnosis and treatment of the patient, the physician's professional judgment is not improperly influenced by commercial or lay concerns, and the physician-patient relationship is not altered. 1992 Op. Atty. Gen. Va. 147.</p>
Washington	<p>A physician is prohibited from aiding or abetting an unlicensed person to practice a profession when a license is required. Revised Code of Washington, Title 18 §235.130(9).</p>	<p>A partnership agreement between a physician and non-physician to operate a medical clinic was illegal because the partners shared equally in the profits and management of the medical practice. <i>Morelli v. Elsar</i>, 110 W.2d 555 (Wash. 1988).</p>
West Virginia	<p>A physician is prohibited for aiding, assisting, procuring or advising any unauthorized person to practice medicine. West Virginia Code §30-3-14(c)(4).</p> <p>A medical corporation formed by one or more licensed physicians may practice medicine only through individual licensed physicians, but such physicians may be employees rather than shareholders of the corporation. §30-3-15(b).</p>	<p>An unlicensed person, association or corporation may not employ a licensed physician to practice medicine on its behalf. 46 Op. Atty. Gen. 202 (1955).</p> <p>§30-3-15 clearly says that a medical corporation must cease to engage in the practice of medicine if any of the shareholders is no longer a duly licensed physician. 1982 Op. Atty. Gen. W. Va. 182.</p>

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Wisconsin	<p>When a physician renders a medical service, the physician must submit an individual statement or account of the charges directly to such patient, distinct and separate from any statement or account by any physician or other health care provider. Wisconsin Statutes, §448.08(2).</p> <p>When a hospital or a medical education and research organization and its medical staffs consider that it is in the public interest, a physician may contract with the hospital or organization as an employee, provided the physician is permitted to exercise professional judgment without supervision or interference by the hospital or organization. §448.08(5).</p>	<p>For-profit business corporations cannot be licensed to practice medicine and are prohibited from practicing medicine through licensed physicians. 75 Op. Atty. Gen. 200 (1986).</p>
Wyoming	<p>A physician is prohibited from aiding or abetting another in the practice of medicine without a license. Wyoming Statutes, Title 33§26-402(a)(ix).</p>	<p>No legal interpretations or guidance available.</p>