

1 State of Arkansas  
2 92nd General Assembly  
3 Regular Session, 2019  
4

# A Bill

SENATE BILL 616

5 By: Senator Irvin  
6

## For An Act To Be Entitled

8 AN ACT TO REPEAL THE MEDICAL CORPORATION ACT; AND FOR  
9 OTHER PURPOSES.

### Subtitle

12 TO REPEAL THE MEDICAL CORPORATION ACT.  
13  
14  
15

16 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
17

18 SECTION 1. Arkansas Code Title 4, Chapter 29, Subchapter 3, is  
19 repealed.  
20

#### ~~Subchapter 3—Medical Corporation Act~~

##### ~~4-29-301.—Title.~~

~~This subchapter may be cited as the “Medical Corporation Act”.~~

##### ~~4-29-302.—Definitions.~~

~~As used in this subchapter:~~

28 ~~(1) “Beneficial owner” means an individual who is the grantor~~  
29 ~~and sole trustee of a revocable living trust wherein the individual reserves~~  
30 ~~the unrestricted right to revoke the trust;~~

31 ~~(2) “Foreign medical corporation” means a corporation:~~

32 ~~(A) Organized under laws other than the laws of this~~  
33 ~~state; and~~

34 ~~(B) In which all officers, directors, and shareholders of~~  
35 ~~the corporation are licensed to practice medicine in the state of~~  
36 ~~incorporation;~~



1           ~~(3) "Professional service" means any type of professional~~  
 2 ~~service that may be legally performed only pursuant to a license or other~~  
 3 ~~legal personal authorization, for example: the personal service rendered by~~  
 4 ~~certified public accountants, architects, engineers, dentists, doctors, and~~  
 5 ~~attorneys at law; and~~

6           ~~(4) "Shareholder" means either:~~

7                   ~~(A) The person in whose name shares are registered in the~~  
 8 ~~records of a corporation; or~~

9                   ~~(B) The beneficial owner of shares of a revocable living~~  
 10 ~~trust where the shares are registered in the records of the corporation in~~  
 11 ~~the names of the revocable living trust.~~

12  
 13           ~~4-29-303. Application of Arkansas Business Corporation Act.~~

14           ~~(a) The Arkansas Business Corporation Act of 1987, § 4-27-101 et seq.,~~  
 15 ~~shall be applicable to such corporations, including their organization,~~  
 16 ~~except that the required number of incorporators of a medical corporation~~  
 17 ~~shall be one (1) or more, and they shall enjoy the powers and privileges and~~  
 18 ~~be subject to the duties, restrictions, and liabilities of other~~  
 19 ~~corporations, except so far as the same may be limited or enlarged by this~~  
 20 ~~subchapter.~~

21           ~~(b) If any provision of this subchapter conflicts with the Arkansas~~  
 22 ~~Business Corporation Act of 1987, § 4-27-101 et seq., this subchapter shall~~  
 23 ~~take precedence.~~

24  
 25           ~~4-29-304. Physician-patient relationship unaltered.~~

26           ~~This subchapter does not alter any law applicable to the relationship~~  
 27 ~~between a physician furnishing medical service and a person receiving the~~  
 28 ~~service, including liability arising out of the service.~~

29  
 30           ~~4-29-305. Formation of corporation—Employee licensing required.~~

31           ~~(a) One (1) or more persons licensed pursuant to the Arkansas Medical~~  
 32 ~~Practices Act, § 17-95-201 et seq., § 17-95-301 et seq., and § 17-95-401 et~~  
 33 ~~seq., may associate to form a corporation pursuant to the Arkansas Business~~  
 34 ~~Corporation Act of 1987, § 4-27-101 et seq., to own, operate, and maintain an~~  
 35 ~~establishment for the study, diagnosis, and treatment of human ailments and~~  
 36 ~~injuries, whether physical or mental, and to promote medical, surgical, and~~

1 ~~scientific research and knowledge.~~

2 ~~(b) However, medical or surgical treatment, consultation, or advice~~  
3 ~~may be given by employees of the corporation only if they are licensed~~  
4 ~~pursuant to the Arkansas Medical Practices Act, § 17-95-201 et seq., § 17-95-~~  
5 ~~301 et seq., and § 17-95-401 et seq.~~

6  
7 ~~4-29-306. Corporate name.~~

8 ~~(a)(1) The corporate name may contain the names of one (1) or more of~~  
9 ~~the shareholders.~~

10 ~~(2) However, the name of a person who is not employed by the~~  
11 ~~corporation shall not be included in the corporate name, except that the name~~  
12 ~~of a deceased shareholder may continue to be included in the corporate name~~  
13 ~~for one (1) year following the decease of the shareholder.~~

14 ~~(b) The corporate name shall end with the word "Chartered", or the~~  
15 ~~word "Limited", or the abbreviation "Ltd.", or the words "Professional~~  
16 ~~Association", or the abbreviation "P.A."~~

17  
18 ~~4-29-307. Officers, directors, and shareholders.~~

19 ~~(a) All of the officers, directors, and shareholders of a corporation~~  
20 ~~subject to this subchapter shall at all times be persons licensed pursuant to~~  
21 ~~the Arkansas Medical Practices Act, § 17-95-201 et seq., § 17-95-301 et seq.,~~  
22 ~~and § 17-95-401 et seq.~~

23 ~~(b) No person who is not so licensed shall have any part in the~~  
24 ~~ownership, management, or control of the corporation, nor may any proxy to~~  
25 ~~vote any shares of the corporation be given to a person who is not so~~  
26 ~~licensed.~~

27  
28 ~~4-29-308. Employees.~~

29 ~~Each individual employee licensed pursuant to the Arkansas Medical~~  
30 ~~Practices Act, § 17-95-201 et seq., § 17-95-301 et seq., and § 17-95-401 et~~  
31 ~~seq., who is employed by a corporation subject to this subchapter shall~~  
32 ~~remain subject to reprimand or discipline for his or her conduct under the~~  
33 ~~provisions of the Arkansas Medical Practices Act, § 17-95-201 et seq., § 17-~~  
34 ~~95-301 et seq., and § 17-95-401 et seq.~~

35  
36 ~~4-29-309. Certificate of registration—Issuance, renewal, etc.~~

1           ~~(a) No corporation shall open, operate, or maintain an establishment~~  
2 ~~for any of the purposes set forth in § 4-29-305 without a certificate of~~  
3 ~~registration from the Arkansas State Medical Board.~~

4           ~~(b) Application for the registration shall be made to the board in~~  
5 ~~writing and shall contain the name and address of the corporation and such~~  
6 ~~other information as may be required by the board.~~

7           ~~(c)(1) Upon receipt of the application, the board shall make an~~  
8 ~~investigation of the corporation.~~

9                     ~~(2) If the board finds that the incorporators, officers,~~  
10 ~~directors, and shareholders are each licensed pursuant to the Arkansas~~  
11 ~~Medical Practices Act, § 17-95-201 et seq., § 17-95-301 et seq., and § 17-95-~~  
12 ~~401 et seq., and if no disciplinary action is pending before the board~~  
13 ~~against any of them, and if it appears that the corporation will be conducted~~  
14 ~~in compliance with law and the regulations of the board, the board shall~~  
15 ~~issue, upon payment of a registration fee of twenty-five dollars (\$25.00), a~~  
16 ~~certificate of registration which shall remain effective until January 1~~  
17 ~~following the date of the registration.~~

18           ~~(d) Upon written application of the holder, accompanied by a fee of~~  
19 ~~ten dollars (\$10.00), the board shall annually renew the certificate of~~  
20 ~~registration if the board finds that the corporation has complied with its~~  
21 ~~regulations and the provisions of this subchapter.~~

22           ~~(e) The certificate of registration shall be conspicuously posted upon~~  
23 ~~the premises to which it is applicable.~~

24           ~~(f) In the event of a change of location of the registered~~  
25 ~~establishment, the board, in accordance with its regulations, shall amend the~~  
26 ~~certificate of registration so that it shall apply to the new location.~~

27           ~~(g) No certificate of registration shall be assignable.~~

28  
29           ~~4-29-310. Certificate of registration—Suspension or revocation.~~

30           ~~(a) The Arkansas State Medical Board may suspend or revoke any~~  
31 ~~certificate of registration for any of the following reasons:~~

32                     ~~(1) The revocation or suspension of the license to practice~~  
33 ~~medicine of any officer, director, shareholder, or employee not promptly~~  
34 ~~removed or discharged by the corporation;~~

35                     ~~(2) Unethical professional conduct on the part of any officer,~~  
36 ~~director, shareholder, or employee not promptly removed or discharged by the~~

1 corporation;

2 ~~(3) The death of the last remaining shareholder; or~~

3 ~~(4) Upon finding that the holder of a certificate has failed to~~  
 4 ~~comply with the provisions of this subchapter or the regulations prescribed~~  
 5 ~~by the board.~~

6 ~~(b)(1) Before any certificate of registration is suspended or revoked,~~  
 7 ~~the holder shall be given written notice of the proposed action and the~~  
 8 ~~reasons therefor and shall be given a public hearing by the board with the~~  
 9 ~~right to produce testimony concerning the charges made.~~

10 ~~(2) The notice shall also state the place and date of the~~  
 11 ~~hearing which shall be at least five (5) days after service of the notice.~~

12  
 13 ~~4-29-311. Certificate of registration — Appeal from denial,~~  
 14 ~~suspension, or revocation.~~

15 ~~(a) Any corporation whose application for a certificate of~~  
 16 ~~registration has been denied or whose registration has been suspended or~~  
 17 ~~revoked may appeal to the Pulaski County Circuit Court within thirty (30)~~  
 18 ~~days after notice of the action by the Arkansas State Medical Board.~~

19 ~~(b) The court shall inquire into the cause of the board's action and~~  
 20 ~~may affirm or reverse the decision and order a further hearing by the board~~  
 21 ~~or may order the board to grant the appellant a certificate of registration.~~

22 ~~(c) Appeal shall be in the manner provided by law.~~

23 ~~(d)(1) Notice of appeal shall be served upon the secretary of the~~  
 24 ~~board by serving the secretary a copy thereof within thirty (30) days after~~  
 25 ~~the board has notified the appellant of its decision.~~

26 ~~(2) The service may be by registered or certified mail.~~

27  
 28 ~~4-29-312. Shares of deceased or disqualified shareholder — Price.~~

29 ~~(a) If the articles of incorporation or bylaws of a corporation~~  
 30 ~~subject to this subchapter fail to state a price or method of determining a~~  
 31 ~~fixed price at which the corporation or its shareholders may purchase the~~  
 32 ~~shares of a deceased shareholder or a shareholder no longer qualified to own~~  
 33 ~~shares in the corporation, then the price for the shares shall be the book~~  
 34 ~~value as of the end of the month immediately preceding the death or~~  
 35 ~~disqualification of the shareholder.~~

36 ~~(b) Book value shall be determined from the books and records of the~~

1 ~~corporation in accordance with the regular method of accounting used by the~~  
2 ~~corporation.~~

3  
4 ~~4-29-313. Foreign medical corporations — Certificates of registration~~  
5 ~~— Governance — Licensure.~~

6 ~~(a) If a foreign medical corporation complies with this subchapter,~~  
7 ~~the Arkansas State Medical Board may issue a certificate of registration to~~  
8 ~~the foreign medical corporation.~~

9 ~~(b) A person who is not licensed to practice medicine shall not~~  
10 ~~participate in the ownership, management, or control of a foreign medical~~  
11 ~~corporation.~~

12 ~~(c) A proxy to vote shares of a foreign medical corporation shall not~~  
13 ~~be given to a person who is not licensed to practice medicine.~~

14 ~~(d) A physician who is affiliated with a foreign medical corporation~~  
15 ~~shall obtain a license to practice medicine from the board before practicing~~  
16 ~~medicine in Arkansas.~~

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