

MEDICAL BOARD OF CALIFORNIA
LEGISLATIVE ANALYSIS

BILL NUMBER: SB 784
AUTHOR: Becker
BILL DATE: March 21, 2023, Amended
SUBJECT: Health Care Districts: Employment
SPONSOR: Association of California Healthcare Districts
EI Camino Health

DESCRIPTION OF CURRENT LEGISLATION

Exempts health care district hospitals from the ban on the corporate practice on medicine (CPM), enabling these hospitals to directly employ physicians.

BACKGROUND

[Business and Professions Code \(BPC\) section 2400](#) generally prohibits a corporation or other legal entity from directly hiring physicians.

[A 2016 report](#) from the California Research Bureau, titled "The Corporate Practice of Medicine in a Changing Healthcare Environment" explored various aspects the CPM.

There is another bill related to the CPM on this Board meeting agenda, see Agenda Item 8.A., AB 242.

ANALYSIS

According to the author's fact sheet:

"Employment models are particularly attractive to doctors coming out of residency or who are relocating from other states where direct employment of physicians is more common, and who would prefer to receive a set salary, benefits, and hours while still having their clinical autonomy as physicians respected.

The ability to employ physicians has long proved to be an effective tool in California and in other states. In fact, every other type of public hospital is currently using it effectively here in California. University of California and county hospitals have long enjoyed the ability to employ doctors as public providers regardless of their location. And through various pilots, even specified district hospitals can directly employ physicians.

Under current law, healthcare district hospitals must rely solely on contracting with physician groups or individual doctors to ensure they can provide care to those who need it most.

Unfortunately, this negatively impacts healthcare district hospitals' ability to provide services to their patients, which include some of California's most underserved populations.

Public district hospitals are either rural and struggle to recruit physicians, or in urban areas where high costs of living make it more difficult to recruit and retain physicians.”

SB 784 allows the direct employment of physicians by a health care district and a non-profit corporation whose sole corporate member is a health care district that owns a general acute care hospital. The bill, however, states that the health care district shall not interfere with, control, or otherwise direct the professional judgment of a physician and surgeon in a manner prohibited by Section 2400 or any other law.

Opponent's Arguments

According to the California Medical Association:

- Care decisions should be made between the patient and the treating physician, and not by a chief financial officer or a hospital board of directors concerned about making a profit.
- This bill does away with those patient protections and creates a permanent exemption to the corporate bar by allowing a health care district to employ physicians in their hospitals.
- There are various methods hospitals, companies and other entities use to influence decisions other than “interference, control or direction” of a physician’s judgment, and these methods are difficult to prove and even harder to arbitrate in court.
- The corporate bar stands as a bulwark against policies and political pressures that would reduce services to, or even hurt, patients and increase costs within the health care delivery system.
- At a minimum, the bill should require a report from the Department of Health Care Access and Information to see how often the exemption is used, the recruitment and retention rate of physicians at the hospitals, and to assess the impact on patient/physician decision making.

Consideration of a Board Position

This is a broad expansion (much more so than AB 242, see Agenda Item 8.A.) of the existing exceptions to the ban on the CPM, allowing 77 health care districts through the state to directly employ physicians and weakens a long-standing law preventing lay individuals and entities from directly hiring physicians, thereby risking inappropriate

influence over the practice of medicine. The impact this legislation will have on patient care is not clear. Accordingly, staff recommend an Oppose position on the bill.

FISCAL: No anticipated costs.

SUPPORT: California Hospital Association
District Hospital Leadership Forum
Washington Township Health Care District

OPPOSITION: California Medical Association

POSITION: Staff Recommendation: Oppose.

ATTACHMENT: [SB 784, Becker - Health Care Districts: Employment.](#)
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