

MEDICAL BOARD OF CALIFORNIA  
LEGISLATIVE ANALYSIS

BILL NUMBER: AB 242  
 AUTHOR: Wood  
 BILL DATE: January 13, 2023, Introduced  
 SUBJECT: Critical Access Hospitals: Employment  
 SPONSOR: Author

DESCRIPTION OF CURRENT LEGISLATION

Deletes the prohibition on the corporate practice of medicine (CPM) for federally certified critical access hospitals (CAHs) and the reporting requirements related to CAHs employing physicians.

BACKGROUND

[Business and Professions Code section 2401](#) establishes, until January 1, 2024, an exception on CPM for CAHs and required the Department of Health Care Access and Information (HCAI) to produce a report containing data on CAHs and their ability to recruit and retain physicians between January 1, 2017, and January 1, 2023. The Board did not take a position on AB 2024 (Wood) of 2016, which established this temporary exception.

This is the report issued by HCAI:

| Hospital Name  | Total Physician Hires from 2017-2023 |
|--|--------------------------------------|
| Adventist Health Clearlake (St. Helena Hospital)                     | 0                                    |
| Adventist Health Mendocino Coast (Mendocino Coast District Hospital) | 0                                    |
| Adventist Health Howard Memorial (Willits Hospital)                  | 1                                    |
| Adventist Health Tehachapi Valley                                    | 0                                    |
| Bear Valley Healthcare System  | 0                                    |
| Banner Hospital  | 0                                    |
| Catalina Island Medical Center                                       | 1                                    |
| Colorado River Medical Center  | 0                                    |
| Eastern Plumas District Hospital                                     | 2                                    |
| Fairchild Medical Center   | 0                                    |
| Glenn Medical Center   | 1                                    |
| Hazel Hawkins Memorial Hospital                                      | 0                                    |
| Healdsburg Hospital (North Sonoma Healthcare)                        | 10                                   |
| Jerold Phelps Community Hospital                                     | 0                                    |

|  |                   |
|--|-------------------|
| John C. Fremont Healthcare District                                  | 0                 |
| Kern Valley Hospital District  | 0                 |
| Mammoth Hospital   | 0                 |
| Mark Twain St. Joseph's Hospital                                     | 16                |
| Mayers Memorial Hospital   | 3                 |
| Mercy Medical Center, Mt. Shasta                                     | 4                 |
| Modoc Medical Center   | 4                 |
| Northern Inyo Hospital   | 0                 |
| Ojai Valley Community Hospital<br>(Community Memorial Health System) | 2                 |
| Orchard Hospital   | 5                 |
| Plumas District Hospital   | 0                 |
| Redwood Memorial Hospital  | 0                 |
| Ridgecrest Regional Hospital   | 6                 |
| San Bernardino Mountains Community<br>Hospital District              | 1                 |
| Santa Ynez Valley Cottage Hospital                                   | 3                 |
| Seneca Healthcare District   | 0                 |
| Southern Inyo Healthcare District                                    | 0                 |
| Surprise Valley Community Hospital                                   | 0                 |
| Sutter Lakeside Hospital   | 6                 |
| Tahoe Forest Hospital District                                       | 54                |
| Trinity Hospital (Formally Mountain<br>Communities)                  | 2                 |
| George L. Mee Memorial Hospital                                      | 2                 |
|  | <b>Total: 123</b> |

[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.R., SB 784.

**ANALYSIS**

According to an Assembly legislative analysis:

“[W]hile [the author] is sympathetic to the concerns about interference with the clinical judgment of any health care provider, the ban on the CPM is not necessarily the best or only tool to assure physician autonomy in clinical decision-making. The number of exceptions allowed, combined with the growth of medical groups, independent practice associations and medical foundations, all represent the larger medical communities’ response to pressures within the delivery system to reduce costs, improve patient outcomes and increase access.

The author states that the private practice of medicine is a valuable component in our communities and should be preserved but preserving it to the exclusion of other modes of practice seems shortsighted. If younger physicians prefer or are comfortable in an employment setting, California should not limit it as an option for them. By doing so, California law may also be inadvertently limiting access in rural communities when it may not be financially viable to maintain a private practice.

Rural hospitals struggle with many health care challenges, particularly as they relate to workforce and financial payer mix, which tends to be disproportionately Medi-Cal and Medicare. The author concludes that this bill provides an additional tool to rural, CAHs by providing them some workforce flexibility.”

A CAH may take advantage of their current authority to hire physicians directly if both of the following conditions are met:

- The medical staff concur by an affirmative vote that the licensee’s employment is in the best interest of the communities served by the hospital.
- The hospital does not interfere with, control, or otherwise direct a physician and surgeon’s professional judgment in a manner prohibited by Section 2400 or any other law.

No report, so far, has been produced that reviews the impact that this temporary exception to the CPM has had on patient care. Accordingly, opponents are seeking an extension of the existing sunset date, rather than making the exception permanent.

**Consideration of a Board Position**

Based upon the available information, the bill has affected a low volume of physicians, with only 123 noted being hired pursuant to this exception to the CPM. The impact on patient care in those settings, however, is not clear.

Based upon the Board’s prior position on this relatively narrow exception to the CPM, and the lack of patient impact information, staff recommend the Board do not take a position.

FISCAL: No anticipated costs.

SUPPORT: Adventist Health  
 Association of California Healthcare Districts  
 Avalon Medical Development Corporation  
 Banner Lassen Medical Center  
 California Hospital Association  
 Cottage Health

Dignity Health  
District Hospital Leadership Forum  
Fairchild Medical Center  
Kern Valley Healthcare District  
Mee Memorial Healthcare System  
Mountain Communities Healthcare District  
Providence  
Rural County Representatives of California (RCRC)  
Sohum Health  
Tahoe Forest Hospital District

OPPOSITION: California Medical Association (unless amended)

POSITION: Staff Recommendation: Neutral.

ATTACHMENT: [AB 242, Wood - Critical Access Hospitals: Employment.](#)  
Version: 1/13/23 – Introduced