

MEDICAL BOARD OF CALIFORNIA  
LEGISLATIVE ANALYSIS

BILL NUMBER: AB 2311  
AUTHOR: Schiavo  
BILL DATE: May 19, 2026, Amended  
SUBJECT: Health Care District: Employment  
SPONSOR: [Association of California Healthcare Districts](#)

DESCRIPTION OF CURRENT LEGISLATION

Allows, until January 1, 2037, general acute care hospitals owned or controlled by a health care district to directly employ physicians and surgeons and charge for their professional services, under certain conditions. Requires hospitals that hire physicians with this authority to publish certain reports online on an annual basis.

RECENT AMENDMENTS

On May 19, 2026, AB 2311 was amended, as follows:

- Adds a sunset date of January 1, 2037, to the proposed direct hiring authority, and makes that new authority contingent upon all of the following conditions being met:
  - The medical staff concur by an affirmative vote, pursuant to the medical staff bylaws, that the licensee's employment is in the best interest of the communities served by the hospital.
  - The health care district or nonprofit corporation, and any hospital under its ownership or control, shall not interfere with, control, or otherwise direct the professional judgment of a physician and surgeon.
  - The licensee positions employed by the health care district or nonprofit corporation are in addition to, and do not supplant, any licensee positions providing professional services as a member of the medical staff at any hospitals owned or controlled by the health care district or nonprofit corporation, as of January 1, 2026. This subparagraph does not prohibit a health care district or nonprofit corporation from negotiating or amending existing contracts for professional services upon mutual agreement of the parties to the contract.
  - The health care district or nonprofit corporation shall affirmatively offer a licensee who is a prospective employee the option to contract with the facility in lieu of employment.
- States that commencing January 1, 2028, a health care district or nonprofit corporation, that is employing licensees and charging for professional services

rendered by those licensees to patients under this subdivision shall publish on its internet website, on or before July 1 of each year, a report for any year in which that health care district or nonprofit corporation has employed or is employing licensed health providers and charging for professional services rendered by those individuals to patients.

- The report shall include data about the ability of the employers to recruit and retain physicians and surgeons during the prior year, as well as the total number of physicians and surgeons recruited and retained to date since January 1, 2027, reported separately by employment and contracted positions.

## BACKGROUND

Pursuant to the [California Medical Practice Act \(the Act\)](#), only a natural person who is licensed by, and in good standing with, the Medical Board of California (Board) or the Osteopathic Medical Board of California may practice medicine in this state (see [Business and Professions Code \(BPC\) section 2052](#)).

[BPC section 2400](#) states that corporations or other artificial legal entities have no professional rights, privileges, or powers to practice medicine – this is generally referred to as the ban on the corporate practice of medicine (CPOM).

The CPOM doctrine generally prohibits corporations from being licensed as health care professionals, directly employing health care professionals, or exercising control over the decision-making of licensed health care professionals in a manner that interferes with or directs their independent professional judgment.

[BPC section 2401](#) provides certain exceptions to the CPOM and allows the following facilities to employ physicians and charge for their professional services while also prohibiting those entities from interfering with, controlling, or otherwise directing professional judgment:

- Public or nonprofit medical school clinics operated primarily for medical education.
- Nonprofit clinics that have been conducting medical research since prior to 1982.
- Narcotic treatment programs regulated by the Department of Health Care Services.
- Charitable hospitals that provide only pediatric subspecialty care.
- Federally certified critical access hospitals.

The Board has [published guidance on its website](#) to help licensees comply with the CPOM.

## ANALYSIS

According to the author (as stated in the analysis prepared by the Assembly Committee on Business and Professions):

“The passage of H.R. 1 will result in deep cuts to Medi-Cal patients across California. As a result, physicians contracting with high Medi-Cal volume employers face substantial revenue losses, rendering district hospitals even less competitive as employment options. Despite being the sole or closest source of health and medical services for many families and seniors, district hospitals are the only public hospitals not allowed to directly employ physicians. AB 2311 will allow wholly owned and operated public hospitals to directly hire physicians, a tool currently available to every other public hospital, FQHCs and academic medical center.”

### **Sponsor’s Arguments**

The Association of California Healthcare Districts (ACHD) is the sponsor of this bill. The ACHD writes:

“Currently, district hospitals are the only public hospitals in the State that cannot directly employ physicians. Of the 33 wholly owned and operated districts hospitals, 17 already have access to this tool through their critical access designation. The remaining district hospitals, however, must rely on contracting with physician groups, or individual doctors to provide care. As a result, district hospitals are forced to compete in competitive labor markets without the tools necessary to do so. Specifically, AB 2311 would allow district hospitals to employ physicians directly with clear guardrails preventing any interference with clinical judgement.”

### **Opponent’s Arguments**

Opponents to AB 2311 generally argue that the ban on the CPOM is intended to prevent corporate or institutional influences (e.g., related to financial considerations or political pressures) from overriding a physician’s clinical decision making. They indicate that California law has for a long time limited these employment arrangements so that physician independence is preserved.

### **Consideration of a Board Position**

The most recent bill that the Board discussed related to the CPOM was AB 242 (Chapter 641 of 2023 Statutes). That legislation removed a sunset clause on a law that allowed critical access hospitals to directly employ physicians. If that legislation failed, it

was expected that access to care could have been disrupted when the temporary authority to hire physicians directly lapsed. The Board did not take a position on AB 242.

The Board also placed [SB 784 \(Becker\) on its May 2023 Board meeting agenda](#), which included CPOM exemption language that was substantially the same as the prior version of AB 2311. The Board did not take a position on that bill as it failed passage in committee before the Board’s discussion. Board staff recommended an Oppose position on SB 784 for the following reasons:

“This is a broad expansion...of the existing exceptions to the ban on the [CPOM], 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.”

The recent amendments to AB 2311, however, include various conditions that could mitigate some concerns related to the direct hiring of physicians. The sunset clause and annual reporting requirements could provide additional relevant data that informs future policy decisions on this topic.

Accordingly, Board staff do not have a recommended position on the updated version of AB 2311 and look forward to the Board’s input and direction on this matter.

FISCAL: Minor and absorbable enforcement costs are anticipated.

SUPPORT: Alzheimer’s Association  
 Antelope Valley Healthcare District  
 California Hospital Association  
 California Special Districts Association  
 Community Services Agency  
 Del Puerto Health Care District  
 Desert Healthcare District and Foundation  
 District Hospital Leadership Forum  
 El Camino Health  
 Fallbrook Healthcare District  
 Health Petaluma District & Foundation  
 Imperial Valley Healthcare District  
 Kaweah Health  
 Lompoc Healthcare District  
 Northern Inyo Healthcare District  
 Palomar Health  
 Plumas District Hospital  
 Ravenswood Family Health Network  
 Salinas Valley Health  
 Santa Clara Family Health Plan  
 Sierra View Medical Center

Soledad Community Health Care District  
Sonoma Valley Health Care District  
Washington Healthcare District

OPPOSITION: CA Chapter of the American College of Emergency Physicians  
California Medical Association  
California Orthopedic Association  
California Radiological Society  
California Society of Pathologists

POSITION: No staff recommended position.

ATTACHMENT: [AB 2311, Schiavo. Health Care Districts: Employment.](#)  
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