

Date of Hearing: May 12, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 1158 (Petrie-Norris) – As Amended April 22, 2021

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| Policy Committee: | Health | Vote: | 15 - 0 |
| | Insurance | | 13 - 0 |

Urgency: No State Mandated Local Program: No Reimbursable: Yes

SUMMARY:

This bill imposes additional standards on “recovery residences” (sober living homes) and drug treatment facilities that contract with government entities. Specifically, this bill:

- 1) Requires any government entity that contracts with a privately owned recovery residence or alcoholism or drug abuse recovery or treatment facility to require the facility to:
 - a) Carry specified insurance coverage.
 - b) Fully comply with all standards issued by the National Alliance for Recovery Residences, or subsequent standards issued by the state, as specified.
 - c) Report to the government entity, and any insurers providing insurance coverage to the contractor, within seven days of any deaths or incidents requiring hospitalization that occur at the recovery residence or alcoholism or drug abuse recovery or treatment facility.
- 2) Specifies factors insurers may consider as part of the insurer’s loss control program with respect to a recovery residence and alcoholism or drug abuse recovery or treatment facility, including, for a recovery residence, whether the residence fully complies with standards issued by the National Alliance for Recovery Residences.
- 3) Specifies residential property insurance does not include a policy that provides coverage for loss or liability arising from the operation of either a recovery residence or an alcoholism or drug abuse recovery or treatment facility.
- 4) Requires the California Department of Insurance (CDI) to work closely with the Attorney General and Department of Health Care Services (DHCS) to investigate insurance complaints pertaining to recovery residences and alcoholism or drug abuse recovery or treatment facilities.

FISCAL EFFECT:

- 1) Costs to CDI are expected to be minor and absorbable (Insurance Fund)
- 2) Minor and absorbable costs to DHCS (Residential and Outpatient Program Licensing Fund) and the Department of Justice (GF) to collaborate on complaint investigation.

- 3) One-time, likely minor, GF costs to the California Department of Corrections and Rehabilitation (CDCR) for revising procedures and training staff about the new requirements, as well as ongoing costs to verify compliance with standards or certification.
- 4) GF cost pressure in the hundreds of thousands of dollars to CDCR for oversight of parolees. For eligible parolees, CDCR funds community reentry programs that offer varying levels of sober living housing. To assure compliance with NARR standards, CDCR would likely require recovery residences to seek third-party certification. Sober living homes will incur costs to comply with the standards and insurance requirements, as well as seek certification, raising their costs, which will, in turn, increase CDCR contract costs with sober living housing providers. Higher rents could also necessitate increased financial assistance, in the form of food or transportation vouchers, for parolees who pay their own rent.
- 5) This bill may result in state-reimbursable mandate costs. Local public safety agencies could also incur local cost pressure, similar in type to costs as noted in (1), based on the requirement that recovery residences the governmental agencies contract with meet higher standards that are required under current law. Although this bill appears to require a higher level of local government service through mandating local entities only contract with recovery residences that meet specified standards, an exception may apply that would relieve the state of the burden of reimbursement. State reimbursement would be decided by the Commission on State Mandates.

COMMENTS:

- 1) **Purpose.** The author states this bill will ensure recovery residences and licensed drug treatment facilities that contract with the government maintain minimum insurance coverage levels and higher standards to protect patients from abuse or injury. Insurance Commissioner Ricardo Lara, sponsor of this bill, believes by requiring minimum insurance coverage and requiring state regulatory agencies work more closely together, this bill will ensure that adequate coverage exists to protect persons from harm and cover the claims of those who are harmed.
- 2) **Background.** DHCS oversees drug and alcohol treatment facilities and personnel. DHCS licenses substance use treatment facilities, which provide 24-hour residential nonmedical services to eligible adults who are recovering from problems related to alcohol or other drug (AOD) misuse or abuse. DHCS also offers a voluntary facility certification to both residential and nonresidential programs.

Recovery residences, sometimes called sober living homes, are alcohol and drug-free living environments for individuals attempting to maintain abstinence from alcohol and drugs. Because recovery residences are private residences and do not offer treatment services, in contrast to alcoholism and drug abuse recovery or treatment programs, they are not regulated by the state. These residences are also generally protected by state and federal housing and antidiscrimination laws.

Recovery residences have been the subject of complaints in some communities. A number of prior attempts have been made in recent years to impose minimum standards.

- 3) **Related Legislation.** AB 1098 (Daly), pending in this committee, requires the California Health and Human Services Agency to develop consensus-based guidelines and nationally recognized standards for counties to use to promote the availability of high-quality recovery residences housing for individuals with an SUD and to dissuade the use of contracting with, or referral to, recovery residences that do not meet these guidelines and standards.

SB 349 (Umberg), pending in the Senate, imposes requirements on alcohol and drug treatment providers related to marketing and advertising.

- 4) **Prior Legislation.** A large number of bills have been introduced in recent years to and impose restrictions and minimum standards on recovery residences.

AB 1779 (Daly), of the 2019-20 Legislative Session, would have required DHCS to adopt and implement, minimum standards for counties receiving public funding for RRs. AB 1779 was held on the Suspense File of the Senate Appropriations Committee.

AB 285 (Melendez), of the 2017-18 Legislative Session, would have established state oversight of "drug and alcohol-free residences" or sober living homes, which could choose to be certified on a voluntary basis. AB 285 was held on the Suspense File of this committee.

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