

Date of Hearing: April 26, 2023

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Chris Holden, Chair

AB 1392 (Rodriguez) – As Amended March 30, 2023

Policy Committee: Health

Vote: 10 - 1

Urgency: No

State Mandated Local Program: Yes

Reimbursable: Yes

**SUMMARY:**

This bill requires the Department of Health Care Access and Information (HCAI) to require hospitals with operating expenses of \$50 million dollars or more, and hospitals with operating expenses of \$25 million or more that are part of a hospital system, to annually submit a detailed and verifiable plan for creating procurement from minority, women, Lesbian, Gay, Bisexual, Transgender (LGBT), and disabled veteran business enterprises (MWLGBTDVBEs). This bill specifies requirements for the procurement plans, including the hospital's supplier diversity policy statement, short- and long-term goals and timetables, plans for outreach and communications to MWLGBTDVBEs, and how the hospitals encourage employees to seek MWLGBTDVBEs, among other things. This bill also authorizes HCAI to establish and operate a clearinghouse to maintain a database, and verify the statuses, of MWLGBTDVBEs that are prime suppliers or subcontract suppliers to hospitals or other entities in the procurement ecosystem of hospital goods and services

**FISCAL EFFECT:**

HCAI estimates costs to implement the requirements of this bill will be \$986,000 for fiscal year (FY) 2024-25 and ongoing to build out the program to support expanded outreach, engagement, and compliance activities.

If HCAI elects to build out the clearinghouse, costs will also include additional information technology (IT) staff positions to support the planning, development and ongoing maintenance and operations of the clearinghouse, which would add \$377,000 to the overall FY 2024-25 and ongoing costs. HCAI estimates it will also require \$1 million in FY 2024-25 to support contracting with external developers to develop the system in partnership with state staff.

Thus, HCAI estimates the overall costs of this bill to be \$2.36 million for FY 2024-25 and \$1.38 million in FY 2025-26 and ongoing (California Health Data and Planning Fund).

**COMMENTS:**

- 1) **Purpose.** This bill is sponsored by the Los Angeles Hispanic Chamber of Commerce. According to the author:

AB 962 (Burke), Chapter 815, Statutes of 2019, requires hospitals to submit an annual report to [HCAI] on their supplier diversity procurement efforts and outreach and how they support these

enterprises in their procurement processes. These reports were intended to acknowledge and increase procurement diversity as a social mission and a business strategy that widens the supplier pool and increases competition on the price and quality of goods and services. With a more diverse procurement pool, minority, women, LGBT, and disabled veteran business enterprises (MWLGBTDVBE) have more economic opportunities with a hospital's supplier roster that mirrors the patient and community populations.

However, in the most recent report that HCAI released, diverse procurement spending only accounted for 1% of hospital procurement spending. MWLGBTDVBEs deserve more dollars from our healthcare industry. This bill would achieve that goal by aligning the existing Hospital Supplier Diversity Commission with the more robust California Public Utilities Commission Supplier Diversity Program and the Insurance Commissioner's Insurance Diversity Initiative by requiring hospitals to submit instead an annual detailed and verifiable plan with short- and long-term goals and timetables to increase procurement from MWLGBTDVBEs.

- 2) **Background.** This bill is modeled after a supplier diversity initiative the Legislature required for the California Public Utilities Commission (CPUC) and the Insurance Diversity Initiative created by AB 53 (Solorio), Chapter 414, Statutes of 2012, while building on AB 962.
- 3) **Concerns.** The California Hospital Association (CHA) and the District Hospital Leadership Forum oppose this bill unless it is amended. CHA requests:
  - a) Delay the requirement for reporting detailed and verifiable plans to allow HCAI to collect five years of data after implementation of AB 962.
  - b) Give the Hospital Supplier Diversity Commission established in AB 962 time to evaluate and develop recommendations for the state's consideration.
  - c) Extend plan submission requirements from annually to every three years.

Additionally, CHA states hospitals often participate in group purchasing organizations, which allow both larger health systems and small critical access hospitals to pool the buying power of multiple providers to negotiate the best prices.

**Analysis Prepared by:** Allegra Kim / APPR. / (916) 319-2081