
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair
2023 - 2024 Regular Session

AB 1392 (Rodriguez) - Hospitals: procurement contracts

Version: March 30, 2023

Urgency: No

Hearing Date: August 14, 2023

Policy Vote: HEALTH 10 - 2

Mandate: No

Consultant: Agnes Lee

Bill Summary: AB 1392 would require specified hospitals to submit an annual detailed and verifiable plan, rather than a report, for increasing procurement from minority, women, LGBT, and disabled veteran business enterprises. The bill would, among other provisions, authorize the Department of Health Care Access and Information (HCAI) to establish and operate a clearinghouse to maintain a database, and verify the statuses, of those business enterprises.

Fiscal Impact: The HCAI estimates costs of \$2,363,000 in 2024-25 and \$1,363,000 in 2025-26 and ongoing thereafter (California Health Data and Planning Fund). This includes ongoing costs for staffing resources and a one-time cost of \$1 million for development costs for the clearinghouse.

Background: Current law requires each hospital with operating expenses of \$50 million or more, and each hospital with operating expenses of \$25 million or more that is part of a hospital system, to submit a report to HCAI on its minority, women, LGBT, and disabled veteran business enterprise (“targeted business enterprises”) procurement efforts during the previous year. A hospital that fails to file the report is subject to a civil penalty of \$100 per day, and the hospital may request HCAI to grant a 30-day extension to file the report if needed due to unintended or unforeseen delays.

The hospital must annually update its supplier diversity report and submit the new report to HCAI no later than July 1. The HCAI must maintain a link on its website that provides public access to the contents of each hospital’s report on targeted business enterprises procurement efforts. Current law also requires HCAI to convene a hospital diversity commission, with specified commissioners, to advise and provide recommendations to HCAI and the hospital industry on the best methods to increase procurement with diverse suppliers within the hospital industry.

Proposed Law: Specific provisions of the bill would:

- Require hospitals to submit an annual detailed and verifiable plan, rather than a report as required under existing law, for increasing procurement from targeted business enterprises, as specified.
- Require HCAI to establish a supplier diversity web page to inform diverse suppliers on the hospital’s procurement process.
- Permit HCAI to audit the plans for compliance and accuracy.

- Require HCAI to establish guidelines for hospitals to voluntarily utilize when pursuing procurement efforts, activities, or programs.
- Expand the number of commissioners on the hospital diversity commission, as specified; and permit HCAI to provide compensation to the commissioners for their services, as specified.
- Require the HCAI to provide outreach and assistance to hospitals, manufacturers, vendors, or group purchasing organizations of hospital goods and services seeking to adopt recommendations made by the hospital diversity commission or to increase procurement from targeted business enterprises.
- Require HCAI to provide outreach and assistance to targeted business enterprises seeking to be a supplier for a hospital, manufacturer, vendor, or group purchasing organization of hospital goods and services.
- Permit HCAI to establish and operate a clearinghouse to maintain a database, and verify the statuses, of targeted business enterprises that are prime suppliers or subcontract suppliers to hospitals or other entities in the procurement ecosystem of hospital goods and services.

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