

Date of Hearing: May 13, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 1770 (Garcia) – As Amended April 13, 2026

Policy Committee: Judiciary

Vote: 10 - 2

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill grants the Attorney General (AG) oversight authority over health care service plans to the extent necessary to ensure compliance with existing state-law requirements governing binding arbitration of disputes under those plans.

FISCAL EFFECT:

Ongoing costs to the Department of Justice (DOJ) to oversee compliance by health care service plans with specified provisions regulating the use of binding arbitration to settle disputes (Unfair Competition Law, General Fund). The Healthcare Rights and Access Section (HRA), within the Public Rights Division of DOJ anticipates an increase in workload investigating and litigating the mandate of the bill. The bill's oversight grant is open-ended: it does not specify the frequency, scope, or form of oversight activities, or the content, frequency, or format of reports the AG may require. DOJ workload will depend on the intensity with which the AG exercises this discretionary authority. To address the additional anticipated workload, DOJ reports needing four deputy attorneys general, a legal analyst, and three legal secretaries. DOJ estimate workload costs of \$1.1 million in fiscal year (FY) 2026-27 and \$2 million for FY 2027-2028 and ongoing.

The Legislative Analyst's Office has projected General Fund structural deficits of approximately \$35 billion per year beginning in the 2027-28 fiscal year.

COMMENTS:

1) **Purpose.** According to the author:

This bill starts to inject fairness into the healthcare service plan binding arbitration process by requiring the California Department of Justice to ensure compliance with existing laws throughout the process and reminding healthcare service plans that the California Arbitration Act is to be followed at every step of the binding arbitration process.

2) **Background.** California law allows health care service plans licensed under the Knox-Keene Act to include binding arbitration terms in their enrollment agreements. Arbitration clauses in health plan contracts are subject to existing statutory requirements including: disclosure requirements at the point of enrollment; a requirement that disputes under \$200,000 be heard by a single neutral arbitrator, subject to specified waiver conditions; arbitrator selection

procedures; and written-decision and quarterly-reporting requirements to the Department of Managed Health Care (DMHC), which regulates health care service plans. The bill does not alter DMHC's authority; it adds a parallel oversight role for the Attorney General.

Arbitration is an alternative dispute resolution mechanism used to resolve disputes outside the court system, and is generally governed by the Federal Arbitration Act and the California Arbitration Act. Federal courts have significantly expanded the enforceability of pre-dispute arbitration clauses in consumer adhesion contracts, while states retain substantial authority to regulate arbitration procedure. The policy committee analysis details several patient experiences with health plan arbitration that prompted this measure, including a 13-year arbitration following a breast cancer misdiagnosis detailed in a 2026 CalMatters commentary. The bill's oversight grant is broad and discretionary. It authorizes the AG to "require reports from" health care service plans without specifying the content, frequency, or format of those reports, and it grants "oversight" without defining what oversight activities are contemplated. Fiscal exposure is therefore a function of how intensively the AG chooses to exercise the authority.

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