Office of Senate Floor Analyses
(916) 651-4171

THIRD READING

Bill No: AB 1770
Author: Garcia (D), et al.
Amended: 8/18/26 in Senate
Vote: 21

SENATE JUDICIARY COMMITTEE: 11-2, 6/23/26
AYES: Umberg, Allen, Ashby, Caballero, Durazo, Laird, Reyes, Stern, Wahab, Weber Pierson, Wiener
NOES: Niello, Valladares

SENATE HEALTH COMMITTEE: 8-2, 7/1/26
AYES: Weber Pierson, Caballero, Durazo, Gonzalez, Menjivar, Padilla, Pérez, Smallwood-Cuevas
NOES: Valladares, Grove
NO VOTE RECORDED: Rubio

ASSEMBLY FLOOR: 60-15, 5/27/26 - See last page for vote

SUBJECT: Arbitration: health care service plans: Lindalee's Law

SOURCE: Patient Equity Coalition
Praxis Project

DIGEST: This bill provides that the Attorney Geneal (AG) has oversight over, and may require reports from, health care service plans to ensure that such plans that include a term requiring the parties to submit to binding arbitration to settle disputes comply with certain requirements under existing law. This bill also requires, notwithstanding any other law, that an arbitration claim initiated pursuant to a health care service plan is to be conducted pursuant to the California Arbitration Act.

Senate floor amendments of 8/18/26 provide the act is named Lindalee's Law and require the Attorney General to inform the Director of the Department of Managed Health Care of any compliance action.

ANALYSIS:

Existing state law:

1) Governs arbitrations in California pursuant to the California Arbitration Act (CAA), including the enforcement of arbitration agreements, rules for neutral arbitrators, the conduct of arbitration proceedings, and the enforcement of arbitration awards. (Code of Civil Procedure (Civ. Proc.) §§ 1280 et seq.)

2) Requires the Department of Managed Health Care (DMHC) to regulate health plans under the Knox-Keene Health Care Service Plan Act of 1975 (Knox-Keene), and the Department of Health Care Services (DHCS) to administer the Medi-Cal program. (Health & Safety (Safe.) Code Q§1340, et seq. ; Welfare & Institutions (Welf. & Inst.) Code §§ 14000, et. seq.)

3) Provides that any health care service plan that includes terms that require binding arbitration to settle disputes and that restrict, or provide for a waiver of, the right to a jury trial shall include, in clear and understandable language, a specified disclosure. (Health & Saf. Code § 1373.19.)

4) Provides that any health care service plan that includes a term that requires the parties to submit to binding arbitration for cases or disputes for which the total amount of damages claimed is $200,000 or less shall provide for selection by the parties of a single neutral arbitrator who shall have no jurisdiction to award more than $200,000, as provided. (Health & Saf. Code § 1373.19.)

5) Provides that if a health care service plan uses arbitration to settle disputes with enrollees or subscribers, and does not use a professional dispute resolution organization independent of the plan that has a procedure for a rapid selection, or default appointment, of neutral arbitrators, the following requirements shall be met by the plan with respect to the arbitration of the disputes and shall not be subject to waive as provided. (Health & Saf. Code § 1373.20(a).)

This bill:

1) Provides that the AG has oversight over, and may require reports from, health care service plans to ensure that such plans that include a term requiring the parties to submit to binding arbitration to settle disputes comply with the requirements set forth in Section 1363.1 and Sections 1373.19 to 1373.21, inclusive, of the Health and Safety Code.

    a) The authority of the AG to act based on the oversight granted, including investigating and prosecuting violations of state unfair competition laws or

any other state law, is not narrowed, abrogated, or otherwise altered by this provision.

b) The authority of the Department of Managed Health Care to act under Chapter 2.2 (commencing with Section 1340) of Division 2 of the Health and Safety Code, including Section 1363.1 and Sections 1373.19 to 1373.21, inclusive, is not narrowed, abrogated, or otherwise altered by this section.

2) Requires, notwithstanding any other law, that an arbitration claim initiated pursuant to a health care service plan is to be conducted pursuant to the CAA.

3) Requires the Attorney General to inform the Director of the Department of Managed Health Care of any compliance action.

4) Names the act Lindalee's Law.

Comments

Arbitration is an alternative method for resolving legal disputes. Instead of going through the formal, public court process, the parties to the dispute submit their evidence and legal arguments to a private arbitrator (or a panel of arbitrators) who decides the case. Generally, the arbitration decision is not appealable. Generally, supporters of arbitration assert that private arbitration provides a cheaper, faster, more efficient form of dispute resolution than the overburdened courts, because they are able to limit discovery, set their own rules for presenting evidence, schedule proceedings at their own convenience, and select the third party who will decide their cases. However, critics of private arbitration contend that it is an unregulated industry, which is often costly and unreceptive to consumers and employees. Consumer advocates view mandatory arbitration as putting consumers and employees on an uneven playing field that creates an inclination by arbitrators to decide cases in favor of businesses. They further view arbitration as an expensive process which also puts consumers at a disadvantage by imposing procedural limitations on their ability to pursue their legal claims.

Knox-Keene provides certain requirements for arbitrations arising out of a health care service plan. These provisions impose notice requirements on health care service plans that include binding arbitration clauses, and provide standards and requirements for the selection of a neutral arbitrator. In addition, an arbitration decision is to be in writing and must include: 1) the prevailing party; 2) any award and terms of the award; and 3) the reasons for the award. Existing law requires that information about arbitration awards be provided to DMHC on a quarterly basis, and DMHC is required to make modified decisions available to the public upon

request. DMHC is not precluded from requesting and securing from any health care service plan copies of complete arbitration decisions for the purposes of administering Knox-Keene. These provisions do not preclude DMHC, or any plan or person, from disclosing information contained in an arbitration decision if the disclosure is otherwise permitted by law.

The CAA governs arbitrations in the state. It provides for the enforcement of arbitration agreements, and provides rules regarding the conduct of arbitration agreements, including evidentiary issues, and how an arbitration award is to be enforced. Under the CAA, a party to arbitration is entitled to be represented by an attorney and have a certified shorthand reporter transcribe the proceeding. (Civ. Code §§ 1282.4(a) & 1282.5, respectively.) Additionally, a neutral arbitrator is authorized to administer oaths, and limited grounds for appeals of certain actions are granted. (Civ. Code §§ 1282.8 & 1294, respectively.)

This bill is inspired by the experience of Stephen Martinez and Lindalee Iveson attempting to navigate the arbitration process with their HMO healthcare. In op-ed for CalMatters, Stephen Martinez wrote of his and his wife's experience stating:[1]

> In 2010, Lindalee noticed a large lump in her left breast. Her HMO denied her an appointment with her longstanding OBGYN and sent her to a substandard clinic instead.
>
> Years of pain and suffering, multiple surgeries and a diminished quality of life resulted.
>
> We wanted to exercise our constitutional right to seek justice in court, but we learned big healthcare corporations force patients to sign away such rights. "OK," we thought, "arbitration must be somewhat court-like and fair and efficient." So we began that process.
>
> It took three years. The arbitrator allowed endless delays, games with witnesses and evidence destruction. Several experts testified that the HMO's mistakes — multiple misdiagnoses, divergence from procedures, denied follow-up examinations — had caused Lindalee's issues.
>
> Notably, an unsupervised physician's assistant had dismissed a breast lump in Lindalee, a 55-year-old post-menopausal woman. Despite a high probability it

[1] *She spent six of her last years in arbitration with her HMO. Her husband's still fighting the system*, CalMatters, (Feb. 26, 2026), available at https://calmatters.org/commentary/2026/02/hmo-arbitration-battle-bias-california/.

> was cancer, the physician's assistant prescribed warm compresses and a sports bra and advised Lindalee to avoid chocolate.
>
> Arbitration was almost as bad as the cancer. An exhausting deposition brought Lindalee to tears. The HMO's attorney then grilled her for five hours at the arbitration. The attorney argued Lindalee was entirely to blame for her breast cancer spreading, which struck me as victim blaming.
>
> The verdict was shocking. "The Arbitrator finds that [the HMO's] treatment … was within the standard of care … Claimants are to take nothing."
>
> This was despite two HMO surgeons, with 60 years of combined breast cancer expertise, testifying that the HMO had failed to follow its standard of care.
>
> Surely our experience of HMO error, yet head-scratching arbitration outcome must be an outlier, we thought.
>
> Lindalee had just finished the breast cancer ordeal when she developed a blockage in her intestine. It was clearly captured in a CT scan. For two years, the HMO failed to act on that report's recommendations.
>
> After finally getting a gastroenterology referral, Lindalee was seen by an unsupervised nurse practitioner who failed to diagnose the issue. When Lindalee finally got to a GI doctor, he told her plainly, "This could kill you." She underwent emergency surgery.
>
> Faced with another HMO error, we proceeded with arbitration again. We had chalked up our first experience as a fluke. But just like the first case, this process also took three years. […]

According to the author and sponsor, this bill will improve confidence and transparency in the arbitration process for health care service plans. This bill requires the AG to oversee compliance with Knox-Keene and the CAA for health care service plans by authorizing the AG to require reports from health care service plans regarding arbitration under Knox-Keene to ensure that health care service plans are complying with Knox-Keene and the CAA. The bill also reiterates that the CAA also applies to claims to arbitrate under Knox-Keene.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

The Senate Appropriations Committee analysis states "Annual costs to DOJ to oversee compliance by health care service plans with specified provisions regulating the use of binding arbitration to settle disputes. The Healthcare Rights and Access Section, within the Public Rights Division of DOJ anticipates an increase in workload investigating and litigating the mandate of the bill.

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 FY 2026-27 and $2 million for FY 2027-2028 annually (Unfair Competition Law, General Fund)."

SUPPORT: (Verified 8/13/26)

Patient Equity Coalition (sponsor)
Praxis Project (sponsor)
AARP
Alameda County Democratic Party
APA Family Support Services
Asian Pacific Partners for Empowerment, Advocacy and Leadership
Black Women for Wellness
California Advocates for Nursing Home Reform
California Federation of Teachers
Consumer Attorneys of California
Healthy Black Families
Khmer Girls in Action
Multicultural Institute
Prevention Institute
1 individual

OPPOSITION: (Verified 8/13/26)

None received

ARGUMENTS IN SUPPORT:

The author writes:

> This bill is all about restoring faith in the arbitration process; Californians deserve a just and equitable path towards resolving health care claims. The current structure creates an incentive for a repeat- player bias for the plans versus the individual enrollee. Cost, unfamiliarity with the system and lack of transparency mean there is no oversight to ensure that the California Arbitration Act is being complied with in fact or in spirit. AB 1770 aims to give the

Department of Justice clear oversight authority to mitigate against structural problems.

The Praxis Project, one of the sponsors of this bill, writes in support stating:

> Health care is already expensive and difficult to navigate, and patients often face complex barriers when trying to obtain timely and appropriate care. AB 1770 is a critical step forward because it strengthens neutrality, transparency, and oversight in the arbitration process and begins to restore fairness and public confidence for consumers and families. The bill would require qualified arbitrators with expertise in medical malpractice, remove health plans from arbitrator selection, and improve transparency, oversight, and accountability in arbitration proceedings. These reforms are essential to ensure that Californians have a fair and credible path to justice when seeking accountability for medical harm.

ASSEMBLY FLOOR: 60-15, 5/27/26
AYES: Addis, Aguiar-Curry, Ahrens, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Elhawary, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Ward, Wicks, Wilson, Zbur, Rivas
NOES: Alanis, Castillo, Davies, DeMaio, Dixon, Ellis, Flora, Gallagher, Jeff Gonzalez, Hoover, Johnson, Lackey, Sanchez, Tangipa, Wallis
NO VOTE RECORDED: Chen, Hadwick, Patterson, Celeste Rodriguez, Ta

Prepared by: Amanda Mattson / JUD. / (916) 651-4113
8/19/26 10:43:41

****** END ******