

Date of Hearing: April 21, 2026

ASSEMBLY COMMITTEE ON HEALTH
Mia Bonta, Chair
AB 1779 (Davies) – As Amended March 2, 2026

SUBJECT: Alcoholism and drug abuse recovery and treatment programs: inducement of participants.

SUMMARY: Requires licensed drug testing laboratories, licensed alcohol or other drug (AOD) recovery or treatment facilities (RTF), and certified AOD programs that provide air transportation to provide a ticket for round-trip transportation, to obtain written acknowledgment by the individual that the transportation is not tied to insurance benefits or program participation, and document specified information to annually publish on its website. Requires a laboratory, RTF, or program to retain the information for a minimum of five years and to provide that information to the Department of Health Care Services (DHCS) upon request, and prohibits an entity from offering or providing any form of remuneration to influence or induce an individual to enter or stay in a treatment or recovery program or to recruit individuals for treatment, unless otherwise specified. Specifically, **this bill:**

- 1) Permits AOD RTFs to offer an individual discounted housing following discharge from the facility if the offer for housing is for housing that is certified by the state affiliate of the National Alliance for Recovery Residences (NARR), along with the other conditions required in 4) of Existing Law below.
- 2) Requires licensed drug testing laboratories, licensed AOD RTFs, and certified AOD programs that provide transportation to do so under the following additional conditions:
 - a) The assistance is not contingent upon the individual's agreement to enroll in, remain in, or attend any particular program owned or operated by the provider;
 - b) The assistance is limited to the actual cost of the transportation and does not include cash, a gift card, or other financial incentives;
 - c) If for air transportation, the ticket is for a round trip; and,
 - d) The laboratory, RTF, or program obtains written acknowledgment by the individual that the transportation is not tied to insurance benefits or program participation, and documents the purpose and cost of the transportation.
- 3) Requires a laboratory, RTF, or program to aggregate the information described in d) of 2) above, and to, at least annually, publish on its internet website the aggregated information. Requires information posted to not include personally identifiable information about an individual.
- 4) Requires the laboratory, RTF, or program to keep the written acknowledgement, documentation, and aggregated information for five years and to provide the information to DHCS upon request.

- 5) Prohibits a laboratory, RTF, or program from offering or providing any form of remuneration, including, but not limited to, a stipend or a gift card, for the purpose of any of the following:
 - a) Influencing or inducing an individual to enter a treatment or recovery program;
 - b) Influencing or inducing an individual to remain in a treatment or recovery program;
 - c) Influencing or inducing an individual to transfer between programs;
 - d) Influencing or inducing an individual to utilize laboratory or outpatient services;
 - e) Securing referrals;
 - f) Recruiting individuals for treatment;
 - g) Increasing insurance-funded billing or patient volume; and,
 - h) Engaging in patient brokering or similar practices.
- 6) Permits a person, program, or entity to provide an individual with educational or informational materials about community, governmental, or nonprofit resources if no remuneration is offered in exchange for treatment enrollment or continued participation.
- 7) States that this prohibition does not apply to provision of housing or transportation as described in 1) and 2) above, and 3), 4), and 5) in Existing Law below.

EXISTING LAW:

- 1) Grants sole authority in the state to DHCS to certify AOD programs and to license RTFs. [Health and Safety Code (HSC) §§ 11832 and 11834.01]
- 2) Prohibits all of the following persons, programs, or entities, from giving or receiving remuneration or anything of value for the referral of a person who is seeking AOD recovery or treatment services:
 - a) A licensed AOD RTF;
 - b) An owner, partner, officer, or director, or shareholder who holds an interest of at least 10% in an AOD RTF;
 - c) A person employed by, or working for, a licensed AOD RTF, including, but not limited to, registered and certified counselors and licensed professionals providing counseling services;
 - d) A certified AOD program;
 - e) An owner, partner, officer, or director, or shareholder who holds an interest of at least 10% in an AOD program; and

- f) A person employed by, or working for, a certified AOD program, including, but not limited to, registered and certified counselors and licensed professionals providing counseling services. [HSC § 11831.6]
- 3) Requires a laboratory or certified AOD program that leases, manages, or owns housing units that are offered to individuals who concurrently utilize laboratory or outpatient services to maintain separate contracts for the housing. Requires the contract to clearly state that payment for housing is the responsibility of the individual and does not depend on insurance benefits. Requires the contract to include a repayment plan for any subsidized rent, and the laboratory or certified AOD program to make a good faith effort to collect the debt. Prohibits the offer for housing from depending on the individual's agreement to receive services from either the laboratory or the certified AOD program. [HSC § 11831.65 (a)]
- 4) Prohibits a licensed AOD RTF from offering an individual discounted housing following discharge unless all of the following conditions are met:
- a) The AOD RTF and the individual enter into a written contract for housing that is separate from the contract for treatment, if the individual also pursues outpatient treatment;
 - b) The contract includes a repayment plan for any subsidized rent, and the AOD RTF makes a good faith effort to collect the debt; and,
 - c) The offer for housing is not dependent upon the individual's agreement to attend outpatient treatment at a program that is owned or operated by the AOD RTF. [HSC § 11831.65(b)]
- 5) Prohibits a licensed AOD RTF from offering transportation services to an individual who is seeking recovery or treatment services unless all of the following conditions are met:
- a) Any ground transportation provided to an individual who is seeking recovery or treatment services is for a distance of less than 125 miles;
 - b) Any air transportation provided to an individual who is seeking recovery or treatment services includes a return ticket that may be used by the individual upon discharge; and
 - c) A return ticket not used by an individual upon discharge is made available to the individual upon request for a period of one year following the individual's discharge. [HSC § 11831.65(c)]
- 6) Permits a person, program, or entity to provide an individual educational or informational materials about community resources, including, but not limited to, housing assistance. [HSC § 11831.65(d)]
- 7) Permits DHCS to investigate allegations of violations of quality assurance laws or regulations by assessing a penalty upon a licensed AOD RTF or certified AOD program; suspending or revoking a license or certification or denying renewal or modification of a license; or suspending or revoking the registration or certification of a counselor. [HSC § 11831.7]

- 8) States that the Legislature recognizes that consumers with substance use disorders (SUD) have disabling conditions, and that these consumers and their families are vulnerable and at risk of being easily victimized by fraudulent marketing practices that adversely impact the delivery of health care. To protect the health, safety, and welfare of this vulnerable population, prohibits licensed AOD RTFs and certified AOD programs from doing all of the following:
 - a) Making a false or misleading statement or providing false or misleading information about the entity's products, goods, services, or geographical locations in its marketing, advertising materials, or media, or on its internet website or on a third-party internet website;
 - b) Making a false or misleading statement or providing false or misleading information about medical treatments or medical services offered in its marketing, advertising materials, or media, or on its internet website, on a third-party internet website, or in its social media presence;
 - c) Including on its internet website a picture, description, staff information, or the location of an entity, along with false contact information that surreptitiously directs the reader to a business that does not have a contract with the entity; and,
 - d) Including on its internet website false information or an electronic link that provides false information or surreptitiously directs the reader to another internet website. [HSC § 11831.9]
- 9) Requires a certified AOD program to keep all policies and procedures in an operation manual, and to include, at a minimum: Admission and Discharge, Client Rights, Services, Medications, and Staff and client code of conduct. [HSC § 11832.8]
- 10) Requires DHCS to conduct onsite program compliance visits for AOD programs and RTFs at least once during the certification or licensure period. Permits DHCS to conduct announced or unannounced site visits to review for compliance. [HSC §§ 11832.12 and 11834.01]
- 11) Requires all programs certified or RTFs licensed by DHCS to disclose if any of its agents, partners, directors, officers, or owners, including a sole proprietor and member, has either ownership or control of, or financial interest in, a recovery residence (RR) or any contractual relationship with an entity that regularly provides professional services or SUD treatment or recovery services to clients of programs certified or facilities licensed by DHCS, if the entity is not part of the program certified or facility licensed. [HSC § 11833.05(a)]
- 12) Requires DHCS to adopt the American Society of Addiction Medicine (ASAM) treatment criteria, or an equivalent evidence-based standard, as the minimum standard of care for licensed RTFs and requires a licensee to maintain those standards with respect to the level of care to be provided by the licensee. [HSC § 11834.015]
- 13) Defines RTF to mean a premises, place, or building that provides residential nonmedical services to adults who are recovering from problems related to alcohol, drug, or alcohol and drug misuse or addiction, and who need alcohol, drug, or alcohol and drug recovery, treatment, or detoxification services. [HSC § 11834.02]

- 14) Requires initial licenses for a new RTF to be provisional for one year, permits DHCS to revoke the provisional license for good cause, and prohibits a licensee from reapplying for an initial license for five years following a revocation of a provisional license. Defines “good cause” to mean failure to operate in compliance with the statutes and regulations relating to treatment facilities. [HSC § 11834.09(d)]
- 15) Requires a licensed RTF to take specified actions, including to develop a plan to address when a resident relapses, maintain naloxone hydrochloride on site, and others. [HSC § 11834.26]
- 16) Requires the operator of a licensed AOD RTF or certified AOD program to include on its website and intake form paperwork a disclosure that an individual may check the website of DHCS to confirm whether the RTF’s license or program’s certification has been placed in probationary status, been subject to a temporary suspension order, been revoked, or the operator has been given a notice of operation in violation of law. Requires the disclosure to include a link to DHCS’s website that contains the Probationary Status, Temporary Suspension Order, Revoked and Notice of Operation in Violation of Law Program List. [HSC § 11831.5]
- 17) Prohibits the exchange of remuneration for patient referrals to recovery homes, clinical treatment facilities, and laboratories and applies to services reimbursed by private commercial insurance as well as government programs like Medicare and Medicaid. Provides that violations are punishable by fines of up to \$200,000 and imprisonment for up to 10 years per occurrence. Known as the Eliminating Kickbacks in Recovery Act of 2018 (EKRA). [18 United States Code (USC) § 220]

FISCAL EFFECT: Unknown. This bill has not been analyzed by a fiscal committee.

COMMENTS:

1) **PURPOSE OF THIS BILL.** According to the author, this bill is key to protecting vulnerable Californians seeking substance use disorder treatment from exploitation and unethical recruitment practices that put profits ahead of recovery. The author notes that California has seen troubling cases of patient brokering and inducements including plane tickets, gift cards, and subsidized housing used to attract or retain individuals in treatment programs based on insurance value rather than clinical need. These practices can disrupt continuity of care, separate patients from local support systems, and drive unnecessary billing. While existing law addresses some concerns, stronger and clearer guardrails are needed. The author argues this bill explicitly prohibits remuneration intended to influence enrollment, retention, transfers, or referrals, and increases transparency around housing and transportation assistance, and it preserves legitimate support services while ensuring they are not tied to insurance benefits or program participation. The author concludes that, at its core, this bill ensures that treatment decisions are driven by patient wellbeing and clinical need, not financial incentives, while protecting both consumers and healthcare dollars.

2) **BACKGROUND.**

a) **Prevalence of SUD in California.** A 2024 publication from Health Management Associates and the California Health Care Foundation titled, “Substance Use Disorder in California — a Focused Landscape Analysis” reported that approximately 9% of

Californians ages 12 years and older met the criteria for SUD in 2022. According to the report, the prevalence of SUD among individuals 12 years of age and older increased to 8.8% in 2022 from 8.1% in 2015. While the health care system is moving toward acknowledging SUD as a chronic illness, only 6% of Americans and 10% of Californians ages 12 and older with an SUD received treatment for their condition in 2021. More than 19,335 Californians ages 12 years and older died from the effects of alcohol from 2020 to 2021, and the total annual number of alcohol-related deaths increased by approximately 18% in the state from 2020 to 2021. Overdose deaths from both opioids and psychostimulants (such as amphetamines), are soaring. This issue, compounded by the increased availability of fentanyl, has resulted in a 10-fold increase in fentanyl related deaths between 2015 and 2019. According to the Overdose Prevention Initiative, 7,847 opioid-related overdose deaths occurred in California in 2023, and preliminary data shows 5,030 opioid-related overdose deaths in 2025.

- b) Alcohol and Drug Treatment Facility Licensing.** DHCS has sole authority to license RTFs in the state. Licensure is required when at least one of the following services is provided: detoxification; group sessions; individual sessions; educational sessions; or, alcoholism or other drug abuse recovery or treatment planning. Additionally, facilities may be subject to other types of permits, clearances, business taxes, or local fees that may be required by the cities or counties in which the facilities are located.

As part of their licensing function, DHCS conducts reviews of RTF operations every two years, or as necessary. DHCS's Substance Use Disorder Compliance Division checks for compliance with statute and regulations (Title 9, Chapter 5, California Code of Regulations) to ensure the health and safety of RTF residents and investigates all complaints related to RTFs, including deaths, complaints against staff, and allegations of operating without a license. DHCS has the authority to suspend or revoke a license for conduct in the operation of an RTF that is contrary to the health, morals, welfare, or safety of either an individual in, or receiving services from, the facility or to the people of the State of California.

- c) AOD Program Certification.** Prior to January 1, 2025, programs were permitted to seek certification from DHCS. Under AB 118 (Committee on Budget), Chapter 42, Statutes of 2023, certification is now a requirement for many AOD programs, with exceptions for various licensed facility types, schools, jails, and prisons. Programs were required to apply for certification no later than January 1, 2024. If DHCS finds evidence that a program is providing treatment, recovery, detoxification, or medication-assisted treatment services without a certification, DHCS must issue a written notice to the program stating that it is operating in violation of the law, and any person or entity found to be operating without certification may be subject to an assessment of civil penalties of two thousand (\$2,000) dollars per day and will be barred from applying for initial certification for a period of five years from the date of the violation notice.
- d) Patient brokering.** EKRA is a federal criminal law prohibiting the exchange of remuneration for patient referrals to recovery homes, clinical treatment facilities, and laboratories. While similar to the federal Anti-Kickback Statute, EKRA is broader in scope because it is an "all-payor" statute, applying to services reimbursed by private commercial insurance as well as government programs like Medicare and Medicaid (Medi-Cal in California). Its broad definition of "laboratory" means it affects all clinical

labs, and its restrictive safe harbors, particularly regarding commission-based employee pay, have altered healthcare marketing and sales arrangements. Violations are punishable by severe criminal penalties, including fines of up to \$200,000 and imprisonment for up to 10 years per occurrence.

The US Department of Justice (DOJ) is investigating and has pursued criminal charges against substance abuse treatment facility owners and patient recruiters/brokers in Southern California under EKRA. The effort is part of the “Sober Homes Initiative.” In March 2025, the owner of several addiction treatment facilities in Orange County was sentenced to 41 months in prison. The jury found that the defendant paid “patient brokers” based on the volume or value of referrals to their facilities and that these brokers also paid patients to continue treatment there. In May 2025, the owner of multiple Southern California addiction treatment facilities and an accounts payable supervisor were indicted. They are accused of paying brokers for referrals based on monthly quotas, disguising these per-patient fees as hourly marketing rates. In June 2025, the CEO of several substance use disorder treatment facilities and sober homes was indicted for allegedly paying marketing entities for patient referrals using volume-based payments.

- 3) SUPPORT.** California Consortium of Addiction Programs and Professionals (CCAPP) is the sponsor of this bill and states in support that unethical inducement practices such as offering financial incentives or misusing transportation continue to undermine public trust and place vulnerable individuals at risk. CCAPP argues that this bill protects consumers by prohibiting facilities, laboratories, and programs from offering remuneration, including stipends, gift cards, or other incentives to induce an individual to enter or remain in treatment or to recruit others. These practices exploit individuals at vulnerable moments and distort clinical decision-making. By clearly banning them, this bill reinforces ethical standards and supports a fair, patient-centered treatment system.

The California State Association of Psychiatrists (CSAP) supports this bill stating that patient brokering continues to pose a serious challenge within the substance use treatment system. Some bad actors exploit individuals seeking recovery by offering housing, transportation, gift cards, or other incentives to steer them into particular programs or services. These practices can result in patients being recruited or transferred based on insurance value rather than medical need, individuals being shuffled between programs to maximize billing, and patients being abandoned when insurance benefits run out—often leaving them without stable housing or continuity of care. CSAP argues that this bill addresses these concerns by strengthening existing safeguards and closing gaps in current law.

4) RELATED LEGISLATION.

- a)** AB 1879 (Dixon) would require licensed AOD RTF, certified AOD programs, and recovery residences to annually submit a report to DHCS specific data on services provided, beginning January 1, 2028, and would require DHCS to publish the data in an annual report on its internet website. AB 1879 is pending in the Assembly Health Committee.
- b)** AB 2343 (Patel) would require licensed AOD RTFs and certified AOD programs to participate in a public quality rating system designated by DHCS in order to be licensed or certified. Would authorize DHCS to charge a reasonable fee to AOD RTFs and programs required to enroll in the platform, as specified, and would prohibit the

administrator of the public quality rating system from accepting payment from the entities participating. AB 2343 is pending in the Assembly Appropriations Committee.

- c) AB 2562 (Dixon) would require a certified AOD program to include in its policies and procedures a suicide prevention plan. Would require licensed AOD RTF to develop a suicide prevention plan. AB 2562 is pending in the Assembly Appropriations Committee.
- d) AB 2614 (Dixon) would prohibit any person from offering, paying, soliciting, or receiving a commission, benefit, bonus, or other form of remuneration or from engaging in a split-fee arrangement to induce a referral to a residential treatment facility or in return for acceptance of an individual into a residential treatment facility, as defined. Would make violations a misdemeanor. AB 2614 is pending in the Assembly Health Committee.
- e) SB 490 (Umberg) would require DHCS conduct a site visit, or allow a county to conduct a site visit, of a licensed RTF and certified AOD program, if an affiliated RR is providing services it is not licensed to provide. The bill would also require every licensed RTF and certified AOD program report annually to DHCS any money transfers between the RTF or program and an RR. SB 490 is pending referral in the Assembly.

5) PREVIOUS LEGISLATION.

- a) SB 35 (Umberg) was identical to SB 490. SB 35 was held in the Assembly Appropriations Committee.
- b) SB 83 (Umberg), Chapter 402, Statutes of 2025, requires DHCS to post on its website an identification and summary of each violation issued for licensed adult residential AOD RTFs and certified AOD programs included on the Probationary Status, Temporary Suspension Order, Revoked and Notice of Operation in Violation of Law Program List. Requires DHCS to indicate RRs (also known as sober living homes), if found to be providing treatment without first obtaining DHCS licensure as an RTF, are not included in this list.
- c) AB 2081 (Davies), Chapter 376, Statutes of 2024, requires entities licensed or certified by DHCS to include on their websites and intake paperwork a disclosure stating an individual may check DHCS's website to confirm any actions taken against the entity.
- d) SB 434 (Bates), Chapter 447, Statutes of 2021, prohibits entities, licensed or certified by the state to provide substance use or mental health disorder services, from making false statements or providing false information in advertising or marketing, as specified.
- e) AB 919 (Petrie-Norris), Chapter 911, Statutes of 2019, enhances prohibitions on specified entities from giving or receiving remuneration or anything of value for the referral of a person who is seeking SUD recovery or treatment services in order to prevent those specified entities from inducing an individual to receive recovery or treatment services by providing free housing, transportation, and other related services. Requires the establishment of an enforcement program, as specified.
- f) SB 1228 (Lara), Chapter 792, Statutes of 2018, prohibits specified persons, programs, or entities from giving or receiving remuneration or anything of value for the referral of a

person who is seeking alcoholism or drug abuse recovery or treatment services. Permits DHCS to take action against specified persons, programs, and entities that violate the prohibition, including suspending or revoking licensure or certification and assessing a penalty, as specified.

6) COMMITTEE AMENDMENTS. The committee may wish to amend this bill as follows:

- a) NARR.** NARR is a nonprofit organization that sets national standards for sober living homes and recovery housing. The NARR Standard is a framework that categorizes recovery homes into four "levels of support," ranging from peer-run houses to clinically managed facilities. NARR doesn't certify homes directly; instead, it works through state affiliates, which in California is CCAPP, the sponsor of this bill. While NARR is considered by some the "gold standard" for quality, safety, and ethical practice within recovery housing and sober living environments, not having NARR certification is not necessarily a sign of fraud or abuse.

Given that the state currently does not require NARR certification, the committee may wish to strike the requirement for NARR certification in order to accept referral from an AOD RTF with a discount.

- b) Laboratories.** Laboratories are mentioned in two sections of this bill – an existing code section setting requirements for laboratories contracting with participants for housing and a new code section banning additional specific types of inducements or “patient brokering.” Other patient brokering statutes specifically implicate entities regulated by DHCS. However, laboratories are regulated by the California Department of Public Health (DPH).

The committee may wish to remove laboratories from the patient brokering section of this bill, since DPH regulates them rather than DHCS.

- c) Contingency Management (CM).** CM is an evidence-based treatment for SUDs that provides cash equivalent incentives to Medi-Cal members participating in a structured 24-week outpatient CM program. California’s CM benefit, called the Recovery Incentives Program, is intended to complement SUD treatment services and other evidence-based practices for Simulant Use Disorder covered by the Drug Medi-Cal Organized Delivery System (DMC-ODS) program. The Recovery Incentives Program provides incentives in the form of small denomination, restricted gift cards (capped at \$599/year per participant) for demonstrated stimulant abstinence, verified through stimulant-negative urine drug testing (UDT). Gift cards do not allow the purchase of tobacco products, alcohol, gambling products, firearms, and ammunition.

Because CM necessarily uses cash equivalent incentives delivered after a stimulant-negative UDT is administered by outpatient services, this bill could reasonably be interpreted to include CM services as providing remuneration that may (1) induce a member to remain in treatment in order to continue earning incentives tied to attendance and testing, or (2) induce a member to utilize laboratory or outpatient services for purposes of the required testing. This bill does not distinguish between inducements and clinically appropriate, evidence-based therapeutic incentives, which could be interpreted as a prohibition of CM.

The committee may wish to specify that the prohibitions in this bill do not apply to clinically appropriate, evidence-based therapeutic incentives, including contingency management offered to eligible Medi-Cal members as part of the Drug Medi-Cal Organized Delivery System.

- d)** Instead of creating a new patient brokering code section, the committee may wish to add to the existing code section prohibiting patient brokering.

REGISTERED SUPPORT / OPPOSITION:

Support

California Consortium of Addiction Programs and Professionals (Sponsor)
A New Path (parents for Addiction Treatment & Healing)
Association of California Cities - Orange County (ACC-OC)
California State Association of Psychiatrists (CSAP)
City of Los Alamitos
City of Newport Beach
Community Social Model Advocates, Inc.
First Responder Wellness

Opposition

None on file

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