

Date of Hearing: May 13, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2311 (Schiavo) – As Introduced February 19, 2026

Policy Committee:	Health	Vote:	14 - 0
	Business and Professions		15 - 2

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill allows a health care district, as defined, or a nonprofit corporation with a health care district as its sole corporate member and that owns or controls a general acute care hospital, to employ physicians and charge for professional services rendered by those physicians. The bill prohibits the health care district from interfering with, controlling, or directing the professional judgement of a physician.

FISCAL EFFECT:

The Osteopathic Medical Board of California anticipates no costs.

The Medical Board of California (MBC) anticipates new workload, including updating outreach materials, website content, and staff training, along with supervisory, legal, and IT review. MBC also expects increased enforcement workload, assuming 100 complaints annually, with approximately five Health Quality Investigation Unit and Attorney General cases per year, resulting in estimated costs of \$178,000 in the first year of implementation, \$179,000 in the second year, and \$205,000 in the third year and ongoing. MBC considers these costs minor and absorbable individually, but notes that cumulative impacts from multiple bills may reduce its ability to absorb them (Contingent Fund of the Medical Board of California).

COMMENTS:

- 1) **Purpose.** This bill is sponsored by the Association of California Healthcare Districts. According to the author:

The passage of H.R. 1 will result in deep cuts to Medi-Cal patients across California. As a result, physicians contracting with high Medi-Cal volume employers face substantial revenue losses, rendering district hospitals even less competitive as employment options. Despite being the sole or closest source of health and medical services for many families and seniors, district hospitals are the only public hospitals not allowed to directly employ physicians. AB 2311 will allow wholly owned and operated public hospitals to directly hire physicians, a tool currently available to every other public hospital, FQHCs and academic medical center.

- 2) **Background. *Corporate Practice of Medicine (CPOM) Doctrine.*** The CPOM doctrine broadly prohibits corporations from being licensed as health care professionals, directly employing health care professionals, or exercising control over the decision-making of licensed health care professionals in a manner that interferes with or directs their independent professional judgment. The concept of the CPOM doctrine has long been recognized by policymakers and courts in California.

However, statute provides for numerous exceptions to the doctrine to allow corporations to employ licensed practitioners. The Medical Practice Act authorizes the MBC to grant approval of the employment of licensees on a salary basis by licensed charitable institutions, foundations, and clinics that do not charge patients for services. Over time, legislation has further allowed the following specified facilities to employ health care professionals under certain conditions: public or nonprofit medical school clinics operated primarily for medical education; nonprofit clinics that have been conducting medical research since before 1982; narcotic treatment programs regulated by the Department of Health Care Services; charitable hospitals that provide only pediatric subspecialty care; and federally certified critical access hospitals. Additionally, the courts have ruled that the CPOM doctrine does not apply to agencies within the State of California or to counties, reasoning that the government is not a corporation. As a result, county hospitals may directly employ health care professionals, as do state agencies such as the Department of State Hospitals. The courts have similarly recognized that the University of California is exempt from the CPOM doctrine. Even in instances where the law allows for the direct employment of health care professionals, corporations are still generally prohibited from unduly influencing the judgment of licensees.

This bill establishes an exemption from the CPOM doctrine for health care district hospitals by allowing district hospitals to directly employ and charge for professional services rendered by licensed physicians. District hospitals are currently the only public hospitals not allowed to directly employ physicians. Existing law already exempts critical access hospitals, which includes an estimated 17 hospitals owned and operated by health care districts. This bill would allow the remaining 16 district hospitals to take advantage of the same exemption to the CPOM doctrine, which the author contends will allow the hospitals to more successfully compete with large and for-profit systems by enabling them to offer attractive salaries, benefits, and schedules for physician employees.

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