

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 35 (Umberg) – As Amended July 17, 2025

Policy Committee: Health

Vote: 16 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill requires the Department of Health Care Services (DHCS) conduct a site visit, or allow a county to conduct a site visit, of a licensed recovery or treatment facility (RTF) and certified alcohol and other drug (AOD) program, if an affiliated recovery residence (RR) is providing services it is not licensed to provide. The bill also requires every licensed recovery or treatment facility (RTF) and certified AOD program report annually to DHCS any money transfers between the RTF or program and an RR.

Specifically, this bill:

- 1) Requires DHCS investigate an allegation that an RTF is operating without a license. If DHCS determines it has jurisdiction, requires DHCS initiate an investigation within 10 days of receiving the allegation. If DHCS determines it does not have jurisdiction, requires DHCS notify the complainant, in writing, that it does not investigate that type of complaint.
- 2) Requires DHCS complete the investigation within 60 days of initiation of the investigation unless DHCS requires assistance from local or other state agencies or significant additional resources to complete the investigation, as determined by DHCS. If DHCS is not able to complete the investigation within 60 days, requires DHCS notify, in writing, the person who submitted the allegation, of the reason for the delay.
- 3) Requires DHCS provide a facility notice that it is in violation of the licensing requirement within 10 days of the investigator's submission of the findings to DHCS. Requires the notice include, in addition to other information in existing law, the date by which the facility must cease providing services.
- 4) Requires DHCS conduct a followup site visit to determine whether the facility has ceased providing services by the date specified in the notice.
- 5) In a county that administers the Drug Medi-Cal organized delivery system (DMC-ODS) and provides optional recovery housing services, authorizes the county behavioral health agency to request approval from DHCS to conduct a site visit of an RR that is alleged to be in violation of the licensing requirement. Allows DHCS to approve that request if it has can substantiate the allegation and fails to initiate or conclude the investigation in accordance with the time limits specified in item 2, above.

- 6) Requires DHCS conduct a site visit of a certified AOD program or licensed RTF that has disclosed an interest in a RR that If DHCS has taken action against for providing unlicensed services.
- 7) Requires, no later than July 15, 2026, and by July 15 each year thereafter, every DHCS-certified program and DHCS-licensed RTF submit a report of all money transfers between the program or RTF and an RR during the previous fiscal year, to prevent patient brokering, illicit kickbacks, or unethical inducements that harm patients.
- 8) Requires DHCS analyze transfer data for compliance trends, irregularities, or fraud indicators.
- 9) Requires DHCS develop guidelines for permissible and impermissible transfers.

FISCAL EFFECT:

Ongoing costs of an unknown amount, potentially in the hundreds of thousands to low millions of dollars per year, beginning in 2026-27 for DHCS to conduct investigations within required timelines, analyze data, and develop guidelines (Residential Outpatient Licensing Fund). Such increases in costs would likely require increases in licensing fees. Costs to DHCS could be reduced slightly, to the extent county behavioral health agencies request and receive approval to conduct site visits.

COMMENTS:

- 1) **Purpose.** This bill is sponsored by the League of California Cities. According to the author:

The proliferation of sober living homes and substance use disorder treatment facilities, particularly in Southern California's "Rehab Riviera," has raised concerns regarding the quality of care and regulatory oversight. These concerns were confirmed by a recent State Auditor's report, which found that DHCS does not always provide timely or thorough oversight, risking the health and safety of people in recovery.

- 2) **Background. AOD 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. DHCS conducts reviews of RTF operations every two years, or as necessary.

AOD Program Certification. Under AB 118 (Committee on Budget), Chapter 42, Statutes of 2023, beginning January 1, 2025, certification is a requirement for many AOD programs, with exceptions for various licensed facility types, schools, jails, and prisons. AOD programs were required to apply for certification no later than January 1, 2024. As of March 2025, DHCS reported it certified 1,055 outpatient facilities and 989 licensed facilities, for a total of 2,044 certified facilities.

RRs. An RR is a residence for people in recovery from substance use disorders. An RR may serve as support for individuals undergoing treatment but it does not provide medical or nonmedical treatment or care. The state licensing requirements for treatment and care facilities do not include RRs. The tenants of an RR pay rent and abide by house rules, which include maintenance of sobriety and participation in a self-help program. In 2016, the California Research Bureau estimated there were at least 12,000 sober living beds, like those offered in RRs, to serve an eligible population of 25,000 to 35,000 individuals in the state.

State Audit. In October 2024, the California State Auditor (CSA) released a report on AOD facilities. The CSA reported that DHCS did not always conduct site visits when investigating unlicensed facilities and did not always follow up after completing investigations of unlicensed facilities that were unlawfully advertising or providing services to ensure that they ceased doing so. According to the CSA website, DHCS will create and implement new protocols and processes and provide trainings to ensure supervisors are closely tracking the programs in need of inspections within their two-year windows. DHCS will also begin using a new digital platform to complete onsite inspection reports, which will aid DHCS in sending providers reports more quickly. DHCS had revised its Complaints Operations Manual to clarify the requirement for case assignment within 10 days and updated the complaint intake process.

- 3) **Related Legislation.** AB 424 (Davies) requires DHCS to provide, within 10 days of the receipt of a complaint against an RTF or a complaint alleging that a facility is unlawfully operating without a license, notice to the person filing the complaint that the complaint has been received, and subsequently provide notice that the complaint has been closed and whether DHCS found the facility to be in violation. AB 424 is pending in the Senate Appropriations Committee.

AB 492 (Valencia) requires DHCS notify the city or county in which an RTF is located when it issues the RTF an RTF license. AB 492 is pending on the Senate Floor.

AB 1356 (Dixon) requires an RTF submit to DHCS, within 30 days of a resident's death, any relevant information that was not known at the time of the initial report. AB 1356 requires DHCS issue a written notice of deficiency if DHCS identifies violations of specified licensing provisions during its investigation of a resident's death. AB 1356 is pending in the Senate Appropriations Committee.

SB 83 (Umberg) requires DHCS post on its website an identification and summary of each violation issued for licensed RTFs and certified AOD programs included on various violation status lists, and indicate prominently on the website that RRs found to be providing treatment without RTF licensure are not included on the violation list. SB 83 is pending in this committee.

SB 329 (Blakespear) requires DHCS to meet specified timeframes for assigning complaints against, and completing investigations for, licensed residential RTFs. SB 329 is pending in this committee.