Date of Hearing: June 30, 2026

ASSEMBLY COMMITTEE ON HEALTH
Mia Bonta, Chair
SB 490 (Umberg) – As Amended January 5, 2026

SENATE VOTE: 39-0

SUBJECT: Alcohol and drug programs.

SUMMARY: Requires licensed alcohol and other drug (AOD) recovery or treatment facilities (RTF) and certified AOD programs to annually report to the State Department of Health Care Services (DHCS) any money transfers they have between a recovery residence (RR). Requires DHCS to conduct a site visit for any licensed or certified facility or program affiliated with an RR that DHCS takes action against for providing services the RR is not licensed to provide, and sets specific statutory timelines for the investigation of the RR by DHCS. Authorizes DHCS to permit a county participating in the Drug Medi-Cal Organized Delivery System (DMC-ODS) to conduct a site visit of an RR with a pending allegation that DHCS can substantiate, but is not able to conclude the investigation in the specified time frame, upon the request of the county. Specifically, **this bill**:

1) Requires DHCS to initiate an investigation within 10 days of receiving an allegation of a facility acting as an RTF without licensure if it has jurisdiction over the allegation, and if DHCS receives a complaint that does not fall under its jurisdiction, requires DHCS to notify the complainant, in writing, that it does not investigate that type of complaint.

2) Requires DHCS to complete the investigation within 60 days of initiation of the investigation unless DHCS requires assistance from local or other state agencies to complete the investigation or significant additional resources to complete the investigation, as determined by DHCS.

3) Requires DHCS to notify the person that submitted the allegation in writing, including, but not limited to, through electronic means, of the reason for the delay if DHCS is not able to complete the investigation within 60 days.

4) Requires that the notice that is currently provided to the subject of the investigation containing licensing requirements and a date by which the subject must cease providing services be provided within 10 days of the submission of the findings of the investigation to DHCS by the investigator.

5) Requires DHCS to conduct a follow-up site visit to determine whether the facility has ceased providing services by the date specified in the notice.

6) Authorizes the county behavioral health agency, in a county that elects to administer DMC-ODS and provides optional recovery housing services, to request approval from DHCS to conduct a site visit of an RR that is alleged to be providing services without a license. Permits DHCS to approve that request if it has sufficient evidence to substantiate the allegation and it fails to initiate or conclude the investigation in accordance with the time limits specified in 2) and 3) above.

7) Requires DHCS to conduct a site visit of a certified AOD program or licensed RTF that has disclosed an interest in a recovery residence that DHCS has taken action against for providing unlicensed services.

8) Requires all programs certified, or RTFs licensed, by DHCS to submit a report of all money transfers between the program or RTF and an RR during the previous fiscal year, no later than July 15, 2026, and annually thereafter, in order to detect patient brokering, illicit kickbacks, or unethical inducements that harm patients.

9) Requires DHCS to analyze transfer data for compliance trends, irregularities, or fraud indicators and develop guidelines for permissible and impermissible transfers.

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) 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]

3) 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, an RR or any contractual relationship with an entity that regularly provides professional services or substance use disorder (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)]

4) 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]

5) 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]

6) Requires that 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)]

7) Requires, if a facility intends to provide incidental medical services, evidence of a valid license of a physician and surgeon who will provide or oversee those services, and any other information deemed appropriate by DHCS. Defines "incidental medical services" as services that follow the community standard of practice and are not required to be performed in a licensed clinic or licensed health facility, and includes obtaining medical histories,

monitoring health status, testing associated with detoxification from alcohol or drugs, and overseeing patient self-administered medications. [HSC §§ 11834.025 and 11834.026]

8) Authorizes DHCS to assess civil penalties on facilities that provide alcohol or drug use recovery, treatment, or detoxification services without a license. [HSC § 11834.15]

9) Prohibits a person, firm, partnership, association, corporation, or local governmental entity from operating, establishing, managing, conducting, or maintaining an RTF or AOD program without first obtaining a current valid license or certification. [HSC §§ 11832.7 and 11834.30]

10) Requires DHCS to conduct a site visit to investigate an allegation of a facility operating without a license or certification and, if evidence is found supporting this allegation, requires the employee or agent to submit the findings to DHCS and, with DHCS authorization, send notice to the facility containing a date to cease providing services, the civil penalty that will be assessed for any days services are provided beyond that date, and that the case will be referred for civil proceedings if services continue. Requires the employee or agent to also inform the facility of state licensing and certification requirements. [HSC §§ 11823.18 and 11834.31]

11) Requires DHCS, when it receives a complaint from a member of the public about a licensed adult alcohol or other drug recovery or treatment facility, or a facility alleged to be providing services without a proper license, to provide notification to the complainant within 10 days of the complaint that it has been received, and, upon closing the complaint, whether DHCS found a violation. [HSC § 11834.33]

12) Requires DHCS to charge a fee to all programs for licensure or certification and authorizes DHCS to establish fee scales using different capacity levels, categories based on measures other than program capacity, or any other category or classification that DHCS deems necessary or convenient to maintain an effective and equitable fee structure. Requires licensing and certification fees to be evaluated annually. Authorizes DHCS, no sooner than July 1, 2027, to approve a fee increase, up to and including 5% on an annual basis, as needed to address the costs of licensing and certification activities. Requires DHCS to submit any proposals for new fees or increases in excess of 5% through the finance letter process for approval by the Legislature. Requires DHCS to develop a process for programs and facilities to apply for a hardship fee waiver. [HSC § 11833.02]

13) Requires DHCS to continue to implement the DMC-ODS program under California Advancing and Innovating Medi-Cal (CalAIM) as previously required under the Medi-Cal 2020 Demonstration. Authorizes counties to voluntarily participate in DMC-ODS. [Welfare and Institutions Code § 14184.401]

FISCAL EFFECT: According to the Senate Appropriations Committee, unknown ongoing costs, potentially hundreds of thousands to low millions, for state staffing resources for DHCS to complete investigations within the timeframes, analyze data, and develop guidelines (Residential Outpatient Licensing Fund). To the extent the Residential Outpatient Licensing Fund has insufficient funds, DHCS may need to increase licensing fees.

COMMENTS:

1) **PURPOSE OF THIS BILL**. According to the author, this bill would establish timelines for DHCS to investigate allegations of licensed treatment at unlicensed sober living homes. If DHCS cannot meet the timelines, this bill would authorize counties to request approval to conduct site visits and enforce compliance with existing state licensing requirements.

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. As of March 2025, DHCS reported that it certified 1,055 outpatient facilities and 989 licensed facilities, for a total of 2,044 certified facilities. 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) Licensing fees. Existing law authorizes DHCS to increase the licensing and certification fees for AOD programs and facilities. SB 104 (Skinner), Chapter 104, Statutes of 2023, amended the Budget Act of 2023 and directs DHCS to increase those fees by up to 20% each fiscal year (FY) through FY 2026-27 to reach a cumulative fee increase of 75%. In a Behavioral Health Information Notice (BHIN No. 26-004) released in February 2026, DHCS announced that current licensing and certification fees are not sufficient to support current or planned expenses incurred by DHCS for SUD licensing and certification activities, and the fees would be increasing 20%, as directed by the Legislature. Licensure and certification activities include, but are not limited to, review and processing of initial, extension, and supplemental applications; initial and biennial onsite compliance reviews; complaint investigations; administrative support; disseminating information to the public, governmental agencies, and stakeholders; updating and maintaining databases; policy, regulatory, and statutory development; provider training and technical assistance; and appeal processing for revocation or suspension of providers' licenses and/or certification.

A sample of current fees is provided in the table below. This does not include all fees and does not include the combined residential licensure and certification fee for licensed facilities seeking optional certification by DHCS.

Application Type	**FY 2023-24 Fee**	**FY 2024-25 Fee**	**FY 2025-26 Fee**	**FY 2026-27 Fee**
Initial Residential Licensure Application Fee	$3,660	$4,392	$5,270	$6,061
Initial Biennial Residential Licensure Fee	$389 (per bed)	$467 (per bed)	$560 (per bed)	$644 (per bed)
Dependent Children Application Fee (if not requested during initial licensure application)	$1,265	$1,518	$1,822	$2,095
Supplemental Application Fee (Per requested amendment)	$1,241	$1,489	$1,787	$2,055

Initial Outpatient Certification Application Fee	$3,517	$4,220	$5,064	$5,824
Initial Biennial Outpatient Certification Fee	$4,558	$5,470	$6,564	$7,549
Supplemental Application Fee (Per requested amendment)	$1,241	$1,489	$1,787	$2,055

e) **RRs**. An RR is a residence for people in recovery from SUDs. It may serve as support for individuals undergoing treatment but it does not provide treatment or care, whether medical or nonmedical. The state licensing requirements that govern treatment and care facilities do not currently include RRs. An RR may be completely self-governed or have formal onsite management. When there is onsite management, the manager's duties relate to the administration of the house rather than the tenants or their recovery. 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 that there were at least 12,000 sober living beds, like those offered in RRs, in the state to serve an eligible population of between 25,000 and 35,000 individuals. A 2021 article "*Estimating the Number of Substance Use Disorder Recovery Homes in the United States*" estimates there are 2,432 recovery homes in California. If an RR is providing any licensable services then it must obtain a valid RTF license from DHCS, and DHCS can investigate RRs alleged to be providing services without a license.

f) **DMC-ODS**. This bill would allow counties participating in the DMC-ODS waiver to request DHCS allow the county to conduct the site visit of an RR alleged to provide services without a proper license. DMC-ODS is a voluntary "opt-in" program for counties, allowing them to provide a more robust and integrated system of care than what was available under the standard Drug Medi-Cal program. The program provides a continuum of care modeled after the ASAM Criteria for SUD treatment services. As of January 1, 2025, 40 counties participate in DMC-ODS. If counties elect to provide RR as part of DMC-ODS those RRs must not provide services that require licensure by DHCS, all RR residents must be engaged in medically necessary SUD treatment off-site, and the county should develop guidelines for contracted RR providers and provide monitoring and oversight.

g) **State Audit**. In October 2024, the State Auditor released a report assessing the licensing of residential RTFs by DHCS. Key findings from the audit include:

i) Southern California contains a greater concentration of treatment facilities serving six or fewer residents (small facilities) than other parts of the state. However, state law allows facilities to be located near each other and have the same legal owners.

ii) DHCS consistently reviewed the 26 license applications that were assessed, and the application process is generally the same for all facilities. However, of the 26

compliance inspections of operating facilities that were reviewed, DHCS conducted only half of them on time.

iii) DHCS also took longer than its target of 30 to 60 days to investigate complaints against treatment facilities. For instance, it took more than a year to complete 22 of the 60 investigations reviewed in the audit. Additionally, DHCS did not always follow up on unlicensed facilities that it found were unlawfully advertising or providing services.

Based on these findings, the audit makes several operational recommendations to DHCS, including the following:

i) Provide management with information about the timeliness of compliance inspections and implement processes for notifying responsible staff of upcoming compliance inspections.

ii) Implement guidelines that specify the length of time analysts should take to complete key steps in the investigation process.

iii) Develop and implement a follow-up procedure when it has substantiated allegations of an unlicensed facility providing services.

In response to the audit, DHCS has made several operational changes. According to the State Auditor's website, in March 2025 DHCS implemented new protocols and processes and conducted the appropriate trainings to ensure supervisors are closely tracking the programs in need of inspections within their two-year windows. In 2025, DHCS began using a new digital platform to complete onsite inspection reports, which aids DHCS in sending providers reports more quickly, thereby improving the rate at which assignments are completed. In addition, in August 2024, DHCS revised its Complaints Operations Manual to clarify the requirement for case assignment within 10 days and updated the complaint intake process.

3) SUPPORT. The League of California Cities (CalCities) supports this bill stating that DHCS has often failed to conduct site visits and follow-ups to ensure illegal operations have stopped. CalCities notes that, in one example highlighted in the state audit, DHCS substantiated an allegation that an unlicensed facility was unlawfully providing services. However, the audit found no indication that DHCS followed up to verify the facility's claim that it had ceased operations, nor did it conduct a site visit to confirm compliance. CalCities argues that by setting clear timelines and expectations for investigations and follow-up, this bill improves accountability and outcomes using existing infrastructure and resources. CalCities concludes this bill empowers local governments to partner with the state to conduct site inspections and enforce licensing laws and that this collaboration allows the state to leverage local capacity to respond swiftly to violations, ensure compliance, and better protect public health and safety.

The California Association of Health Plans (CAHP) and the Association of California Life and Health Insurance Companies (ACLHIC) support this bill stating that California health plans actively safeguard consumers, providers, and purchasers from suspected fraud, waste, and abuse in the healthcare system. Health plans also work closely with state regulators on this issue. Therefore, CAHP and ACHLIC are supportive of any policy that would strengthen

the ability of their members – and state regulators – to quickly address instances of fraud, waste, and abuse while increasing transparency and oversight.

4) **OPPOSITION**. The County Behavioral Health Directors Association (CBHDA) opposes this bill stating that it stems from continued negative stigma around supportive recovery residences, and at its core, contains a fundamental framing issue as it relates to sober living homes and SUD treatment. CBHDA notes that, similar to their concerns with Senate Bill 35 (Umberg, 2025) which was held on the Assembly Appropriations Suspense File last year, there is redundancy in policy requiring DHCS to conduct investigations into sober living homes providing SUD treatment when they are not allowed to. CBHDA argues that, specifically, this issue is rooted in private entities advertising detoxification services or SUD treatment in their facilities, which then leads to unlicensed residential SUD treatment. While DHCS is already tasked with these investigations, the timelines proposed in this bill would lead to DHCS potentially exceeding its bandwidth. This bill proposes to create an option for DHCS to then delegate this function to county behavioral health agencies, which would include requiring counties to conduct investigations into private entities that counties do not contract with, nor have jurisdiction over. Delegating this responsibility to counties represents a significant liability risk, and a potential unfunded workload increase for county behavioral health agencies.

   The California Behavioral Health Planning Council (CBHPC) opposes this bill stating that, while it emphasizes the responsibility of DHCS to investigate allegations, the compressed timelines could limit DHCS' capacity to thoroughly complete investigations within the specified timeframes and potentially shift this responsibility to the counties where the alleged unlicensed facility is located. Given the already strained behavioral health workforce, it would be challenging for counties to dedicate staff to administer these duties and adhere to the tightened timelines without impacting direct services for beneficiaries. CBHPC argues this bill lacks funding provisions and inadequate guidelines regarding county reimbursement for work performed under the bill. Furthermore, the outlined mandates in the bill are outside the purview of county behavioral health departments considering counties do not have authority, oversight, or code enforcement jurisdiction over unlicensed facilities. This would require counties to provide training to designated teams without sufficient funding or guidance.

5) **RELATED LEGISLATION**.

   a) SB 329 (Blakespear) would require DHCS to meet specified timeframes for assigning complaints against, and completing investigations for, licensed adult residential alcohol or other drug RTFs. SB 329 is pending in the Assembly Appropriations Committee.

   b) AB 1779 (Davies) would require a licensed AOD RTF, certified AOD program, or laboratory that provides air transportation to provide round-trip transportation, and makes other requirements related to transportation provided to a person seeking recovery or treatment. Would also prohibit programs and RTF from specified practices to induce a person to enter or stay in a treatment or recovery program. AB 1779 is pending in the Senate Health Committee.

   c) 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 a violation of the prohibition a misdemeanor. AB 2614 was not heard in the Assembly Health Committee.

6) PREVIOUS LEGISLATION.

a) 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 RTFs and certified AOD programs included on the Probationary Status, Temporary Suspension Order, Revoked and Notice of Operation in Violation of Law Program List.

b) SB 35 (Umberg) of 2025 was identical to this bill. SB 35 was held on the Assembly Appropriations Committee suspense file.

c) AB 424 (Davies), Chapter 261, Statutes of 2025, requires DHCS, when it receives a complaint from a member of the public about a licensed AOD RTF, or a facility alleged to be providing services without a proper license, to provide specified notification to the person who filed the complaint.

d) AB 2574 (Valencia), Chapter 410, Statutes of 2024, requires licensed RTFs and certified AOD programs to disclose to DHCS if any of its agents, partners, directors, officers, or owners own or have a financial interest in an RR and whether it has contractual relationships with entities that provide recovery services to clients of certified programs or licensed facilities if the entity is not a part of a certified program or a licensed facility.

e) SB 913 (Umberg) of 2024 would have permitted a city attorney of a city in which the housing units are located, or a county counsel or county behavioral health agency if the housing units are located in the unincorporated area of the county, with the consent or approval from DHCS, to enforce specified "anti-kickback" laws related to, and to conduct an announced or unannounced site visit to, RTFs. SB 913 was held on the Senate Appropriations Committee suspense file.

f) AB 2081 (Davies), Chapter 376, Statutes of 2024, requires AOD programs and RTFs to disclose to the public and provide a link to DHCS's website containing information about the status of certification or licensure and of the AOD program or RTF's current standing.

g) SB 992 (Hernández), Chapter 784, Statues of 2018, among other things, prohibits RTFs from denying admission to individuals solely for having valid medications to aid in their recovery; permits DHCS to take action against an entity with multiple DHCS licenses when of the licensed RTF violates RTF law; and, prohibits an entity from seeking licensure within five years of having a previous license revoked for violating RTF law.

h) SB 1228 (Lara), Chapter 792, Statutes of 2018, prohibits specified persons, programs, or entities under DHCS's purview from giving or receiving remuneration or anything of value for the referral of a person who is seeking recovery and treatment services (known as "patient brokering").

7) **POLICY COMMENT.** Trailer bill language proposed by the administration ("Aligning Evidence-Based Standards for SUD Treatment") would also amend HSC § 11834.31. If that language is ultimately adopted by the Legislature and signed by the Governor, it would become existing law and create a chaptering conflict for this bill.

8) **COMMITTEE AMENDMENTS**.

   a) As currently drafted, this bill requires initial reporting on money transfers no later than July 15, 2026, before this bill would take effect if signed into law. The committee should delay this requirement to July 15, 2027.

   b) DHCS has outlined a 120-working day timeframe as the length of time analysts should take to complete key steps in the investigative process for low, medium, and high-level complaints, recognizing that additional time to complete an investigation may be approved on a case-by-case basis, including matters requiring assistance from DHCS' Office of Legal Services and cases requiring action against a program's licensure (including suspension or revocation). The committee may wish to amend this bill to align with those investigative timelines.

   c) This bill currently allows counties to request the permission of DHCS to conduct a site visit of a recovery residence that they do not have any jurisdictional or oversight role. The committee way wish to amend this bill to specify that a county can request permission to conduct a site visit as part of a DHCS investigation of a recovery residence that the county has a contract with.

REGISTERED SUPPORT / OPPOSITION:

Support

Association of California Cities - Orange County (ACC-OC)
Association of California Life & Health Insurance Companies
California Association of Health Plans
City of Beverly Hills
City of Carlsbad
City of Irvine
City of LA Mesa
City of Los Alamitos
City of Newport Beach
City of Paramount
City of Placentia
City of Rocklin
City of Thousand Oaks
League of California Cities

Opposition

California Behavioral Health Association
California Behavioral Health Planning Council
County Behavioral Health Directors Association

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