Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 503 (Weber Pierson) – As Amended July 17, 2025

Policy Committee:	Health	Vote:	16 - 0
	Privacy and Consumer Protection		13 - 0

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

SUMMARY:

This bill requires developers and deployers of artificial intelligence (AI) systems identify AI systems used in certain health care applications that may risk biased impacts, and make reasonable efforts to mitigate risk of bias. The bill requires use of an independent third-party auditor to assess compliance with the duties to mitigate risks of bias.

Specifically, this bill:

1) Specifies developers and deployers of AI systems have an ongoing duty to make reasonable efforts to identify AI systems used to support clinical decision-making or health care resource allocation that are known or have a reasonably foreseeable risk of biased impacts in the system's outputs resulting from use of the system in health programs or activities.

2) Requires developers and deployers make reasonable efforts to mitigate the risk for biased impacts in the system's outputs resulting from use of the AI systems in item 1, above, in health programs or activities.

3) Requires deployers regularly monitor AI systems in item 1, above, and take reasonable and proportionate steps to mitigate any bias that may occur.

4) Provides that, for purposes of this bill, a person, partnership, state or local governmental agency, or corporation may be both a developer and a deployer.

5) Requires, beginning January 1, 2030, and at least annually thereafter, a developer submit their AI systems to an independent third-party auditor to assess whether the developer has complied with their duties pursuant to items 1 through 3, above.

6) Requires a developer subject to item 5, above, make a high-level summary of the results of the required audit publicly available, at no cost, on the developer's internet website.

7) Defines the following terms, among others:

    a) "Biased impact" means an unintended adverse impact, including diminished access to health care, quality of care, or outcomes, on an individual based on their protected characteristics.

b) "Deployer" means a person, partnership, state or local governmental agency, corporation, or developer that uses an AI system to support clinical decision-making or health care resource allocation.

c) "Developer" means a person, partnership, state or local governmental agency, corporation, or deployer that designs, codes, substantially modifies, or otherwise produces an AI system for commercial or public use to support clinical decision-making or health care resource allocation.

d) "AI" is defined by reference to a provision in the Government Code.

e) "Protected characteristic" means a characteristic listed in the Unruh Civil Rights Act.

8) Provides that this bill does not supplant or replace any other applicable provision of state law regulating the use of AI or automated decision systems, and compliance with this section may not be used as a defense to a claim of unlawful discrimination.

FISCAL EFFECT:

The California Department of Public Health (CDPH) estimates costs of approximately $9.3 million in fiscal year (FY) 2026-27 and FY 2027-28 and $9.1 million in FY 2028-29 to develop regulations and ensure compliance (Licensing and Certification Fund).

Costs to the University of California (UC) of an unknown but potentially significant amount. According to UC Office of the President (UCOP), costs for vendor auditing will likely be passed on to UC health systems. UCOP also states the third-party audit requirement will disincentivize AI development within academic medical centers by adding substantial new cost for implementing internally-developed AI solutions. UCOP indicates these costs would reduce hospital revenue and create cost pressures for UC and the General Fund.

CDPH states it must (1) develop regulations defining "reasonable efforts" to mitigate risk for biased impacts in the AI system's outputs and (2) survey health facilities to ensure the facilities are making reasonable efforts to identify AI systems used to support clinical decision-making or health care resource allocation and to mitigate the risk for biased impacts in the system's outputs. CDPH estimates it will require 47 to 47.5 full-time equivalent (FTE) positions in FY 2026-27 through FY 2028-29, and 46.5 ongoing FTE positions starting FY 2029-30 to survey health facilities to ensure they are making reasonable efforts to identify AI systems used to support clinical decision-making or health care resource allocation and making reasonable efforts to mitigate the risk for biased impacts in the AI system's outputs.

COMMENTS:

1) **Purpose.** According to the author:

> [This bill] is a crucial step towards ensuring fairness in healthcare by addressing the racial biases embedded in AI models and systems. This technology is becoming more prevalent in healthcare, yet research has shown that these systems can produce biased outputs that disproportionately affect communities of color. Without proper oversight, these biases can go unchecked, deepening existing

> disparities in our healthcare system. This bill will require collaboration between developers and healthcare facilities to identify AI tools used in the delivery of patient care and proactively work towards meaningfully reducing bias. By requiring identification, mitigation, and oversight, [this bill] will help promote safety, equity, and exceptional performance while protecting patients against avoidable harm.

2) **Background.** As noted in the background paper for the Assembly Health Committee and Assembly Privacy and Consumer Protection Committee Joint Informational Hearing on Generative AI (GenAI) in health care, AI algorithms, machine learning, and predictive AI models of varying degrees of sophistication have been developed and deployed for years. After recent advances, particularly in natural language processing, interest in and use of AI health care applications have proliferated. AI systems are often trained on historical datasets, which may underrepresent certain demographic groups and frequently overrepresent white individuals, who have historically accessed healthcare at higher rates than people of color. As a result, the outputs of such systems may perpetuate or exacerbate existing health disparities. For example, an AI tool developed by a health care company and used by providers across the country to offer care management services was found to assign Black patients lower likelihoods of adverse health outcomes than equally at-risk white patients. The authors determined the bias resulted from the tool having been designed to predict health care costs instead of needs: because the health care system has historically spent less on care for Black patients than white patients for the same health conditions, the tool was making a prediction that mirrored and perpetuated past discrimination. Another example showed bias in double-booking appointments for patients from marginalized populations.

3) **Stakeholder Concerns.** The California Hospital Association (CHA) supports this bill if amended to remove the requirement for use of an independent third-party auditor. CHA contends these companies do not exist in health care. CHA expresses concerns about potentially very high costs to developers for such audits, and notes the high costs would be passed on to deployers.

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