MEDICAL BOARD OF CALIFORNIA
LEGISLATIVE ANALYSIS

BILL NUMBER:	AB 2311
AUTHOR:	Schiavo
BILL DATE:	July 2, 2026, Amended
SUBJECT:	Health Care District: Employment
SPONSOR:	Association of California Healthcare Districts
POSITION:	Oppose

DESCRIPTION OF CURRENT LEGISLATION

Allows, until January 1, 2037, general acute care hospitals owned or controlled by a health care district to directly employ physicians and surgeons and charge for their professional services, under certain conditions. Requires hospitals that hire physicians with this authority to publish certain reports online on an annual basis.

RECENT AMENDMENTS

On July 2, 2026, AB 2311 was amended to add the following additional qualification criteria:

- The hospital is a licensed acute care hospital, as defined in subdivision (a) or (b) of Section 1250 of the Health and Safety Code, and satisfies either of the following conditions:
    - Was awarded a loan under the Distressed Hospital Loan Program, as specified, before January 1, 2025.
    - As of January 1, 2025, the hospital and health care system has a combined Medicare and Medi-Cal payor mix greater than 75 percent, as specified.

BACKGROUND

Pursuant to the California Medical Practice Act (the Act), only a natural person who is licensed by, and in good standing with, the Medical Board of California (Board) or the Osteopathic Medical Board of California may practice medicine in this state (see Business and Professions Code (BPC) section 2052).

BPC section 2400 states that corporations or other artificial legal entities have no professional rights, privileges, or powers to practice medicine – this is generally referred to as the ban on the corporate practice of medicine (CPOM).

The CPOM doctrine generally 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.

BPC section 2401 provides certain exceptions to the CPOM and allows the following facilities to employ physicians and charge for their professional services while also prohibiting those entities from interfering with, controlling, or otherwise directing professional judgment:

- Public or nonprofit medical school clinics operated primarily for medical education.
- Nonprofit clinics that have been conducting medical research since prior to 1982.
- Narcotic treatment programs regulated by the Department of Health Care Services.
- Charitable hospitals that provide only pediatric subspecialty care.
- Federally certified critical access hospitals.

The Board has published guidance on its website to help licensees comply with the CPOM.

ANALYSIS

According to the author (as stated in the analysis prepared by the Assembly Committee on Business and Professions):

> "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."

AB 2311 authorizes until January 1, 2037, a health care district, or a nonprofit corporation with a health care district as its sole corporate member, that owns or controls a general acute care hospital to employ licensees and charge for professional services rendered by those licensees, provided all of the following conditions are met:

The hospital is a licensed acute care hospital, as specified, and satisfies either of the following conditions:

- Was awarded a loan under the Distressed Hospital Loan Program before January 1, 2025.

- As of January 1, 2025, the hospital and health care system to which is belongs, has a combined Medicare and Medi-Cal payor mix greater than 75 percent, in conformance to certain determinations and guidance by the HCAI.

- The medical staff concurs by an affirmative vote, pursuant to the medical staff bylaws, that the licensee's employment is in the best interest of the communities served by the hospital.

- The health care district or nonprofit corporation, and any hospital under its ownership or control, shall not interfere with, control, or otherwise direct the professional judgment of a physician and surgeon.

- The licensee positions employed by the health care district or nonprofit corporation are in addition to, and do not supplant, any licensee positions providing professional services as a member of the medical staff at any hospitals owned or controlled by the health care district or nonprofit corporation, as of January 1, 2026. This requirement does not prohibit a health care district or nonprofit corporation from negotiating or amending existing contracts for professional services upon mutual agreement of the parties to the contract.

- The health care district or nonprofit corporation shall affirmatively offer a licensee who is a prospective employee the option to contract with the facility in lieu of employment.

A qualifying health care district or nonprofit corporation, that is employing licensees and charging for professional services rendered by those licensees to patients under this subdivision shall publish (starting in 2028) on its internet website, on or before July 1 of each year, a report for any year in which that health care district or nonprofit corporation has employed or is employing licensees and charging for professional services rendered by those licensees to patients. The report shall include data about the ability of general acute care hospitals under the health care district's or nonprofit corporation's ownership and control to recruit and retain physicians and surgeons during the prior year, as well as the total number of physicians and surgeons recruited and retained to date since January 1, 2027, reported separately by employment and contracted positions.

The bill includes a sunset date of July 1, 2037, upon which the current BPC section 2401 will become effective again.

Sponsor's Arguments

The Association of California Healthcare Districts (ACHD) is the sponsor of this bill. The ACHD writes:

> "Currently, district hospitals are the only public hospitals in the State that cannot directly employ physicians. Of the 33 wholly owned and operated districts hospitals, 17 already have access to this tool through their critical access designation. The remaining district hospitals, however, must rely on contracting with physician groups, or individual doctors to provide care. As a result, district hospitals are forced to compete in competitive labor markets without the tools necessary to do so. Specifically, AB 2311 would allow district hospitals to employ physicians directly with clear guardrails preventing any interference with clinical judgement."

Opponent's Arguments

Opponents to AB 2311 generally argue that the ban on the CPOM is intended to prevent corporate or institutional influences (e.g., related to financial considerations or political pressures) from overriding a physician's clinical decision making. They indicate that California law has for a long time limited these employment arrangements so that physician independence is preserved.

FISCAL: Minor and absorbable enforcement costs are anticipated.

SUPPORT:
Alzheimer's Association
Antelope Valley Healthcare District
California Hospital Association
California Special Districts Association
Community Services Agency
Del Puerto Health Care District
Desert Healthcare District and Foundation
District Hospital Leadership Forum
Fallbrook Healthcare District
Health Petaluma District & Foundation
Imperial Valley Healthcare District
Kaweah Health
Lompoc Healthcare District
Northern Inyo Healthcare District
Palomar Health
Plumas District Hospital
Ravenswood Family Health Network
Salinas Valley Health
Santa Clara Family Health Plan
Sierra View Medical Center
Soledad Community Health Care District
Sonoma Valley Health Care District

OPPOSITION:
CA Chapter of the American College of Emergency Physicians
El Camino Health
Washington Township Healthcare District

Washington Health

ATTACHMENT: AB 2311, Schiavo. Health Care Districts: Employment.
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