July 22, 2025

The Honorable Anna Caballero
Chair, Senate Appropriations Committee
1021 O Street, Room 7620
Sacramento, CA 95814

RE: AB 1018 (Bauer-Kahan) – Oppose Unless Amended

Dear Senator Caballero:

On behalf of our broad coalition representing physicians, hospitals and health systems, pharmaceutical research, health plans, and other health care stakeholders, we write to express our respectful **oppose unless amended** position on AB 1018 (Bauer-Kahan) regarding artificial intelligence (AI).

As key stakeholders in California's health care system, we are concerned that this legislation, while well-intentioned, would harm patient care, exacerbate existing health disparities, and negatively impact the overall health care delivery system. The California Legislature and voters have recognized the unique nature of health information and health care entities and exempted them from the California Consumer Privacy Act of 2018 at Civil Code Section 1798.145 and 1798.146(a). The Legislature should do the same regarding AI in health care.

AI has the potential to improve nearly every aspect of healthcare, including quality, patient experience, and affordability.

At the same time, the health care industry faces unique considerations when using AI. Health care leaders and policymakers must understand and balance potential benefits and risks to ensure that AI is used safely, effectively, and equitably in the health care arena.

The regulatory framework created by AB 1018 is overly broad. It captures existing AI tools and systems that have been used successfully in health care for many years. This over-breadth coupled with overly restrictive requirements would create enormous administrative complexity and burden without a corresponding benefit to patients. It would also hinder technological advancements and exacerbate existing health disparities by impacting the ability of some of our organizations to leverage AI tools to improve patient outcomes and the health of the populations they serve.

Currently we believe the bill would negatively affect health care in the five major areas listed below.

1. **Patient Care:** AI has the potential to significantly enhance patient care by providing more accurate diagnostics, predicting patient deterioration, and personalizing treatments. Over-regulating AI will result in slower
deployment of these critical tools, ultimately depriving patients of timely and potentially life-saving interventions.

2. **Equity:** Overly burdensome requirements will exacerbate existing health disparities if only larger, highly resourced organizations are able to meet the requirements necessary to implement AI tools and technologies that improve patient outcomes and experience.

3. **Regulatory Overreach and Duplication**: Health care is already highly regulated. This bill would impose strict regulatory requirements on the development and implementation of AI technologies, stifling innovation and slowing the adoption of beneficial AI tools that can improve patient outcomes. Existing statutory and regulatory requirements already hold entities accountable for the use of AI tools.

4. **Increased Costs**: The compliance costs associated with AB 1018 would be substantial. These costs would be passed on to payers and ultimately individual Californians, leading to higher health care expenses. In a state already grappling with high health care costs, it is crucial to avoid policies that would exacerbate this issue. These costs will place additional strain on our already fragile public health infrastructure, as public hospitals and health systems will be required to absorb significant compliance expenses associated with hiring external entities to conduct audits.

5. **Required use of unregulated compliance entities:** Beginning in 2030, AB 1018 requires developers to contract with third-party auditors to assess compliance. This mandate raises several concerns, particularly for regulated health care entities, which may be forced to pay for costly audits conducted by unregulated third parties who may lack the necessary health care expertise to accurately evaluate systems. These third party audits will be tasked with evaluating AI tools that have been used in health care for decades. Even health care providers that are merely deployers of ADS—not developers—could face financial impacts, as the costs of these audits are likely to be passed down to end users.

6. **Innovation and Competitiveness**: California is a leader in technological innovation, particularly in the health care sector. By imposing onerous regulations on AI, AB 1018 would slow innovation in the state, not only harming California's economy but also putting California's patients at risk of not being able to access the best available technologies in medicines.

For these reasons, the organizations listed below are **oppose unless amended** to exempt health care entities, We remain committed to collaborating with the author, legislature, and administration regarding this bill. We look forward to achieving the shared goals of improving patient outcomes, ensuring access to physicians, keeping our hospitals open, and reducing health care costs through responsible and ethical AI integration in health care.

AdvaMed
Darbi Gottlieb, Director
State Government Affairs

The American College of Obstetricians and Gynecologist (ACOG)
Ryan Spencer, Legislative Advocate

America's Physician Groups
Bill Barcelona, Executive Vice President
Government Affairs

California Association of Health Plans
Olga Shilo, Director of Legislative Affairs

California Hospital Association
Mark Farouk, Vice President
State Advocacy

California Medical Association
George Soares, Legislative Advocate

California Life Sciences
Sam Chung, Vice President
State Government Relations

California Radiological Society
Ryan Spencer, Legislative Advocate

Kaiser Permanente
Mary June (MJ) Diaz, Sr Legislative Rep

Sutter Health
Joe Gregorich, Vice President
State Government Affairs

Cc: The Honorable Rebecca Bauer-Kahan
        The Honorable Members of the Senate Appropriations Committee
        Liah Burnley, Consultant, Senate Appropriations Committee
        Tim Conaghan and Joe Parra, Health Policy Consultants, Senate Republican Caucus