



March 17, 2023

The Honorable Jim Wood, DDS
Chair, Assembly Health Committee
State Capitol, Room 5114
Sacramento, CA 95814

SUBJECT: AB 1392 (Rodriguez) — OPPOSE UNLESS AMENDED

Dear Assembly Member Wood:

Hospitals across California care for their communities in all ways. While they care for patients inside their facilities, hospitals also strive to support and uplift the businesses in their communities. One of the ways this is done is through the Hospital Supplier Diversity Program, established in Assembly Bill (AB) 962 in 2019. Under the statute, hospitals must submit an annual report to the Department of Health Care Access and Information (HCAI) on their minority, women, LGBT, and disabled veteran business enterprise procurement efforts to help inform future regulations.

In light of the efforts that are already under way, the California Hospital Association is opposed to AB 1392 unless it is amended as follows:

- **Delay the requirement that hospitals must develop detailed and verifiable plans until 2027. This would allow HCAI to collect five years of data and would give the Hospital Supplier Diversity Commission, established in AB 962 to advise HCAI, time to evaluate and develop recommendations for the state's consideration.**
- **Similar to hospital community benefit assessments, extend the plan submission requirements from annually to every three years. Because the strategy to increase supplier diversity can often take time to develop and mature, there is not much change year over year.**
- **Delete the \$100 per day penalty for not reporting to HCAI.**

Additionally, it is important to note that hospitals routinely participate in group purchasing organizations (GPOs) to save money on the supplies and services they need to deliver patient care. Purchasing through GPOs allows both larger health systems and small critical access hospitals to pool the buying power of multiple providers to negotiate the best prices.

Hospitals do not control from where GPOs purchase their supplies and services. For the supplies and services that hospitals directly purchase, hospitals are doing what they can to increase procurement diversity. For example, hospitals do obtain some *services* — like non-core staffing and information technology — from local, diverse providers. However, increasing diversity among *suppliers* is more

challenging due to a lack of manufacturing choices in some areas.

While hospitals and health systems support supplier diversity, the author and committee should allow the current Hospital Supplier Diversity Program to mature and the Hospital Supplier Diversity Advisory Committee to complete its work prior to implementing additional requirements. If you have any questions, please contact me at vgonzalez@calhospital.org.

Sincerely,



Vanessa Gonzalez
Vice President, State Advocacy

cc: The Honorable Freddie Rodriguez
The Honorable Members of the Assembly Health Committee
Lara Flynn, Consultant, Assembly Health Committee
Gino Folchi, Consultant, Assembly Republican Caucus