



September 13, 2023

The Honorable Gavin Newsom  
Governor, State of California  
1021 O St., Suite 9000  
Sacramento, CA 95814

**SUBJECT: AB 242 (Wood) – REQUEST FOR SIGNATURE**

Dear Governor Newsom:

California continues to face serious challenges in meeting the physician needs of its population, particularly in primary care. This challenge is even more pronounced for the 28% of California’s population that lives in a Health Professional Shortage Area — a geographic area, population, or facility with a shortage of primary care, dental, or mental health providers and services.

Five regions of California fall short of the recommended supply of primary care providers — and all but one of those five are considered rural: San Joaquin Valley, Inland Empire, Northern and Sierra, Central Coast, and Los Angeles County. Kern County, for example, has an average of only 47 primary care physicians per 100,000 people, well below the federally recommended per capita average of 60-80 primary care providers. Kern County, where almost 50% of the population is Hispanic, also has the worst ranking for poor health and overall health outcomes in California.

**This is why the California Hospital Association strongly supports Assembly Bill (AB) 242, which would help alleviate the shortage by eliminating the sunset to a pilot program that is set to expire this year and make permanent the authority for critical access hospitals (CAHs) — which must be rural and remote — to directly hire physicians.**

In 2016, the implementation of AB 2024 was successful in creating a seven-year exemption to California’s ban on the corporate practice of medicine for the state’s 36 CAHs. Under AB 2024, CAHs were allowed to directly employ physicians and charge for the professional services they provide to patients. Many CAHs successfully hired and retained physicians under this pilot program.

The success of the pilot program is noted in the Department of Health Care Access and Information’s July 2023 *Report to the Legislature* on AB 2024. Among the report’s key findings:

- CAHs believe it is beneficial to have the option to offer physicians a choice of being an employee or an independent contractor.
- Hospital leaders also reported a trend among new physicians seeking employment, as employment provides more stability, and health and retirement benefits.

CAHs serve as the centerpiece of economic viability, providing jobs for residents of rural and remote communities, along with resources for development. The ability to directly hire physicians directly impacts recruitment and retention, stabilizing access to care. Making this employment option permanent for CAHs helps ensure access to high-quality health care in our most rural and remote communities — with little to no cost to the state.

**For these reasons, CHA and its more than 400 hospital and health system members respectfully ask for your signature on AB 242.**

If you have any questions, please reach out to me at [rberdugo@calhospital.org](mailto:rberdugo@calhospital.org).

Sincerely,



Ronald Berdugo  
Vice President, State Advocacy

cc: The Honorable Jim Wood  
Sam Miller, Deputy Legislative Secretary and Chief of Legislative Operations, Office of the Governor