



**ASSEMBLY BILL 2024:
REPORT TO THE LEGISLATURE**

JULY 2023



2020 WEST EL CAMINO AVENUE, SUITE 1222 • SACRAMENTO, CA 95833

PHONE: (916) 326-3700 • EMAIL: WORKFORCEDATA@HCAI.CA.GOV

"A healthier California where all receive equitable, affordable, and quality health care"

State of California

Gavin Newsom, Governor

Health and Human Services Agency

Mark Ghaly MD, MPH, Secretary

Department of Health Care Access and Information

Elizabeth Landsberg, Director

Office of Health Workforce Development

Caryn Rizell, Deputy Director

TABLE OF CONTENTS

BACKGROUND	2
INTRODUCTION.....	3
KEY FINDINGS	4
DATA COLLECTION.....	4
SURVEYS	4
HOSPITAL ANNUAL REPORTS.....	9
KEY INFORMANT INTERVIEWS.....	10
Hospital Administration Interviews	10
Physician Interviews.....	12
DATA GAPS AND CHALLENGES	14
CONCLUSION	14

BACKGROUND

Department of Health Care Access and Information

The Department of Health Care Access and Information (HCAI), formerly the Office of Statewide Health Planning and Development (OSHPD), was created in 1978 to provide the state with an enhanced understanding of the structure and function of its healthcare delivery systems. Since that time, HCAI's role has expanded to include delivery of services that promote equitable access to health care for all Californians.

HCAI is a leader in collecting data and disseminating information about California's healthcare infrastructure, promoting an equitably distributed healthcare workforce, and publishing valuable information about healthcare outcomes. HCAI also monitors the construction, renovation, and seismic safety of hospitals and skilled nursing facilities and provides loan insurance to facilitate the capital needs of California's nonprofit healthcare facilities. These programmatic functions are advised by several boards and commissions.

HCAI serves as the building department for hospitals and skilled nursing facilities operating within California. Its primary goal is to promote patient safety by ensuring that each facility remains functional in the event of a natural disaster.

HCAI collects, analyzes, and disseminates information about hospitals, skilled nursing facilities, clinics, and home health agencies licensed within California. Examples of facility information include financial reports, service utilization data, and quality of care data.

To promote a diverse and culturally competent workforce, HCAI analyzes California's healthcare infrastructure and workforce needs. HCAI addresses the state's healthcare workforce needs by providing direct grant funding to medical schools, nursing programs and other healthcare training institutions. HCAI also offers scholarships and loan repayments to students and health professionals who agree to provide patient care in medically underserved areas. Scholarship and loan repayments are offered for allied health, nursing, behavioral health, dental, and other medical professions.

The California Health Facility Construction Loan Insurance Program (known as the CalMortgage Program) offers loan insurance to nonprofit and public health facilities for the development and expansion of healthcare services throughout California.

HCAI is also advancing healthcare affordability across the state. Established in 2022, the Office of Health Care Affordability (OHCA) analyzes California's healthcare market for cost trends and drivers of spending, enforces health care cost targets, and conducts cost and market impact reviews of proposed healthcare consolidations. The Health

Care Affordability Board will advise on key activities and approve specific aspects of OHCA's work, with input from an Advisory Committee and the public. To drive toward a high-value system, in addition to cost targets, OHCA will measure and publicly report on quality, equity, adoption of alternative payment models, investment in primary care and behavioral health, and workforce stability.

Additionally, in response to increasing prescription drug prices, the state has established the CalRx Biosimilar Insulin Initiative. HCAI will start by partnering to develop, manufacture, and distribute short- and long-acting types of insulin products.

INTRODUCTION

Until January 1, 2024, Business and Professions Code §2401 (Assembly Bill (AB) 2024, Chapter 496, Statutes of 2016) authorizes federally certified critical access hospitals (hospitals) to employ licensees (physicians and surgeons) and charge for professional services rendered by those licensees to patients if the hospitals meet the following conditions:

The medical staff vote and concur that the licensee's employment is in the best interest of the communities the hospital serves.

The hospital does not interfere with, control, or direct a licensee's professional judgment in a manner prohibited by law.

Between July 1, 2017, and July 1, 2023, AB 2024 requires hospitals to submit a report to the Department of Health Care Access and Information (HCAI) for any year in which that hospital has employed or is employing licensees and charging for professional services rendered by those licensees to patients. The bill also requires HCAI, by July 1, 2023, to provide a report to the Legislature containing data on the impact of this authorization on hospitals and their ability to recruit and retain physicians and surgeons.

This report highlights HCAI's quantitative and qualitative data collection and reporting of AB 2024's impact on physician recruitment and retention, as well as some data gaps and challenges. This report also summarizes themes and takeaways from surveys and key informant interviews with physicians and hospital administrators. The interview questions focused on benefits of employment and contracting, challenges for rural hospitals, and the bill's impact on the physicians and hospitals.

The data and interviews collected show hospitals benefitted from AB 2024 as they were able to recruit and directly employ physicians. The success of this program has some hospitals worried that the sunset of AB 2024 could significantly impact their ability to hire.

KEY FINDINGS

- Some hospitals were able to directly employ physicians using AB 2024 authority.
- Rural hospitals have unique challenges with recruiting and retaining physicians, including having the support of a spouse to live in a rural area.
- Loan repayment and loan forgiveness programs are important incentives for physicians when accepting work at hospitals in rural areas.
- There are several factors important to physicians when accepting a position at a rural hospital (e.g., lifestyle and the relationship between hospital administration and medical staff).
- Hospitals found that AB 2024 was a valuable tool for physician recruitment.
- Some of the hospitals reported that if AB 2024 ends they will see a negative impact on recruitment and retention in their hospitals.
- There are both benefits and limitations to either employing or contracting with physicians.

DATA COLLECTION

HCAI used the following methods to collect quantitative and qualitative data pertaining to AB 2024:

- Surveys
- Required hospital annual reports
- Key informant interviews

SURVEYS

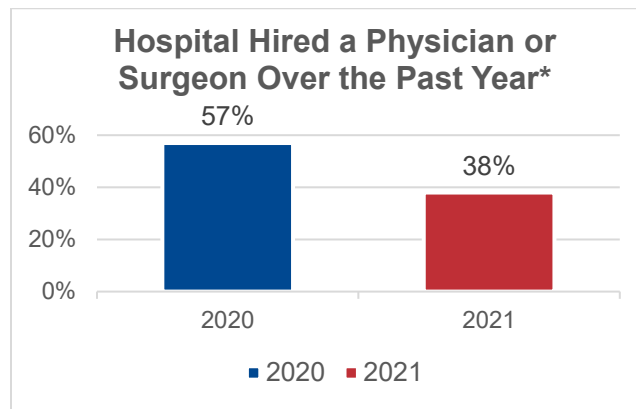
Survey Time Period	Hospitals Submitted Survey	Survey Response Rate
2020	31/35	89%
2021	16/35	46%
2022 (April)	13/36	36%
2022 (October)	19/36	53%

HCAI conducted four surveys from 2020 through 2022. The response rate was the highest during the first year of the survey and then declined over subsequent years. The table above represents survey time periods and response rates.

HCAI developed survey instruments to collect the following data:

- Active recruitment of physicians and/or surgeons.
- Use of AB 2024 as a tool for recruitment of physicians and/or surgeons.
- Impact of AB 2024 on the recruitment and retention of physicians and/or surgeons.
- Impact of the AB 2024 sunset date on the hospitals' ability to recruit and retain physicians and/or surgeons.

This section of the report includes a summary of the quantitative survey findings from 2020-2022.



*Question was not included in 2022 surveys.

Most of the hospitals that responded to the survey had been actively recruiting for a physician for six months to over one year. The number of hospitals hiring physicians dropped from 2020 to 2021.

# of Hospitals Actively Recruiting for a Physician or Surgeon	2020	2021	2022 (April)	2022 (October)
Yes	17	13	13	16
No	18	3	0	3

In 2020, approximately half of hospitals actively recruited a physician or surgeon. In 2021, most hospitals were actively recruiting for a physician or surgeon and that increased to 100 percent in April 2022.

# of Hospitals Using AB 2024 as Recruitment Tool	2020	2021	2022 (April)	2022 (October)
Yes	7	8	8	12
No	10	5	4	7

Hospitals utilized AB 2024 to hire physicians and surgeons. Most hospitals reported that being able to offer a guaranteed salary and benefits allowed them to hire physicians who would not have accepted positions in a rural location if they could not be a direct employee. A few hospitals reported that they did not have a need for AB 2024 since their business model is to have physicians as independent contractors and some also expressed concerns about using AB 2024 and what would happen if/when the law sunsets. Hospitals reported the following on their ability to directly hire physicians:

- The law helped with recruitment of some physicians with work visas and for those recruited from outside California where direct employment is more common.
- The law helped physicians feel more stable and allowed them to access benefits.
- Employed physicians have a more consistent presence, dedicated schedule, and involvement in hospital operations, quality, and mentoring.
- Employing physicians gave hospitals the ability to provide necessary services to the community.

Length of Time Hospitals Spent Recruiting a Physician or Surgeon*	2020	2021
Less than 6 months	2	2
Between 6-12 months	5	5
More than 12 months	10	6

*Question was not included in 2022 surveys.

When asked about some of the challenges hospitals faced with physician recruitment, most reported a low number of applicants and the rural location of the hospital as primary issues. Hospitals also reported that housing availability, the national shortage of available professionals, and the pandemic-driven recruitment holds also contributed to recruitment challenges. Some of these challenges contributed to most recruitments taking longer than 12 months to fill.

Impact of AB 2024 on Recruitment*	2022 (April)	2022 (October)
Yes	5	11
No	3	1

*Question was not included in 2020 or 2021 surveys.

HCAI asked the hospitals if AB 2024 had an impact on recruitment. Most of the hospitals reported a positive impact. One hospital stated that they had not yet found a physician and one stated that the physicians did not stay long even with their employed status. Hospitals reported the following positive impacts on recruitment due to AB 2024:

- Physicians appreciated having the option to be employed.
- Employing physicians allowed hospitals to provide paid time off, health/vision/dental insurance, and retirement benefits.
- Many new physicians will only work for employers with affordable family benefits.
- Employed physicians do not incur billing overhead, which is a burden.
- It would have been significantly more challenging for some hospitals to recruit physicians without AB 2024.

Impact of AB 2024 on Retention	2020	2021	2022 (April)	2022 (October)
Yes	12	6	5	11
No	11	7	4	1
Unsure	N/A	1	N/A	N/A

HCAI asked the hospitals if AB 2024 has had an impact on retention. Most of the hospitals reported a slightly higher positive impact except in 2021. In October 2022, 11 out of 12 hospitals reported a positive impact on retention. Hospitals reported the following positive impacts on retention due to AB 2024:

- Employed physicians had a more meaningful connection to the hospital and community.
- Physicians employed by hospitals were able to focus on patient care instead of running an independent practice.
- Hospitals were able to attach some benefit to longevity within the organization, such as retirement plans, vesting, and enhanced paid time off accruals. Employed physicians were willing to commit to longer periods of service because they understood the impact that employment had on their benefits over time, as opposed to contract physicians.
- Prior efforts to attract and retain physicians did not work due to the remoteness of the area, low volume, and payer mix.
- Employing physicians helped integrate physicians into a hospital, made them active members of the team, and allowed them to be part of the organization's culture, processes, decisions, and other projects, which improved retention.
- Employing physicians allowed hospitals to show accurate pay with deductions when lenders wanted to see a guaranteed wage statement, which allowed physicians to relocate and live in the community.

A few hospitals were still unable to hire a physician despite AB 2024 and had difficulty retaining physicians in a rural setting.

Hospitals' Ability to Recruit/Retain Physicians Affected When AB 2024 Ends*	2022 (April)	2022 (October)
Yes	7	12
No	6**	7

*Question was not included in 2020 or 2021 surveys.

**Two hospitals answered "no," but, in their comments, they stated it would affect their ability to recruit/retain physicians.

HCAI asked the hospitals if the end of AB 2024 will affect their ability to recruit and/or retain physicians. In both April and October 2022, two hospitals stated that they have not used AB 2024. In April 2022, three hospitals stated they either do not feel it has been helpful, have limited needs or openings for physicians, or do not hire physicians and would rely on contracted employees. In April and October 2022, more than half of the hospitals stated that it would affect their recruitment and retention efforts not to be able to employ physicians. Hospitals reported the following impacts on recruitment and retention when AB 2024 sunsets:

- One hospital stated it will be devastating to some hospitals' ability to survive if they can no longer employ physicians when AB 2024 ends. Due to the remote area and low volume, the only way to recruit and retain physicians and surgeons, especially new physicians, is through employment.
- Being unable to employ physicians will increase hospitals' recruiting expenses, which could impact the hospitals' ability to offer benefits, retirement plans, health insurance, and other incentives.
- Hospitals may be unable to find physicians willing to be independent contractors.
- One hospital stated it will likely lose physicians to other states that offer direct employment.

Beneficial if AB 2024 Was Extended*	2022 (April)	2022 (October)
Yes	11	15
No	2	4

*Question was not included in 2020 or 2021 surveys.

AB 2024 sunsets on January 1, 2024. HCAI asked the hospitals if it would be beneficial to them if AB 2024 was extended. Most respondents stated that it would be beneficial to their hospitals. Specifically, hospitals noted the following:

- Employing physicians would provide hospitals an important option and recruitment tool which, in turn, provides more stable community medical services.
- According to one hospital, if employed physicians revert back to independent contractors, they would likely leave and the hospitals would have difficulty recruiting new physicians.

Approximately 16 percent of hospitals responding do not hire their physicians and did not anticipate doing so.

HCAI gave hospitals the opportunity to provide additional, general comments regarding AB 2024. Many of the hospitals mentioned how helpful, effective, and important AB 2024 has been for them. They noted that employing physicians:

- Helped stabilize a few of one hospital’s departments.
- Is an effective tool to fill vacancies and retain physicians and was essential to providing physicians in rural areas.
- Is a win-win for physicians and hospitals.
- Helped hospitals have shorter wait times for appointments.
- Helped hospitals save time and money in recruitment efforts.

HOSPITAL ANNUAL REPORTS

HCAI also collected quantitative data from the hospitals through the required annual report. The annual reports contained the following information:

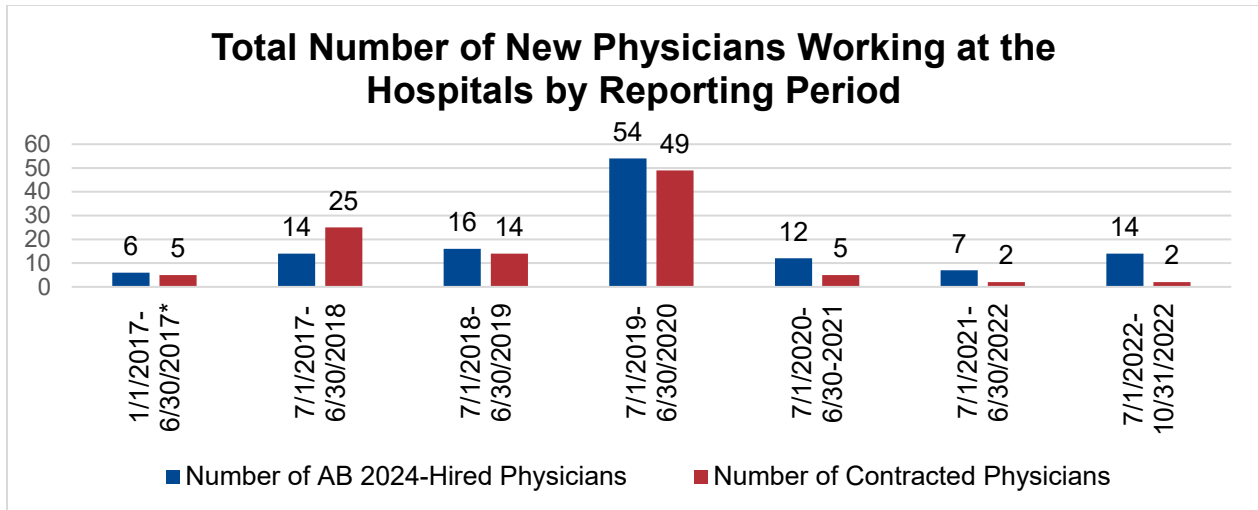
- Hospital or facility name.
- National Provider Identifier (NPI).
- Provider Type (Physician or Surgeon).
- Specialty.
- Whether the provider was hired under AB 2024.
- Provider start date.
- Provider end date.

Reporting Period	# of Hospitals That Submitted Annual Reports	% of Hospitals That Submitted Annual Reports
1/1/2017 – 6/30/201	5/34	15%
7/1/2017 – 6/30/201	22/34	65%
7/1/2018 – 6/30/201	22/34	65%
7/1/2019 – 6/30/202	23/35	66%
7/1/2020 – 6/30/202	13/35	37%
7/1/2021 – 6/30/202	11/36	31%
7/1/2022 – 10/31/2022**	19/36	53%

*Partial year due to enactment of AB 2024 legislation.

**Partial year due to the timing of the last survey we could conduct before developing this Report to the Legislature that is due by July 1, 2023.

The table above shows the number of hospitals that submitted the required annual reports to HCAI by reporting period.



*Partial year due to enactment of AB 2024 legislation.

The chart above represents the number of new physicians working at the hospitals by reporting period. There were more AB 2024-hired physicians than contracted physicians in all reporting periods except 7/1/2017-6/30/2018. The highest number of AB 2024-hired physicians occurred during the 7/1/2019-6/30/2020 reporting period.

KEY INFORMANT INTERVIEWS

HCAI conducted key informant interviews with hospital administration representatives including Chief Executive Officers, Chief Administrative Officers, a Chief Medical Officer, and practicing physicians. HCAI gained feedback in the following areas from April 2021, May 2021, and February 20223 interviews:

- AB 2024 impact on recruitment and retention.
- Hospitals' physician hiring practices.
- Recruitment and retention challenges and incentives.
- Contracting versus direct employment.
- Challenges working in rural areas.
- Important factors to physicians when accepting a position.

Hospital Administration Interviews

Some of the hospital administrators stated that AB 2024 is an important tool to have. Some hospitals stated they would be lost without it and one stated to take it away would be devastating to their hospital and community. Whether the hospital needs it or not, the hospitals believe that having the option to offer employment to physicians makes recruitment easier and that having additional options is critical. Hospital administrators reported the following regarding employment:

- Employing physicians is the way of the future for rural healthcare.

- AB 2024 is beneficial in hiring physicians on a work visa.

Hospitals face unique challenges when recruiting physicians to rural areas. Hospital administrators in rural areas, noted several challenges:

- Rural areas lack amenities and housing which impact quality of life.
- Work-life balance when the physician is one of few in the area.
- Rural areas are less wealthy than most urban areas, so it can be difficult to compete financially with larger organizations.
- Some physicians and/or their spouses may not be interested in living in a rural area.

Most of the hospital administrators cited loan repayment or loan forgiveness programs as very effective tools to recruit and incentivize physicians to work at their hospitals. These programs generally offer some student debt relief in exchange for the physicians providing service in a rural and/or underserved area for a predetermined amount of time. A couple of interviewees noted that working under a contract model does not count as working for a not-for-profit hospital when it comes to loan forgiveness or loan repayment programs. It is noted however that some loan forgiveness programs are available for contracted physicians. Loan forgiveness and loan repayment programs are typically more helpful for younger physicians.

Over half of the hospital administrators interviewed expressed concerns over what will happen when AB 2024 sunsets. They questioned whether any currently employed physicians under the statute would have to revert to a contract model or whether there would be a legacy pathway to continue employment.

Hospital administrators noted the following regarding what they believe are physicians' preferences concerning employment and contracting:

- Some physicians prefer to be independent contractors due to higher pay and more flexibility.
- Some physicians, especially new physicians, want to focus on the practice side of medicine, not the business side, and consequently prefer employment.
- Some physicians want to be employed rather than contracted; they want to work where they are needed, and AB 2024 helps them work in rural areas where they are most needed.
- A guaranteed salary makes it easier to recruit and retain physicians.

Physician Interviews

HCAI interviewed practicing physicians, three of whom were employed and one who was a contracted physician. One employed physician stated that many of her colleagues were seeking employment and the hospital hired 90 percent of them. A contracted physician stated that he renewed his contract before he knew about the option of employment and that it would have been helpful during recruitment if he had known about the option. The following benefits of AB 2024 represent comments from a contracted physician regarding what would have made him consider direct employment:

- Employed physicians do not have to shop for their own liability or health insurance and other benefits.
- Employed physicians do not have to worry about the regulatory compliance associated with contracting.
- Health insurance is easier and less expensive when covered by the employer.

A contracted physician indicated that contract employment allows for tax benefits. Two of the employed physicians also indicated that contracting could offer freedom, financial benefits, and not having to worry about being part of the corporate world.

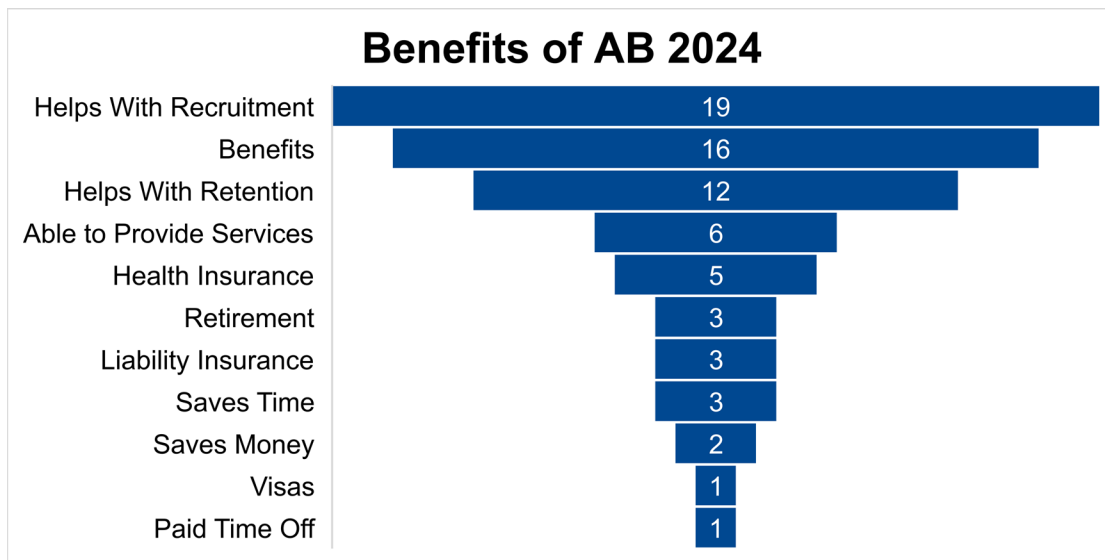
The hospitals continue to struggle with recruiting and retaining physicians in rural areas. Physicians noted the following challenges of working in a rural area:

- Limited access to health care services, particularly specialty care.
- Not enough doctors.
- Insufficient hospital beds.
- Professional isolation.
- Limited access to advanced imaging.
- Adjusting to rural culture, finding learning opportunities, and networking with colleagues.
- Physicians' families' preferences and needs.
- Limited access to resources, including grocery stores and small, underfunded schools.
- Hospitals have difficulty retaining certain services, such as certified registered nurse anesthetists.

Physicians state the best incentives for them to accept a job and continue working at a hospital in a rural area are qualifying for loan repayment and loan forgiveness programs and feeling like they are making a difference in the rural community. The physicians HCAI spoke with felt the following served as additional benefits and incentives for them to work at a hospital in a rural area:

- Liking the people they work with (good relationships), as well as the area.
- Having good communication and trust with the hospital administration.
- Having personal satisfaction working with their hospital's populations.
- Having their family on board with living in a rural community.

- Wanting to give back to the rural community they grew up in and raise their family in a rural area.
- Having a connection to the community and the hospital.
- Helping patients so they don't have to travel far to seek help.
- If hospitals lack a sufficient number of physicians, the physicians working there may take on additional roles, such as practicing as cardiologists, nephrologists, etc. to fill in the gaps.
- Potential for a smaller staff.
- A more affordable cost of living and lifestyle.



The chart above displays what hospital administrators and physicians state most often (the numbers signify counts of occurrences of the words) as the benefits of AB 2024.

HCAI asked the physicians what was most important to them when accepting a position at a hospital. Most of the physicians stated that loan repayment programs are very important. The following additional benefits represent what was most important when accepting a position:

- The hospital is in an area they enjoy.
- They enjoy working with the staff.
- They can live near the hospital.
- The administration works well with medical staff.
- The organization has a multi-specialty clinic.
- The hospital is well connected to the community.
- There is a high quality of outpatient services in the hospital.

DATA GAPS AND CHALLENGES

There were some challenges with the surveys HCAI sent to the hospitals. Many of the survey respondents were designees, not the CEOs who received the survey. Some of the designees were new to the hospital and had less familiarity with AB 2024 or the recruitment and retention practices of the hospital. There were several situations where people forwarded the survey links to others who also completed the survey for the same hospital, although they provided different responses. Some of the survey data were incomplete. Many of the hospitals did not submit their required annual reports, so the actual number of physicians the hospitals hired is likely undercounted.

CONCLUSION

Most of the hospitals believe that it is beneficial to have the option to offer physicians a choice of being an employee or an independent contractor. Some hospitals noticed a trend of new physicians preferring employment rather than a contract, as employment provides more stability, including health and retirement benefits. A few hospitals chose to continue using an independent contractor model and did not offer employment, but agreed it is a good to have the option.

Some hospitals reported that when AB 2024 sunsets, it will have a negative impact on recruitment and retention and could have significant outcomes for their facilities and communities. The physicians noted some benefits of contracting with the hospitals, but ultimately preferred employment and said that most of their colleagues were now employed as well. Many of the hospital administrators and physicians stated that loan repayment and loan forgiveness programs, as well as the physician's belief that they are making a difference in the community, are the best incentives for working at hospitals in rural areas.