California Hospital Association

Impact of Presidential Executive Orders on California Laws: Hospital Equity and Disparity Reporting and Supplier Diversity Requirements

This year, new presidential executive orders and other federal actions have given rise to questions about how California hospitals can comply with both state and federal laws. This memo outlines the federal executive orders on diversity, equity, and inclusion (DEI) policies and explains how they intersect with California laws on hospital equity and disparity reporting, as well as supplier diversity requirements.

Presidential Executive Orders

In January 2025, President Donald Trump issued two executive orders relating to DEI policies:

- **Executive Order 14151** — "Ending Radical and Wasteful Government DEI Programs and Preferencing" This executive order directs the Office of Personnel Management to terminate all "discriminatory programs, including illegal DEI" activities, policies, programs, and preferences within the federal government to the extent allowed by law. This includes DEI and environmental justice offices and positions, equity action plans, DEI trainings, and related DEI activities. **The order applies solely to federal employment and does not directly impact California hospitals.**

- **Executive Order 14173** — "Ending Illegal Discrimination and Restoring Merit-Based Opportunity" This executive order explicitly mentions the "medical industry," among others, and:
    - Orders the federal government to "terminate all discriminatory and illegal preferences, mandates, policies, programs, activities, guidance, regulations, enforcement actions, consent orders, and requirements."
    - Orders federal agencies to "enforce our longstanding civil-rights laws and to combat illegal private-sector DEI preferences, mandates, policies, programs, and activities."
    - Revokes previous presidents' DEI-related executive orders and affirmative action mandates that applied to federal contractors and subcontractors.
    - Orders federal agencies to include in every contract or grant award:
        - A statement that compliance with federal antidiscrimination laws is material to the government's payment decisions
        - A requirement that contractors and grant recipients certify that they do not operate any programs promoting DEI that violate federal antidiscrimination laws
    - Orders the attorney general to submit recommendations for enforcing federal civil rights laws and **encouraging the private sector to "end illegal discrimination and preferences, including DEI,"** including identifying specific measures "to deter DEI programs or principles (whether specifically denominated "DEI" or otherwise) that constitute illegal discrimination or preferences." This includes planning civil compliance investigations of private companies.

These recommendations have been submitted to the White House but have not been made public.

Executive orders do not legally mandate changes in private-sector policies. However, federal contractors and grant recipients **may be impacted** because:

- Agencies may impose contract or grant conditions requiring certification that "illegal" DEI preferences and policies are not used.
- Perceived noncompliance could trigger grant terminations, contract enforcement actions, or civil compliance reviews. The Office of Management and Budget (OMB)[1] issued a memorandum pausing funding for programs and activities "implicated by the President's Executive Orders, such as ending DEI."

Several lawsuits have been brought to challenge this executive order and the OMB memo, resulting in various rulings. For example:

- In *San Francisco AIDS Foundation v. Trump,* U.S. District Judge Jon Tigar granted a partial preliminary injunction prohibiting the federal government from conditioning grant funding on DEI policies.
- In *Thakur v. Trump,* U.S. District Judge Rita Lin granted provisional class certification to University of California researchers (including medical researchers) and issued a preliminary injunction, leaving the grant funding intact for the time being.

Both cases are ongoing. The OMB memo was rescinded two days after issuance, when a federal district court enjoined its implementation.

The executive orders exert both political and enforcement pressure on organizations to scale back or discontinue DEI initiatives — even those carefully designed to comply with state and federal antidiscrimination laws.

U.S. Attorney General Guidance for Recipients of Federal Funding Regarding Unlawful Discrimination

In July 2025, the U.S. attorney general issued guidance for recipients of federal funding — which includes hospitals that serve Medicare and Medicaid patients — regarding unlawful discrimination. This guidance states that entities receiving federal funds must ensure that their programs and activities "do not discriminate on the basis of race, color, national origin, sex, religion, or other protected characteristics — no matter the program's labels, objectives, or intentions." This guidance also provides "non-binding suggestions" to help entities "comply with federal antidiscrimination laws and avoid legal pitfalls." The attorney general reiterates that these are "not mandatory requirements."

[1] The Office of Management and Budget (OMB), part of the Executive Office of the President, oversees the federal budget and coordinates agency programs to align with presidential policies. OMB issues directives to agencies on spending, including temporary pauses or delays in funding during reviews. While it can apportion or conditionally release funds under its budgetary controls, it cannot permanently block funds appropriated by Congress.

Nevertheless, **CHA recommends that hospital legal counsel and staff who are drafting disparity reduction plans, supplier diversity plans, and other DEI-related documents review this guidance.** While some guidance may extend beyond current antidiscrimination legal requirements, understanding the government's position enables hospital staff to assess potential compliance risks and make well-informed decisions.

State Attorney General Guidance on DEI Employment Initiatives

The attorneys general of 16 states, including California, issued guidance in February 2025 about the executive orders and DEI initiatives in employment. This guidance, although not specific to the health care activities described in this memo, is instructive: "The Executive Order states what is already the law — that discrimination is illegal." The executive orders reference "illegal" DEI, "illegal" discrimination, and "illegal" preferences. **They do not alter the existing body of antidiscrimination law.**

California Hospital Equity Measures/Disparity Reduction Law

Assembly Bill 1204 (2021), codified at Health and Safety Code Section 127370 et seq., requires all hospitals to annually submit data to the Department of Health Care Access and Information (HCAI) about patient access, quality, and outcomes broken down by race, ethnicity, language, disability status, sexual orientation, gender identity, and payer. The report must also identify the top 10 health disparities and describe the hospital's plans to address them. HCAI may impose a fine not to exceed $5,000 for failure to adopt, update, or submit a report. HCAI is not authorized to fine a hospital for failing to reduce disparities.

Reporting various measures broken down by race, gender orientation and identity, and other protected characteristics does not inherently raise concerns about violating antidiscrimination laws. However, hospitals are advised to take care in developing their plan to address disparities. The plan should not provide benefits to one protected class of patients while excluding another. Plans to address health disparities have a lower risk of being considered unlawful if they offer benefits to all patients, not just a specific class of patients. Hospitals are advised to have their legal counsel review their plans prior to implementation and submission.

California Hospital Supplier Diversity Law

Assembly Bill 962 (2019), as amended by Assembly Bill 1392 (2023), and codified at Health and Safety Code Section 1339.85 et seq., requires specified hospitals to annually submit a plan to HCAI for increasing procurement from minority-; women-; lesbian, gay, bisexual, and transgender- (LGBT); and disabled veteran-owned businesses. The plan must include:

- The hospital's supplier diversity policy statement
- Short- and long-term goals and timetables, but not quotas, for increasing procurement from minority-, women-, LGBT-, and disabled veteran-owned business enterprises
- The hospital's outreach and communications to minority-, women-, LGBT-, and disabled veteran-owned business enterprises
- The hospital's procurements that are made from minority-, women-, LGBT-, and disabled veteran-owned business enterprises with at least a majority of the enterprise's workforce in California, with each category aggregated separately, to the extent that information is readily accessible
- Planned and past implementation of relevant recommendations made by HCAI's hospital supplier diversity commission. These recommendations are voluntary, and the commission has attempted to

align them with existing antidiscrimination laws and accommodate heightened federal scrutiny of DEI activities

This law applies to hospitals with operating expenses of $50 million or more and hospitals that are part of a system with operating expenses of $25 million or more. (*Also see regulations at Title 22, California Code of Regulations, Section 95000 et seq.*) HCAI may impose a civil penalty of $100 per day for failure to file the plan. The law does not establish any penalties for failing to increase procurement from minority-, women-, LGBT-, and disabled veteran-owned businesses.

The supplier diversity law is intended to create transparency and does not compel preferences in procurement. It was written carefully to comply with existing state and federal antidiscrimination laws and explicitly states that it "shall not be construed to require quotas, set-asides, or preferences in a licensed hospital's procurement of goods or services … Licensed hospitals retain the authority to use business judgment to select the supplier for a particular contract."

Hospitals should draft their plans carefully to avoid taking actions that could be misinterpreted as preferring one protected class over another. The plan should not provide benefits to one protected class of suppliers while excluding another.

Plans to increase supplier diversity have a lower risk of being considered unlawful if they offer benefits to all suppliers, not just suppliers owned by a specific class of people. Hospitals are advised to have their legal counsel review their plans prior to implementation and submission.

Dignity in Pregnancy and Childbirth Act

California law requires hospitals to implement an implicit bias training program for employees who care for perinatal patients (Health and Safety Code Sections 123630 et seq.). The training must include specified information, such as what implicit bias is, how it can affect patients, how to reduce it, and communication strategies. Simply educating perinatal employees about implicit bias should not raise concerns about violating antidiscrimination laws.

Key Takeaway

Hospitals should be able to meet California's equity reporting and supplier diversity requirements without violating state or federal antidiscrimination laws. Plans should be drafted with care and reviewed by legal counsel.

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