

## FACT SHEET

# AB 646 (SWANSON)

# DIRECT PHYSICIAN EMPLOYMENT



## SUMMARY

Would authorize all California Health Care Districts, all rural hospitals and inner city not-for-profit health clinics to directly hire and employ physicians, without limit, as the state of California and counties do today. *Expressly prohibits Employers from interfering in medical decisions.*

## PURPOSE

Many California communities have suffered from a chronic, severe shortage of doctors for over a decade. This shortage is worst in California's rural and underserved inner-city areas where Medi-Cal and Medicare are the primary "payors" for health care services. In many of our communities, doctors cannot support themselves financially in independent practice. The majority of doctors in California do not accept Medi-Cal patients. This makes it extremely difficult for rural and inner city communities to attract and keep the doctors their residents need. Many physicians now working in these communities are planning to retire within the next two to three years. Residents in these communities are often unable to get access to the medical care they need, or must travel hundreds of miles from home in order to get it.

This proposal, jointly sponsored by AFSCME, ACHD and UAPD, will empower all 75 of California's Health Care Districts, as well as all non-profit hospitals and clinics in Health Professional Shortage Areas, to recruit and keep the doctors their communities need to provide care to Medi-Cal patients and the uninsured. It would do so by allowing physician employers to provide doctors with the financial security they need to stay in our communities.

## BACKGROUND

The District physician employment pilot program provided in B&P Section 2401.1 has been very

successful where it has been implemented. It has enabled Districts to recruit physicians without cost to state or federal taxpayers. This program enabled Districts to provide essential medical care to thousands of Californians who could not have received it any other way – over half of these patients were insured by Medi-Cal or were uninsured. This proposal builds on the pilot program by authorizing *all* communities in need to employ the physicians they need, through Health Care Districts, or independent community clinics and hospitals in underserved rural and inner-city areas.

Very few states ban the employment of physicians by hospitals and other health care facilities. Several states specifically authorize hospitals to do so, and it is a common practice nationally. The American Medical Association officially approves of direct physician employment by hospitals and other entities, as long as non-physician employers do not interfere in medical decisions. California law already prohibits such interference by health facility administrators and board members. Violation of this law is punishable as a felony and carries a \$10,000 fine.

Potential recruits in California's underserved communities want full time employment, and do not want to set up independent medical practices. According to a recent report by Merritt Hawkins & Associates (the nation's largest physician recruiting firm) direct hospital employment of physicians now represents nearly half of the physician placements their firm arranges nationally (45%). The percentage of physicians seeking direct hospital employment has more than doubled in the last three years. By contrast, the percentage of physicians seeking independent practice or partnership positions is now less than half of what it was just three years ago (5% & 7% respectively). The percentage of those seeking positions with physician group practices has also declined significantly. California's physician hiring ban has become a significant barrier to the recruitment of doctors in rural and underserved urban communities.

Direct Physician Employment

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