

**ASSEMBLY BILL**

**No. 648**

---

**Introduced by Assembly Member Chesbro  
(Coauthor: Assembly Member Swanson)**

February 25, 2009

---

An act to add Chapter 6.5 (commencing with Section 124871) to Part 4 of Division 106 of the Health and Safety Code, relating to rural hospitals.

LEGISLATIVE COUNSEL'S DIGEST

AB 648, as introduced, Chesbro. Rural hospitals: physician services.

Existing law generally provides for the licensure of health facilities, including rural general acute care hospitals, by the State Department of Public Health.

Existing law requires the department to provide expert technical assistance to strategically located, high-risk rural hospitals, as defined, to assist the hospitals in carrying out an assessment of potential business and diversification of service opportunities. Existing law also requires the department to continue to provide regulatory relief when appropriate through program flexibility for such items as staffing, space, and physical plant requirements.

This bill would authorize a rural hospital, as defined, to employ a physician to provide medical services at the rural hospital or other health facility that the rural hospital owns or operates and retain all or part of the income generated by the physician for these medical services and billed and collected by the rural hospital. It would require a rural hospital that employs a physician and surgeon pursuant to this bill to develop and implement a policy regarding the independent medical judgment of the physician.

The bill would require these physicians to biennially sign a specified statement.

The bill would impose various duties on the department and the Medical Board of California.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares all of the  
2 following:

3 (a) Many hospitals in the state are having great difficulty  
4 recruiting and retaining physicians.

5 (b) There is a shortage of physicians in communities across  
6 California, particularly in rural areas, and this shortage limits access  
7 to health care for Californians in these communities.

8 (c) Allowing rural hospitals to directly employ physicians will  
9 allow rural hospitals to provide economic security adequate for a  
10 physician to relocate and reside in the communities served by the  
11 rural hospitals and will help rural hospitals recruit physicians to  
12 provide medically necessary services in these communities.

13 (d) Allowing rural hospitals to directly employ physicians will  
14 provide physicians with the opportunity to focus on the delivery  
15 of health services to patients without the burden of administrative,  
16 financial, and operational concerns associated with the  
17 establishment and maintenance of a medical office.

18 (e) It is the intent of the Legislature by enacting this act to  
19 authorize a rural hospital that meets the conditions set forth in  
20 Chapter 6.5 (commencing with Section 124871) of the Health and  
21 Safety Code to be able to employ physicians directly and to charge  
22 for their professional services.

23 (f) It is the further intent of the Legislature to prevent a rural  
24 hospital that employs a physician from interfering with, controlling,  
25 or otherwise directing the physician's medical judgment or medical  
26 treatment of patients.

27 SEC. 2. Chapter 6.5 (commencing with Section 124871) is  
28 added to Part 4 of Division 106 of the Health and Safety Code, to  
29 read:

CHAPTER 6.5. RURAL HOSPITAL PHYSICIAN AND SURGEON  
SERVICES

124871. For purposes of this chapter, a rural hospital means all of the following:

(a) A general acute care hospital located in an area designated as nonurban by the United States Census Bureau.

(b) A general acute care hospital located in a rural-urban commuting area code of 4 or greater as designated by the United States Department of Agriculture.

(c) A rural general acute care hospital, as defined in subdivision (a) of Section 1250.

124872. Notwithstanding Article 18 (commencing with Section 2400) of Chapter 5 of Division 2 of the Business and Professions Code, a rural hospital may employ a physician and surgeon to provide medical services at the rural hospital or other health facility, as defined in Section 1250, that the rural hospital owns or operates. The rural hospital may retain all or part of the income generated by the physician and surgeon for these medical services and billed and collected by the rural hospital.

124873. (a) A rural hospital that employs a physician and surgeon pursuant to Section 124872 shall develop and implement a written policy to ensure that each employed physician and surgeon exercises his or her independent medical judgment in providing care to patients.

(b) Each physician and surgeon employed by a rural hospital pursuant to Section 124872 shall sign a statement biennially indicating that the physician and surgeon:

(1) Voluntarily desires to be employed by the hospital.

(2) Will exercise independent medical judgment in all matters relating to the provision of medical care to his or her patients.

(3) Will report immediately to the Medical Board of California any action or event that the physician and surgeon reasonably and in good faith believes constitutes a compromise of his or her independent medical judgment in providing care to patients in a rural hospital or other health care facility owned or operated by the rural hospital.

(c) The signed statement required by subdivision (b) shall be retained by the rural hospital for a period of at least three years.

A copy of the signed statement shall be submitted by the rural

1 hospital to the Medical Board of California within 10 working  
2 days after the statement is signed by the physician and surgeon.  
3 (d) A rural hospital shall not interfere in a physician and  
4 surgeon's exercise of his or her independent medical judgment in  
5 providing medical care to patients. If, pursuant to a report to the  
6 Medical Board of California required by paragraph (3) of  
7 subdivision (a), the Medical Board of California believes that a  
8 rural hospital has violated this prohibition, the Medical Board of  
9 California shall refer the matter to the State Department of Public  
10 Health, which shall investigate the matter. If the department  
11 believes that the rural hospital has violated the prohibition, it shall  
12 notify the rural hospital. The rural hospital shall have 20 working  
13 days to respond in writing to the department's notification,  
14 following which the department shall make a final determination.  
15 If the department finds that the rural hospital violated the  
16 prohibition, it shall assess a civil penalty of five thousand dollars  
17 (\$5,000) for the first violation and twenty-five thousand dollars  
18 (\$25,000) for any subsequent violation that occurs within three  
19 years of the first violation. If no subsequent violation occurs within  
20 three years of the most recent violation, the next civil penalty, if  
21 any, shall be assessed at the five thousand dollar (\$5,000) level.  
22 If the rural hospital disputes a determination by the department  
23 regarding a violation of the prohibition, the rural hospital may  
24 request a hearing pursuant to Section 131071. Penalties, if any,  
25 shall be paid when all appeals have been exhausted and the  
26 department's position has been upheld.