

AMENDED IN SENATE AUGUST 8, 2016

AMENDED IN SENATE JUNE 16, 2016

AMENDED IN SENATE JUNE 6, 2016

AMENDED IN ASSEMBLY APRIL 11, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2744

Introduced by Assembly Member Gordon
(Coauthor: Senator Hill)

February 19, 2016

An act to amend Section 650 of the Business and Professions Code, relating to the healing arts.

LEGISLATIVE COUNSEL'S DIGEST

AB 2744, as amended, Gordon. Healing arts: referrals.

Existing law provides for the licensure and regulation of various healing arts professions and vocations by boards within the Department of Consumer Affairs. Under existing law, it is unlawful for licensed healing arts practitioners, except as specified, to offer, deliver, receive, or accept any rebate, refund, commission, preference, patronage dividend, discount, or other consideration, in the form of money or otherwise, as compensation or inducement for referring patients, clients, or customers to any person. Existing law makes a violation of this provision a public offense punishable upon a first conviction by imprisonment, as specified, or a fine not exceeding \$50,000, or by imprisonment and that fine.

This bill would provide that the payment or receipt of consideration for advertising, wherein a licensed healing arts practitioner offers or

sells services through a third-party ~~advertiser~~ *advertiser*, does not constitute a referral of patients when the third-party advertiser does not itself recommend, endorse, or otherwise select a licensee. *The bill would require that the fee paid to the third-party advertiser be commensurate with the service provided by the third-party advertiser.* The bill would require the purchaser of the service to receive a refund of the full purchase price if the licensee determines, after consultation with the purchaser, that the service *provided by the licensee* is not appropriate for the purchaser, *or if the purchaser elects not to receive the service for any reason and requests a refund*, as specified. *The bill would require that a licensee disclose in the advertisement that a consultation is required and that the purchaser will receive a refund if not eligible to receive the service.* The bill would specify that these provisions do not apply to basic health care services or essential health benefits, as defined. The bill would also provide that the entity that provides advertising is required to be able to demonstrate that the licensee consented in writing to these provisions. The bill would require a third-party advertiser to make available to prospective purchasers advertisements for services of all licensees then advertising through the third-party advertiser in the applicable geographic ~~region~~ *region and to disclose, in any advertisement offering a discount price for a service, the regular, nondiscounted price for that service.*

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. Section 650 of the Business and Professions Code
2 is amended to read:
3 650. (a) Except as provided in Chapter 2.3 (commencing with
4 Section 1400) of Division 2 of the Health and Safety Code, the
5 offer, delivery, receipt, or acceptance by any person licensed under
6 this division or the Chiropractic Initiative Act of any rebate, refund,
7 commission, preference, patronage dividend, discount, or other
8 consideration, whether in the form of money or otherwise, as
9 compensation or inducement for referring patients, clients, or
10 customers to any person, irrespective of any membership,
11 proprietary interest, or coownership in or with any person to whom
12 these patients, clients, or customers are referred is unlawful.

1 (b) The payment or receipt of consideration for services other
2 than the referral of patients which is based on a percentage of gross
3 revenue or similar type of contractual arrangement shall not be
4 unlawful if the consideration is commensurate with the value of
5 the services furnished or with the fair rental value of any premises
6 or equipment leased or provided by the recipient to the payer.

7 (c) The offer, delivery, receipt, or acceptance of any
8 consideration between a federally qualified health center, as defined
9 in Section 1396d(l)(2)(B) of Title 42 of the United States Code,
10 and any individual or entity providing goods, items, services,
11 donations, loans, or a combination thereof to the health center
12 entity pursuant to a contract, lease, grant, loan, or other agreement,
13 if that agreement contributes to the ability of the health center
14 entity to maintain or increase the availability, or enhance the
15 quality, of services provided to a medically underserved population
16 served by the health center, shall be permitted only to the extent
17 sanctioned or permitted by federal law.

18 (d) Except as provided in Chapter 2.3 (commencing with Section
19 1400) of Division 2 of the Health and Safety Code and in Sections
20 654.1 and 654.2 of this code, it shall not be unlawful for any person
21 licensed under this division to refer a person to any laboratory,
22 pharmacy, clinic (including entities exempt from licensure pursuant
23 to Section 1206 of the Health and Safety Code), or health care
24 facility solely because the licensee has a proprietary interest or
25 coownership in the laboratory, pharmacy, clinic, or health care
26 facility, provided, however, that the licensee's return on investment
27 for that proprietary interest or coownership shall be based upon
28 the amount of the capital investment or proportional ownership of
29 the licensee which ownership interest is not based on the number
30 or value of any patients referred. Any referral excepted under this
31 section shall be unlawful if the prosecutor proves that there was
32 no valid medical need for the referral.

33 (e) Except as provided in Chapter 2.3 (commencing with Section
34 1400) of Division 2 of the Health and Safety Code and in Sections
35 654.1 and 654.2 of this code, it shall not be unlawful to provide
36 nonmonetary remuneration, in the form of hardware, software, or
37 information technology and training services, as described in
38 subsections (x) and (y) of Section 1001.952 of Title 42 of the Code
39 of Federal Regulations, as amended October 4, 2007, as published

1 in the Federal Register (72 Fed. Reg. 56632 and 56644), and
2 subsequently amended versions.

3 (f) “Health care facility” means a general acute care hospital,
4 acute psychiatric hospital, skilled nursing facility, intermediate
5 care facility, and any other health facility licensed by the State
6 Department of Public Health under Chapter 2 (commencing with
7 Section 1250) of Division 2 of the Health and Safety Code.

8 (g) ~~The Notwithstanding the other subdivisions of this section~~
9 ~~or any other provision of law, the~~ payment or receipt of
10 consideration for advertising, wherein a licensee offers or sells
11 services through a third-party advertiser, shall not constitute a
12 referral of patients when the third-party advertiser does not itself
13 recommend, endorse, or otherwise select a licensee. *The fee paid*
14 *to the third-party advertiser shall be commensurate with the service*
15 *provided by the third-party advertiser.* If the licensee determines,
16 after consultation with the purchaser of the service, that the service
17 *provided by the licensee* is not appropriate for the ~~purchaser,~~
18 *purchaser or if the purchaser elects not to receive the service for*
19 *any reason and requests a refund,* the purchaser shall receive a
20 refund of the full purchase price as determined by the terms of the
21 advertising service agreement between the third-party advertiser
22 and the licensee. *The licensee shall disclose in the advertisement*
23 *that a consultation is required and that the purchaser will receive*
24 *a refund if not eligible to receive the service.* This subdivision shall
25 not apply to basic health care services, as defined in subdivision
26 (b) of Section 1345 of the Health and Safety Code, or essential
27 health benefits, as defined in Section 1367.005 of the Health and
28 Safety Code and Section 10112.27 of the Insurance Code. The
29 entity that provides the advertising shall be able to demonstrate
30 that the licensee consented in writing to the requirements of this
31 subdivision. A third-party advertiser shall make available to
32 prospective purchasers advertisements for services of all licensees
33 then advertising through the third-party advertiser in the applicable
34 geographic region. *In any advertisement offering a discount price*
35 *for a service, the licensee shall also disclose the regular,*
36 *nondiscounted price for that service.*

37 (h) A violation of this section is a public offense and is
38 punishable upon a first conviction by imprisonment in a county
39 jail for not more than one year, or by imprisonment pursuant to
40 subdivision (h) of Section 1170 of the Penal Code, or by a fine not

1 exceeding fifty thousand dollars (\$50,000), or by both that
2 imprisonment and fine. A second or subsequent conviction is
3 punishable by imprisonment pursuant to subdivision (h) of Section
4 1170 of the Penal Code, or by that imprisonment and a fine of fifty
5 thousand dollars (\$50,000).

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