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SB 43 SUD Treatment Accountability and Transparency Act

SUMMARY

SB 43 strengthens oversight of California's substance use disorder (SUD) treatment system by implementing licensing requirements for referral agencies, mandating financial disclosures, and enhancing enforcement against unethical treatment practices.

EXISTING LAW

Under current California law, licensed substance use disorder (SUD) treatment facilities and certified programs are prohibited from offering or receiving compensation for patient referrals, ensuring that treatment placements are based on medical necessity rather than financial incentives. However, no licensing requirements exist for referral agencies that direct individuals to SUD treatment providers, allowing unregulated entities to profit from patient placements without oversight.

Similarly, existing law mandates that licensed SUD facilities and certified programs disclose financial relationships with recovery residences but does not require reporting monetary transactions between these entities.

BACKGROUND/PROBLEM

Recently, a lawsuit was filed in federal court against two Orange County facilities, accusing SUD providers of employing various fraudulent tactics.

The lawsuit argues that 'body brokers' hunt down potential patients in exchange for kickbacks. Body brokers work with insurance agents to fraudulently enroll individuals in insurance plans. Once enrolled, patients are shipped across the country to receive supposed 'treatment,' with the primary goal of financially enriching the providers, body brokers, insurance agents, and the others involved in the schemes.

This case highlights egregious gaps in regulation that have contributed to unethical patient brokering practices, financial conflicts of interest, and inadequate consumer protections in the addiction treatment industry.

One barrier to identifying fraudulent operators is the rampant use of online registries offering the appearance of licensed services to consumers. Unscrupulous operators blurring the lines between treatment and housing are creating loopholes where unsuspecting victims can be lured into believing they are connected to a licensed treatment program. These entities need minimal resources to go into business (a website and a toll-free number) and can quickly close shop and reopen under another name when regulators see fit to investigate them.

Certified outpatient programs use their status as regulated entities to entice patients to enter their programs while diverting insurance payments (kickbacks) to pay for housing in an unregulated sober living home. This leads consumers to believe their loved ones are being placed in a "licensed" environment where clinical professionals are supervising their loved ones' care.

SOLUTION

SB 43 closes loopholes in addiction treatment regulations and establishes a more transparent, accountable system by ensuring that:

- Any person or entity referring individuals to treatment programs for compensation is licensed through DHCS.
- Licensed referral agencies do not have financial ties to the treatment centers they recommend.
- Treatment facilities and recovery residences disclose financial transactions between each other, preventing hidden kickbacks and eliminating incentives for unethical patient placements.

- DHCS is authorized to impose civil penalties as needed.

SB 43 will protect individuals seeking addiction treatment and restore integrity to California's recovery system by enhancing oversight, increasing transparency, and eliminating financial conflicts of interest.

SUPPORT

California Consortium of Addiction Programs and Professionals CCAPP (Sponsor)
Shatterproof (Sponsor)

FOR MORE INFORMATION

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