AB 1779: Alcoholism and drug abuse recovery and treatment programs: inducement of participants

Assemblymember Laurie Davies

IN BRIEF

AB 1779 strengthens California law to prevent patient brokering and improper financial inducements in substance use disorder treatment. It tightens rules around housing and transportation offered by treatment providers, increases transparency and accountability, and establishes a clear prohibition on offering payments, stipends, gift cards, or other incentives to influence patient treatment decisions. These changes are designed to protect vulnerable individuals from exploitation and ensure treatment decisions are based on clinical need not financial gain.

THE ISSUE

Patient brokering continues to be a serious problem in California's substance use treatment system. Some bad actors exploit individuals seeking recovery by offering housing, transportation, gift cards, or other incentives to steer them into specific programs or services. These practices can result in:

- Patients being recruited or transferred based on insurance value rather than medical need
- Individuals being shuffled between programs to maximize billing
- Patients being abandoned when insurance benefits run out, leaving them without housing, support, or continuity of care
- A treatment marketplace that rewards volume and billing over quality and outcomes

Although California has taken steps to curb patient brokering, gaps in enforcement, transparency, and clarity have allowed these practices to persist. Vulnerable individuals are often left to fend for themselves once they are no longer financially valuable to a provider.

CURRENT LAW

California law prohibits substance use disorder treatment providers from paying or receiving kickbacks in exchange for patient referrals and places limited restrictions on the use of housing and transportation as inducements for treatment. Existing statutes require that certain housing arrangements be separate from treatment and not explicitly tied to insurance benefits or program participation.

However, current law is narrowly focused on referrals and does not clearly prohibit many other forms of inducement used in patient brokering, such as stipends, gift cards, or incentives tied to entering, remaining in, or transferring between programs. The law also lacks consistent documentation, transparency, and reporting requirements, limiting oversight and enforcement.

These gaps allow some providers to continue steering patients based on insurance value rather than clinical need and to withdraw support once financial benefits end, leaving patients without continuity of care or stable housing

THE SOLUTION

AB 1779 strengthens California's approach to patient brokering by closing loopholes and clearly defining prohibited inducements, while preserving legitimate patient support.

The bill:

- Establishes a broad prohibition on offering any form of remuneration including stipends, gift cards, or similar incentives to influence a person's decision to enter, remain in, or transfer between substance use treatment programs, or to increase referrals or insurance billing.
- Clarifies that treatment decisions must be based on clinical need, not financial incentives or program ownership.
- Tightens rules around housing and transportation by requiring clear, separate contracts, written patient acknowledgments, repayment plans for subsidized housing, and limits on the type and value of transportation assistance.
- Introduces new documentation, record-retention, and public reporting requirements to increase transparency and accountability.

By strengthening prohibitions, increasing transparency, and ensuring that housing and transportation are not used as leverage, this bill directly targets patient brokering practices that exploit vulnerable individuals. It protects patients from being recruited, shuffled, or abandoned based on insurance value and reinforces a recovery system focused on ethical care and long-term outcomes.

FOR MORE INFORMATION

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