California Hospital Association

May 9, 2025

The Honorable Buffy Wicks
Chair, Assembly Committee on Appropriations
1021 O Street, Suite 8140
Sacramento, CA 95814

SUBJECT: AB 974 (Patterson) — SUPPORT

Dear Assemblymember Wicks:

For patients and providers alike, navigating the complexities of Medi-Cal managed care can already be difficult, and is even more so when benefits must be coordinated across multiple responsible payers. Under the California Advancing and Innovating Medi-Cal (CalAIM) initiative, approximately 99% of beneficiaries will receive benefits through mandatory enrollment in a Medi-Cal managed care plan. Starting in 2022, this mandatory enrollment expanded to beneficiaries with other health coverage (OHC) — including private health insurance or military benefit health care plans — who previously accessed their Medi-Cal benefits through the traditional fee-for-service (FFS) delivery system.

Medi-Cal is generally the "payer of last resort" in these instances, which means a beneficiary with OHC must first exhaust benefits through that third-party source before a provider can bill the managed care plan for covered services rendered. The provider is then entitled to bill the plan for allowable costs — that are not reimbursed by the beneficiary's primary source of coverage — to the same degree they previously billed the Department of Health Care Services (DHCS). Despite guidance from DHCS clarifying that providers are not required to hold a network contract to be reimbursed in this scenario, providers continue to face denials and/or unnecessary administrative barriers in securing the reimbursement they are owed from Medi-Cal plans.

That's why the California Hospital Association (CHA), on behalf of more than 400 hospitals and health systems, supports Assembly Bill (AB) 974 for three key reasons: it would prohibit plans from requiring providers — that are billing allowable costs for services rendered to enrollees with OHC — to have in-network status; it would require DHCS to ensure these providers do not face administrative requirements in excess of what DHCS imposes for OHC billing in the Medi-Cal FFS system; and it would require DHCS to consult with stakeholders regarding coordination of benefits and the need for future clarifying guidance.

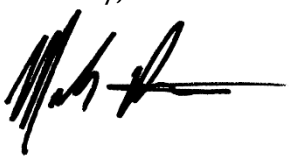
As noted in the Assembly Committee on Appropriations analysis, AB 974 would impose only negligible cost pressures to DHCS — likely in the hundreds of thousands of dollars — for administrative activities in assessing relevant policies, engaging stakeholders, and legislative reporting through 2029.

Any additional costs are likely absorbable given the resources and positions DHCS has received to implement various managed care policy changes under CalAIM and the bill's reliance on existing stakeholder venues for the consultation it requires.

Given the potential for such complexities to disrupt timely access to care, it is critical that the claims processing now being performed by plans for OHC providers is as seamless as possible.

For these reasons, **CHA requests your "YES" vote on AB 974.**

Sincerely,



Mark Farouk
Vice President, State Advocacy

cc: The Honorable Joe Patterson
The Honorable Members of the Assembly Committee on Appropriations
Allegra Kim, Consultant, Assembly Appropriations Committee
Justin Boman, Consultant, Assembly Republican Caucus