April 14, 2026

The Honorable Akilah Weber Pierson, MD
Chair, Senate Health Committee
1020 N Street, Room 3310
Sacramento, CA 95814

SUBJECT: SB 1280 (Valladares) — Oppose

Dear Senator Weber Pierson:

Hospitals are on the front lines of the mental health and substance use disorder crisis in California, with as many as one in three inpatient hospitalizations and one in five emergency department visits now involving patients with behavioral health disorders. When timely access to medically necessary care is delayed or denied, patients suffer and medical outcomes are compromised. Given the growing number of individuals seeking behavioral health treatment, the California Hospital Association (CHA) supports efforts to ensure behavioral health care is just as accessible as physical health care.

However, Senate Bill (SB) 1280 (Valladares, R-Santa Clarita) would weaken California's progress at achieving parity for behavioral health care by limiting provider reimbursement. That's why the California Hospital Association (CHA), on behalf of nearly 400 hospitals and health systems, opposes SB 1280.

Under current law, health plans are obligated to arrange and secure behavioral health care services for enrollees, including out-of-network care if the plan's network does not have adequate available providers within geographic and timely access standards. SB 1280 would limit reimbursement rates for out-of-network behavioral health care services to either the average contracted commercial rate for the same or similar services in the region, or 125% of the Medicare fee-for-service rate. These limitations promise savings to health plans **at the expense of consumers' access to behavioral health care**.

California's Knox-Keene Act encourages contracting between payers and providers to ensure health plan enrollees can count on in-network care to be available without delay or bureaucratic roadblocks. However, SB 1280 would remove health plans' incentives to develop adequate networks of behavioral health providers and dissuade providers in the community from serving out-of-network consumers due to plans' inadequate compensation. In order to obtain a contract, each party has bargained for a benefit. In this case, the health plan gets discounted rates, and the provider gets streamlined billing. This enables the provider to build its clinical program on an expected number of patients. Allowing plans to piggyback on another health plan's contract eliminates any incentive to develop adequate networks.

Furthermore, the Department of Managed Health Care (which oversees plans' compliance with network adequacy standards) reviewed nearly 2,000 consumer complaints related to access in 2024 alone — demonstrating that plans already struggle to meet network adequacy standards. Even more troubling, restricting reimbursement would likely push mental health professionals out of hospitals and into private

practice, where they can choose not to serve out-of-network patients and thus receive higher reimbursement. Combined, the effects of this bill would seriously jeopardize patients' access to critical mental health services. SB 1280 would also risk weakening existing consumer protections that ensure patients who must seek out-of-network behavioral health care do not face undue financial burdens. Under current law, when a health plan enrollee needs medically necessary behavioral health services not available in their plan's network, plans are required to both arrange and secure needed care from an out-of-network provider. This framework is critical to ensuring that patients are not left to navigate barriers to access on their own. By narrowing how plans "arrange" care and introducing a capped out-of-network reimbursement structure, SB 1280 would allow plans to technically meet their coverage obligations without demonstrating that their enrollees actually received covered behavioral health benefits.

This bill's potential impacts on hospitals that provide psychiatric inpatient care is particularly concerning, especially for the psychiatrists who provide daily care and medication monitoring to their patients in crisis. Due to California's ban on the corporate practice of medicine, psychiatrists are not typically employed by psychiatric hospitals; instead, they often directly bill patients' health plans for their services. However, California faces a massive shortage of behavioral health professionals, and it can be extremely difficult to secure sufficient psychiatrists willing to provide care in an acute hospital setting — especially when it is often more lucrative to treat patients on an out-of-pocket basis in the community. Additionally, since California has a dearth of psychiatric inpatient beds, it is common for hospitals to admit patients who reside in other counties or regions of the state who could be out of network when they are admitted. By placing caps on what psychiatrists could be reimbursed, SB 1280 would make it even **more difficult for hospitals and other settings to find psychiatrists willing to work with patients in crisis.**

SB 1280 would undermine the significant policy reforms and financial investments California has made to expand access to behavioral health care. **For these reasons, CHA urges your "NO" vote on SB 1280.**

Thank you for your consideration.

Sincerely,

Kalyn Dean

Kalyn Dean
Vice President, State Advocacy

cc: The Honorable Suzette Martinez Valladares
The Honorable Members of the Senate Health Committee
Vince Marchand, Principal Consultant, Senate Health Committee
Joe Parra, Health Policy Consultant, Senate Republican Caucus
Caroline Strouse, Policy Analyst, Office of Suzette Valladares