


April 4, 2025

Welcome to America's Physician Groups' *California Update*. Each week APG reports the latest on health care happenings in the Golden State.

Here's what you'll find in this week's edition:

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APG Opposes Inclusion Of MSOs As "Health Care Entities" Under OHCA

The California Office of Health Care Affordability, known as "OHCA" is charged with monitoring the growth of health care spending in the state. It has statutory authority to review material transactions that may impact the cost of health care, or limit access, and it has the power to set cost growth targets at the statewide level and for certain sectors of the health care market, whether based on entity type or region. OHCA's oversight is based on the statutory definition of "health care entity," a term that originally included payers, physician organizations of 25 or more doctors, and facilities. Cost growth targets and market impact transaction review apply to "health care entities." Recently, a newly introduced bill, [AB 1415](#) (Bonta) seeks to expand the definition of "health care entity" to include management services organizations (MSOs), among others. Once designated as a health care entity, an MSO would be subject to duplicative cost growth targets, even though the organization often forms an administrative arm of an RBO or restricted license, where the administrative overhead is incorporated into the provider's medical loss ratio.

APG previously engaged on a similar issue last year when the Cost and Market Impact Regulation (CMIR) was being developed by OHCA, to require filings by merger and acquisition candidates that involved health care entities. At the time, the early draft of the regulation required MSOs

to be treated as HSEs. After we engaged, MSOs were dropped, unless they were involved in a transaction that concerned a change of control over a provider, for example. The new bill, AB 1415, would follow in the footsteps of other states that have characterized MSOs as health care entities. However, in many states, unlike California, there is no ban on the corporate practice of medicine. In California, MSOs do not provide or arrange for health care services, a chief characteristic of a health care entity. APG met with Assembly Health Committee staff on March 26 to discuss the reasons for the bill and received a partial explanation of the bill's purpose. It was apparent that there was a lack of understanding as to the role that MSOs play in our market and based upon the [bill fact sheet](#), it appears that the proponents just want to learn more about the MSO market. As a part of our advocacy effort, representative APG members from MedPOINT Management and Astrana participated to explain their role in the health care system. The meeting did not include OHCA staff, however, so we have scheduled a further meeting with the OHCA staff for Tuesday, April 8.

Last weekend we learned that the Legislature was scheduling AB 1415 for hearing in the Assembly Health Committee on April 8, triggering a deadline to file a position letter by Tuesday, April 1. Given the rapid progression of this bill, APG filed an oppose unless amended position, citing the need to remove MSOs from the characterization of health care entities. You can read our argument [here](#).

Our call to action: Just yesterday, however, we learned that the bill has now been postponed to the April 22 hearing date and that the bill will be further amended. We do not yet know the direction of those potential amendments. If you would like to file a comment letter with the Legislature, we can assist your organization with the submittal process through the [Assembly Health Committee's portal](#). The deadline to submit letters is close of business on Tuesday, April 15. We will also provide an update on the bill during the Thursday, April 10 California Policy Forum meeting. APG takes the goal of the OHCA effort seriously and has been supportive of its development, since we share the same objective of promoting value based provider payment to bend the cost trend for health care coverage. However, OHCA's oversight of the market must not become so administratively costly and complex that it becomes an impediment to innovation and value on the part of our members.



On May 19, all APG members will be invited to submit their newest programs that demonstrate innovative, high-quality health care initiatives. Please look for APG's Call for Abstracts 2025 invitation.

Each edition of the [Case Studies in Excellence](#) highlights the exceptional value-based care our members provide to their patients and aims to share best practices across the APG membership and with other organizations.



APG To Disseminate Findings From The Duals Experience In CA Physician-led, Value-based Care Organizations Project

In 2024, APG was awarded a grant by CHCF to examine enablers and barriers for provider groups to participate in Dual Eligible Special Needs Plan (D-SNP) provider networks.

APG is now drafting three briefs for specific target audiences (DHCS, CA DSNP health plans, and CA providers/RBOs) that cover topics discussed and insights gained through our focus groups and key informant interview activities with APG's CA risk-bearing provider organizations. Topics include DSNP and state-specific MOC implementation experience, provider interest/capacity to care for Duals, coordination of benefits, data sharing/interoperability, care coordination needs, and corresponding improvement strategies and recommendations. APG CMO, Dr Susan Huang, will provide an overview and presentation to APG CA members between June and September, prior to the release of the Briefs.

APG will also engage in meetings with DHCS and with directors at local initiative health plans to share findings and discuss opportunities for collaborating more effectively to serve dual-eligible beneficiaries in CA.



2025 APG California Policy & Advocacy Meeting Dates

Members, please mark your calendars for APG's California Policy Forum and California Medi-Cal Forum meetings. You can download APG's 2025 events calendar [here](#).

California Policy Forum

2:00 - 3:00 pm

- April 10
- June 12
- November 12

California Medi-Cal Forum

10:30 am - 12:30 pm

- May 20
- October - TBD



APG California Advocacy Member Resources

- **Tracked Health Care Bills [2025-26](#)**: bills we're following in the California State Legislature
- **Digital Exchange Framework** [APG member tool kit](#), [QHIO webinar](#) and [DxF Program summary slide deck](#)
- **Office of Health Care Affordability** [regulations](#) and [explanatory slide deck](#)
- APG, Moss Adams, Sheppard Mullin **CMIR Regulation** [webinar](#) and [slides](#)
- **DMHC SB 510** [All Plan Letter](#) on Health Plan payment responsibilities
- **DMHC Quality and Equity Reporting** program [All Plan Letter](#)
- **DHCS Medi-Cal Medical Loss Ratio** [Implementation Summary](#)
- **DHCS Medi-Cal Connect** [Population Health Program](#) Information

For more news and resources, please visit APG's [website](#) or contact a member of APG's California advocacy team.

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