


May 21, 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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Governor Newsom's Budget Contains Big Surprises For California Medi-Cal

We were disappointed to see the [Governor's May Revision](#) of the state budget proposal gutting the voter-enacted Proposition 35 funding increases for Medi-Cal providers. As of this date, and after two budget hearings and an all-day meeting of the Prop 35 implementation committee, the status of 2025 MCO Tax targeted rate increases is murky, with little clarity. Several parties have alleged that the budget proposal sweeps billions out of the MCO Tax revenue stream while the state's representatives have flatly denied that this is true.

Even more concerning, the budget proposal contained a vague provision to implement an increase in the Medi-Cal medical loss ratio ("MLR"). Later investigation revealed that the DHCS is proposing to increase the MLR percentage from 85% to 90%. The increase would allegedly generate budget cost savings of \$200 million in the out years beginning in 2028. The current Medi-Cal budget is about \$161 billion, meaning that the scored cost savings would represent a .124 percent savings.

APG has responded to health plan inquiries about the impact of the proposal, which under MLR rules would aggregate the administrative layer of all delegated entities up to the MCP. While public plans generally operate well above a 90% medical expense ratio, the aggregation of delegated entity administrative layers to the plan's administrative costs would likely prevent them from using global risk with Restricted Licensees, and in some cases even discourage use of RBOs. APG estimates that the loss of delegation in Medi-Cal managed care could result in an increase to the DHCS in the range of \$5-6 billion.

We are working this issue daily in conjunction with some of the MCPs and will keep APG members apprised of developments. The state budget is required to be passed by the Legislature no later than June 15 each year.



One Good Thing

This is a new addition to the Update that will focus on one piece of good news in California health care each week, because I think we all need it.

This week, our focus is a fist bump to U.C. Davis Medical Group, which operates in the Central Valley region. A neighbor reported to me that he contracted a nasty bacterial eye infection and called his PCP at U.C. Davis. The PCP dispatched a third party mobile medical team (Dispatch Health) to his house, who prescribed eye drops and got his condition under control. My neighbor was delighted by the attention to service.

Submissions are welcome! Don't be shy about bragging about your organization.



Opportunity To Improve Your Dementia Care: Adopt An Evidence-Based Model or Co-Create A New Model

With the support of The John A. Hartford Foundation, the National Dementia Care Collaborative (NDCC) is supporting technical assistance of up to 10 APG groups to implement comprehensive dementia care.

Eligibility Criteria: APG member organizations with **at least 30%** of Medicare patients enrolled in Medicare Advantage.

Benefits:

- Assistance in adopting/adapting dementia care model
- Payment to organizations to survey dementia caregivers in their practices

To learn more, visit the [NDCC](#).

**APG Launches 2025 Case Studies In Excellence**

All APG member organizations are invited to submit an abstract for consideration in our 2025 Case Studies in Excellence series. APG aims to publish 12 case studies this year.

Each annual edition of the [Case Studies in Excellence](#) highlights the innovative, high-quality, and high value health care that APG members provide. This is an excellent opportunity for APG members to showcase their programs, best practices, and results.

Please contact [Norma Springsteen](#) with any questions about the program or submissions.

**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

- June 12
- November 12

California Medi-Cal Forum

10:30 am - 12:30 pm

- 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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