


August 22, 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 Summary And Position On SB 363 (Wiener) – Penalties For IMR Overturns

[SB 363](#) has now been amended for the fifth time, further refining the fines and penalties imposed on health plans that exceed a statutory threshold of overturned denials or modifications within the Department of Managed Health Care's (DMHC) Independent Medical Review (IMR) process. The bill creates new provisions within both the Knox-Keene Act and the Insurance Code.

Key Provisions of the Current Version:

- **Threshold for Regulatory Action:** Applies only if a plan has **10 or more IMR overturns in a single year**.
- **Category Splits:** Cases are divided into **medical/surgical** and **behavioral health**. If more than 50% of the overturns fall within one category, fines apply.
- **Penalty Structure:**
 - First violation: **not less than \$25,000**
 - Second violation: **not less than \$50,000 and not more than \$200,000**

- Subsequent violations: **not less than \$500,000 each**
- **Reporting Requirements:** Plans must annually report:
 - Total claims volume; and
 - Denial/modification reasons, categorized as:
 - Medical necessity
 - Investigative/experimental
 - Emergency/urgent care reimbursement
 - Incorrect billing
 - Duplicate claims
 - Out-of-network provider
 - Insufficient information (e.g., records, signatures)
 - Ineligibility/coverage issue
 - Lack of timely submission
 - Other

Impact on Delegated Entities:

APG members already report all prior authorization review outcomes to contracted health plans. This bill does **not** add reporting obligations for delegated entities—it applies only to plan-level reporting to DMHC and CDI.

IMR Standards:

For IMR determinations, reviewers must assess medical necessity based on enrollee needs and at least one of the following:

- Peer-reviewed scientific and medical evidence;
- Nationally recognized professional standards;
- Expert opinion;
- Generally accepted standards of medical practice;
- Evidence of likely benefit where other treatments are not effective.

This statutory structure allows an IMR overturn to be based solely on “expert opinion,” even when contradicting nationally recognized standards (e.g., Milliman).

APG Concerns:

1. **Prejudicial to smaller plans:** Fines are not tied to total claims volume, disproportionately penalizing plans with lower enrollment.
2. **Loose IMR standards:** The bill permits overturns based on expert opinion alone, creating inconsistency and undermining established standards.
3. **Failure to account for severity:** All IMR overturns are treated equally, regardless of impact. Minor technical issues are penalized the same as denials resulting in significant patient harm or even death.

APG Position:

For these reasons—its disproportionate impact on smaller plans, its weak reliance on IMR standards, and its failure to distinguish between trivial and severe denials—**APG remains [opposed to SB 363](#)**.

**APG Publishes Issue Briefs: Transforming Care For Duals With Aligned Medicare Medi-Cal Plans In California**

APG is excited to share a series of three issue briefs focused on how capitated and delegated medical providers, health plans, and state policymakers can collaborate to effectively transform care for California's Duals (those eligible for both Medicare and Medi-Cal) through the implementation of aligned D-SNPs.

APG developed these issue briefs from focus groups and interviews conducted between September 2024 and January 2025 with 20 APG members who serve more than 200,000 Duals in California. Each brief focuses on a specific audience: 1) California policymakers, 2) health plans, and 3) medical providers. The series amplifies the care experience of accountable physician organizations, shares insights with key stakeholders, and addresses improvement opportunities that support the successful implementation of CalAIM's aligned D-SNPs.

APG thanks its participating member organizations and leaders, our project partner, [Transform Health, LLC](#), and our project sponsor, the [California Health Care Foundation](#).

Click [here](#) to access this issue brief series.

**One Good Thing - Administration Going Negative On Shorter UM Review Timelines**

[AB 512](#), the bill that decreases the time for review of prior authorizations, was given a [negative assessment](#) today by the Governor's Department of Finance. This bill, which has been opposed by APG and its members due to the unrealistic conflation of review timelines for prior authorization requests, is presently situated in the Senate Appropriations Committee. As recently amended the bill would reduce the for urgent requests, decisions would be required within 24 hours, if submitted electronically, and within 48 hours, if submitted nonelectronically. For nonurgent

requests, decisions would be required within 3 business days for electronic submission and 5 business days for non-electronic submission. The DOF opposition stated:

The Department of Finance is opposed to this bill because it would result in ongoing special fund costs and potential General Fund costs not included in the state's fiscal plan. In addition, costs accrued to the Managed Care Fund may result in increased assessments to health plans, which could impact consumers in the form of higher premiums. Existing law established the Office of Health Care Affordability to slow healthcare spending and address prevailing cost drivers. The costs associated with this bill could increase the cost of health care for enrollees, conflicting with the state's goal to slow the growth of health care costs.

Do you have a piece of good news in California health care to share? Click [here](#) to submit your story!



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

- November 12

California Medi-Cal Forum

10:30 am - 12:30 pm

- October - TBD



APG Partners With CVEEP To Provide Members With Vaccine Related Resources

APG has partnered with [Champions for Vaccine Education, Equity and Progress \(CVEEP\)](#) to provide APG members with consumer-facing materials to assist with vaccine outreach and education in patient communications during the upcoming respiratory virus season. Please access tailored materials for APG members [here](#).



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.

William Barcellona, EVP of Government Affairs..... wbarcellona@apg.org

David Gonzalez, Senior Legislative Advocate..... dgonzalez@apg.org

Norma Springsteen, Administrative Coordinator.... nspringsteen@apg.org



This message was sent to nspringsteen@apg.org from:

America's Physician Groups

611 N. Brand Blvd., Ste. 1300, Glendale, CA 91203

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