


August 29, 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:

- [SB 306](#) – Prior Authorization Reform: Ongoing Concerns For APG Members
- Legislative Update: [AB 1415](#) – Oversight Of Management Services Organizations
- Regulation Of Artificial Intelligence: [AB 1018](#) – Automated Decision Systems
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SB 306 – Prior Authorization Reform: Ongoing Concerns For APG Members

APG continues to be deeply engaged in near-daily discussions regarding [SB 306](#), the CMA-sponsored legislation that would mandate the automatic removal of any service code from prior authorization requirements if that code is approved 90 percent or more of the time. Earlier this week, APG met with DMHC Director Mary Watanabe and her executive team to outline the significant unintended consequences this policy could have—particularly for capitated, delegated physician organizations. Representatives from Hill Physicians Medical Group and Heritage Provider Network delivered a “Utilization Management 101” presentation to the Department, illustrating how delegated entities use prior authorization not as a barrier to care, but as a coordinated care management tool. They emphasized that these organizations maintain exceptionally low denial rates and consistently meet statutory turnaround time requirements.

At this stage, the outlook for SB 306 remains uncertain. Unlike the associated AB 512, the Governor’s Department of Finance has not weighed in on the bill, and the Appropriations Committee analysis does not project abnormally high implementation costs for the DMHC. However, the Legislature is amid a flurry of last-minute negotiations on a variety of high-profile issues. Broader political priorities—such as redistricting—may take precedence, potentially delaying action on health policy proposals. As a result, several scenarios remain possible:

- **The bill could be held in the Appropriations Committee** and become a “two-year bill,” eligible for reconsideration in January 2026.
- **It could remain on suspense and stall for the remainder of 2025.**
- **Or it could advance to the Governor’s desk by the September 15 deadline**, in which case the Governor would have 30 days to sign or veto the bill.

In short: the legislative process is still very much in motion.

APG will continue to monitor developments closely and engage with policymakers to ensure that any reform preserves the ability of delegated physician organizations to manage care responsibly and effectively.

The most recent version of APG’s comment letter on SB 306 can be accessed [here](#).



Legislative Update: AB 1415 – Oversight Of Management Services Organizations

The Office of Health Care Affordability (OHCA) is charged with monitoring cost growth across California’s major health care sectors, including health plans, hospitals, and physician organizations. [AB 1415](#) would significantly expand OHCA’s jurisdiction to include Management Services Organizations (MSOs).

Other states—particularly on the East Coast—have recently advanced legislation providing state-level oversight of MSOs, focusing on issues such as provider acquisitions, the impact of consolidation on health care costs, and the growing role of private equity ownership. California now appears poised to follow this trend through AB 1415.

At the center of the bill is the definition of an MSO. The most recent version reads:

“Management services organization” means an entity that provides management and administrative support services for a provider in support of the delivery of health care services, excluding the direct provision of health services. Management and administrative support services shall include provider rate negotiation, revenue cycle management, or both. A management services organization does not include entities that own one or more health facilities of the type defined in subdivisions (a) and (b) of Section 1250.”

Importantly, this definition applies both to MSOs that independently contract with risk-bearing organizations (RBOs) and to MSOs owned and operated by RBOs for their own administrative functions—commonly referred to as “captive” MSOs.

Our letter raises concerns with the most recent amendment, which exempts captive MSOs of acute care and psychiatric hospitals but does not extend the same exemption to captive MSOs of RBOs. We believe this disparate treatment is problematic and warrants further legislative review. You can read our comment letter [here](#).



Regulation Of Artificial Intelligence: AB 1018 – Automated Decision Systems

Multiple bills continue to move through the California Legislature attempting to regulate the use of artificial intelligence (AI). Federal efforts this year to preempt states from enacting their own AI policies were unsuccessful. An earlier version of recently passed H.R. 1 contained a 10-year moratorium on any state enacting or enforcing provisions limiting the use of AI. However, those provisions were subsequently removed, and legislative efforts relating to the use of AI continue in many states, including California.

AB 1018 (Bauer-Kahan) seeks to regulate the development and deployment of “automated decision systems” (ADS) used to make consequential decisions. “Consequential decisions” are specifically defined as decisions that materially impact the cost, terms, quality, or accessibility of a list of services, including healthcare. AB 1018 is opposed by several industries, including technology, healthcare, and many others. APG is part of a large coalition of health care entities seeking exemption

from the provisions of AB 1018. You can download the coalition letter's *Opposed Unless Amended* position on AB 1018 [here](#).

In 2024, Colorado passed and enacted similar provisions which are contained in the Consumer Protections for Artificial Intelligence Act of 2024 (SB 24-205.) Governor Jared Polis has called a special session to address concerns with the new law, and the Colorado legislature is currently considering at least 4 proposals seeking to address concerns with the new AI law. Many of the concerns relate to the costs, both public and private associated with the implementation of SB 24-205.

Similarly, the Senate Committee on Appropriations analysis of AB 1018 recently noted significant potential state costs to the hundreds of millions of dollars that could be associated with AB 1018. These include:

- \$1.4 million for 2025-26 to the State Controller's Office;
- "Millions of dollars" annually to the Labor Commission for enforcement;
- Civil Rights Division \$2 million annually;
- DOJ \$2.5 million annually;
- "Millions" annually by the Water Board;
- UC Health \$42 million initial, and \$24 million annually; and
- CalHHS "significant" costs in the millions of dollars.

APG is currently meeting with members of the California Senate to express our concerns regarding the costly and onerous requirements that will be placed on the health care delivery system if AB 1018 were to be passed and enacted. The future of many bills, including AB 1018, will be determined on August 29th when the Appropriations committees decide whether to pass or hold hundreds of bills currently in their committee.



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.



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.

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