CALIFORNIA UPDATE

January 23, 2026

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:

- **Progress On Clarifying Medi-Cal MLR Reporting Requirements**
- **APG California Policy & Advocacy 2026 Meeting Dates**
- **APG California Advocacy Member Resources**

Progress On Clarifying Medi-Cal MLR Reporting Requirements

APG facilitated a discussion between our members and Rafael Davtian, Deputy Director at the Department of Health Care Services, on several issues concerning medical loss ratio reporting. For background, APG submitted a detailed policy letter to the DHCS on October 3, 2025, and, after some months, we secured a verbal response from the Department on several of these issues. The important clarifications included the following points:

- DHCS will only require MLR reporting for those delegates that receive $30 million or more in annual revenue from a MCP in a county/region, and the monetary threshold will continue for the 2025 and 2026 reporting years (this is a change from the verbal statement made at the November 2025 FSSB Board meeting by the Department).
- The transition away from the Four-Part Test for the 2025 reporting year shifts to the CMS 3rd Party Vendor Standard. APG has been requesting clarification on which Health Care Quality Improvement factors would be permissible to use under the reporting template. The Department verbally clarified that delegates may use the same factors as MCPs, which is very helpful for the potential for compliance with the 85% standard.
- The Department has issued a standard subcontractor reporting template.

- The current MLR reporting requirement is tied to the expiration of the CalAIM Waiver at the end of December 2026. Under a new Waiver, a different process is possible.

Some questions remain unanswered, and the Department has promised on multiple occasions to respond to the APG letter in writing. APG members remain somewhat confused over the full extent of the verbal clarifications made by DHCS. For example, while the DHCS has issued a standard template, it states that MCPs may elect to use their own templates, but that they must be consistent with all the requirements under the standard template. Second, DHCS states that while it only intends to require reporting from delegates that meet the $30 million revenue threshold, MCPs may elect lower thresholds for reporting. It's important to understand that statements of this nature are not the law. DHCS is not enabling MCPs to use higher standards as a matter of statute or regulation. Actions by MCPs in these two areas are subject to contractual requirements between the plan and its delegates.

Lastly, some additional areas requiring clarification remain:

- The DHCS requirement under an All-Plan Letter that pay-for-performance plans initiated by delegates with their network providers must be documented by contract prior to the start of the year was issued during 2025 and, in theory, intended to apply retroactively. Delegates were already in the process of administering their programs. Delegates would have difficulty imposing retroactive contracts for 2025 quality performance obligations on their network providers. The Department stated during the meeting that it would "take a further look at the issue." In practical terms, a strict application of the APL requirement would be impossible to perform.
- There is a long-standing issue concerning how risk-pool arrangements with delayed payouts should be reported when the payout runs over to the next calendar year. There is a further issue concerning how the hospital and the provider organization should each report the revenue and payouts since they would both have to report individually. This ambiguity has never been resolved.

An opportunity exists for strong advocacy over the burdensomeness of the MLR policy as the next California Medicaid Managed Care Waiver is negotiated with CMS. APG has reached out to the plan community to join forces on advocacy for a more rational policy in the future. APG continues to stress that any MLR standard should be consistently applied by CMS between Medicare, Medicaid, and the commercial insurance market. These other two markets continue to use the Four-Part Test.

2026 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 2026 events calendar here.

California Policy Forum
2:00 - 3:00 pm

- February 5 - *Register here*
- April 9
- June 3
- December 3

California Medi- Cal Forum
4:00 - 5:00 pm

- February 10 - *Register here*
- March 10
- April 14
- May 12
- June 9
- August 11
- October 13
- November 10
- December 8

APG California Advocacy Member Resources

- 2025 Legislative Implementation Guide
- **Tracked Health Care** Bills 2025-26: bills we're following in the California State Legislature
- November 2025 IHA Provider Directory webinar recording
- **Office of Health Care Affordability** regulations and explanatory slide deck
- **DMHC Quality and Equity Reporting** program All Plan Letter

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

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