March 6, 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:

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DHCS Requires Prescribers To Enroll in Medi-Cal Fee-For-Service To Support Medi-Cal Rx Pharmacy Claims

The California Department of Health Care Services (DHCS) has issued a directive requiring prescribers to enroll as Medi-Cal Fee-for-Service (FFS) providers for prescriptions they write to be processed under the Medi-Cal Rx pharmacy benefit program. Beginning June 26, 2026, a pharmacy enrolled in Medi-Cal Rx will be able to dispense medications to a Medi-Cal member only if the prescribing provider is enrolled in Medi-Cal FFS using an individual Type 1 National Provider Identifier (NPI). If the prescriber is not enrolled, Medi-Cal Rx will reject both pharmacy claims and prior authorization requests associated with that prescription.

The directive aligns Medi-Cal pharmacy operations with federal Medicaid program integrity rules that require ordering, referring, and prescribing providers to be enrolled in the state Medicaid program. Under the new requirement, clinicians who prescribe medications for Medi-Cal beneficiaries must verify their enrollment status and, if necessary, submit an application through the state's PAVE (Provider Application and Validation for Enrollment) portal. DHCS indicates that enrollment applications may take between 90 and 180 days to process, making advance verification particularly important for prescribers who regularly treat Medi-Cal patients.

For physician organizations, medical groups, and MSOs participating in Medi-Cal delivery systems, the directive carries important operational implications. Organizations should consider reviewing their prescriber

rosters to confirm that clinicians who write prescriptions for Medi-Cal patients are enrolled in Medi-Cal FFS under their individual NPIs. Failure to do so could lead to pharmacy claim denials and delays in medication access for Medi-Cal beneficiaries, as well as additional administrative burden for pharmacies, prescribers, and care teams attempting to resolve rejected claims after the fact. As the June 2026 implementation date approaches, proactive verification and enrollment will be important to ensure continuity of pharmacy services for Medi-Cal patients and to avoid disruptions in treatment caused by prescriber enrollment gaps.

2026 California Legislative Agenda Off To A Roaring Start
California lawmakers have begun the second year of the 2025–26 legislative session with an unusually large volume of new proposals, including several measures that could significantly affect physician organizations, health systems, and managed care arrangements. More than 1,900 bills were introduced before the February deadline, and policymakers are already signaling a continued focus on health care affordability, artificial intelligence, pharmacy policy, and utilization management.

The policy debate is unfolding alongside a cautious fiscal environment in Sacramento. Governor Gavin Newsom's proposed $348.9 billion state budget projects a modest deficit and reflects concerns about the volatility of state revenues, particularly those tied to technology sector stock performance. Medi-Cal spending continues to grow, with the program expected to cover roughly one-third of Californians and total expenditures projected to reach nearly $49 billion in the coming fiscal year. The Legislative Analyst's Office has warned that the state's long-term budget challenges appear structural rather than cyclical, meaning that even modest new program proposals may face scrutiny as lawmakers move through the budget process this spring.

Among the most sweeping proposals introduced this year is Assembly Bill 1900 by Assemblymember Ash Kalra, a renewed effort to establish a statewide single-payer health system known as "CalCare." The bill would make every California resident eligible for coverage through a publicly administered program with no premiums, copayments, or other forms of cost sharing. Health care providers participating in the system would be required to accept rates negotiated by a CalCare governing board, with Medicare fee-for-service rates presumed to be reasonable benchmarks for payment negotiations. The proposal also contemplates major structural changes to the delivery system, including restrictions on certain contracting arrangements among providers and entities participating in

the program. Financing for the system is not included in the bill itself, but the legislation declares the intent to pursue a separate revenue plan and to seek federal waivers necessary to incorporate Medi-Cal funding into the program.

Another notable concept emerging this year is a "pay-or-play" style proposal tied to Medi-Cal financing. Assemblymember Mia Bonta has introduced AB 2729 to explore requiring employers whose workers rely on Medi-Cal coverage to contribute financially to the program. The proposal reflects growing legislative concern that some large employers effectively shift health coverage costs to the public sector when workers qualify for Medi-Cal due to low wages. While the bill currently expresses legislative intent rather than detailed policy language, it signals a renewed discussion about employer responsibility and the financing of the state's Medicaid program.

Artificial intelligence is another area drawing significant legislative attention. Several newly introduced bills would regulate how AI tools are used in health care settings and health-related advertising. One proposal would restrict the use of AI in psychotherapy settings unless patients receive clear disclosures and a licensed professional reviews any treatment recommendations generated by technology. Another bill would require clear disclosure when AI-generated or digitally altered images or voices are used in advertisements promoting health-related products or services. A separate proposal would address AI tools used by health care employers, declaring that clinicians must remain free to exercise professional judgment and cannot be penalized for relying in good faith on technology provided by their employer. That measure would also require employers to disclose when clinical decision-support tools or other AI technologies are being deployed in patient care settings.

Utilization management and prior authorization remain active areas of legislative interest despite the recent enactment of SB 306 in 2025. That law requires regulators to collect prior authorization data from plans and insurers to determine which services may eventually be exempted from prior authorization requirements. Several new bills introduced this year would go further by restricting utilization management for specific conditions or treatments. One proposal would prohibit prior authorization and step therapy for certain FDA-approved drugs used to treat rare diseases when the prescribing physician determines that the therapy is medically necessary. Other measures would mandate coverage without cost sharing for cervical cancer screening home test kits, require coverage of FDA-approved Alzheimer's treatments without step therapy,

and eliminate cost sharing for certain lung cancer screening and follow-up services.

Pharmacy policy is also drawing attention in the 2026 session. One measure would require Medi-Cal to reimburse advanced practice pharmacists for certain clinical services at the same rates paid to physicians under the Medi-Cal fee schedule. Another proposal would expand pharmacists' authority to substitute biosimilar biological products when filling prescriptions unless the prescribing physician explicitly prohibits substitution. These proposals reflect a broader legislative effort to expand pharmacist roles and encourage the use of lower-cost therapeutic alternatives.

Taken together, these early legislative proposals suggest that California policymakers remain focused on affordability, technology oversight, and access to care, even as the state navigates fiscal uncertainty. For physician organizations and health systems, the emerging themes of the 2026 legislative session—including renewed interest in single-payer financing, employer contributions to Medi-Cal, tighter regulation of artificial intelligence, and continuing efforts to limit utilization management—are likely to shape policy discussions throughout the year as the Legislature moves toward the August deadline for passing bills to the Governor's desk.

Interested in these bills? Check out the recent slide deck from APG's David Gonzalez.

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

- April 9
- June 3
- December 3

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

- March 10 - *Register here*
- 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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