



May 5, 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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### **DMHC Issues Proposed Guidance On Downcoding Practices: Significant Implications For Delegated Physician Organizations**

The Department of Managed Health Care (DMHC) has released [a draft All Plan Letter \(APL\)](#) addressing health plan downcoding practices, signaling a notable shift in how the Department intends to regulate claims adjudication activities across the commercial market. While downcoding is not prohibited under the Knox-Keene Health Care Service Plan Act, the proposed guidance establishes a comprehensive compliance framework that will have direct and material implications for delegated physician organizations, including APG members.

The APL clarifies that downcoding, defined as modifying a billed service to a lower-level code resulting in reduced reimbursement, constitutes a regulated claims adjustment subject to existing statutory and regulatory requirements. Plans, and importantly their delegates, would be required to disclose in detail the methodologies, criteria, and algorithms used to identify claims subject to downcoding and to determine adjusted service levels. This level of transparency represents a departure from current industry practices, where coding edits are often embedded in proprietary systems or vendor tools.

The Department also reinforces that plans must review all relevant documentation, including medical records, before adjusting a claim and may not rely solely on the claim form unless additional documentation has been requested and not provided. This requirement raises operational considerations for delegated entities that currently rely on automated claims editing processes. In addition, the APL requires that claims be reimbursed at the appropriate level supported by the documentation, prohibiting full claim denials where partial payment is warranted.

The proposal further expands provider protections by requiring clear written explanations of any adjustments and mandating access to dispute resolution processes, including the ability to submit additional documentation for reconsideration. These provisions are expected to increase the volume and complexity of provider disputes, necessitating enhanced documentation and audit readiness on the part of both plans and delegates.

From a regulatory perspective, the APL introduces new filing and attestation requirements, including the submission of administrative services agreements, coding policies, and oversight mechanisms for delegated entities. Health plans will be required to affirm compliance not only for themselves but also for their delegates, reinforcing the Department's expectation that plans maintain robust oversight of delegated claims functions.

For APG members operating within California's delegated model, the proposed APL underscores a broader regulatory trend toward increased transparency, accountability, and documentation in claims adjudication. While the guidance aims to ensure fairness and consistency in provider reimbursement, it also presents meaningful operational and financial considerations, particularly with respect to clinical review processes, vendor relationships, and administrative burden.

The Department is seeking written input on the draft APL by **Wednesday, May 13<sup>th</sup>**. APG is actively reviewing the proposal and invites member feedback to inform the development of a formal policy comment letter to the Department by that date. You can review APG's draft comments [here](#). Members are encouraged to share perspectives, operational considerations, and specific concerns to ensure that APG's comments reflect the full range of experiences within the delegated care model to contribute to our comments. ***Please send us your thoughts by Tuesday, May 12<sup>th</sup>.***



## California's Governor's Race Tightens As Ballots Hit Voter Mailboxes

The California Governor's race is entering a more competitive and consequential phase, with new polling showing a tightening field and early signs of voter consolidation. A recent survey places Xavier Becerra and Steve Hilton tied at **18 percent**, while the share of undecided voters has declined to **14 percent**, a notable shift from earlier polls that showed a much larger bloc of uncommitted voters.

This combination of a statistical tie at the top and a shrinking undecided electorate suggests that voters are beginning to sort into defined preferences, increasing the likelihood of sharper separation among candidates in the weeks ahead. At the same time, the field remains sufficiently fragmented that movement of even a few percentage points could determine which candidates advance under California's top two primary system.

Against this backdrop, a series of upcoming televised debates will provide critical opportunities for candidates to differentiate themselves on key issues, including cost, access, and system reform:

- **May 5 (6:00 PM PT)** – CNN statewide gubernatorial debate
- **May 6 (7:00 PM PT)** – NBC4/Telemundo Los Angeles debate

For APG members, these debates offer a useful window into how leading candidates are framing health care priorities at a time when voter preferences are beginning to solidify. With ballots already in circulation and the June primary approaching, the race appears to be shifting from an open field to a more defined contest, though still one where late movement could prove decisive.



## Join Us For An Important California Policy Forum In San Diego – Wednesday, May 27

APG members are invited to attend our upcoming California Policy Forum from **10:15 to 11:45 a.m. on Wednesday, May 27**. The session will take place in San Diego, and **attendance is complimentary for APG Annual Conference registrants**. Please register [here](#).

We are pleased to welcome **Mary Watanabe**, Director of the **California Department of Managed Health Care**, along with Deputy Director

**Amanda Levy.** Director Watanabe will discuss emerging policy considerations related to menopause therapy coverage—an area of growing attention in California’s regulatory landscape.

We will also be joined by **Michael Valle** of the **California Department of Health Care Access and Information**, who will provide updates on the state’s all-payer claims database and the newly implemented Data Exchange Framework (DxF) Advisory Committee. HCAI has recently intensified compliance efforts around California’s data exchange requirements, including new standards for verifying Data Sharing Agreement signatories. Mr. Valle will outline these developments and take questions from attendees.

In addition, former Assembly Health Committee Chair **Jim Wood** will offer insights into current political and legislative dynamics in Sacramento, including key trends shaping the legislative session and the evolving Governor’s race.

Finally, **William Barcellona** and **David Gonzalez** will provide updates on priority legislation and regulatory issues impacting APG members.

This is an excellent opportunity to engage directly with California’s health policy leadership and stay informed on the issues shaping our operating environment. We look forward to seeing you in San Diego.



## **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**

- June 3
- December 3

### **California Medi- Cal Forum**

**4:00 - 5:00 pm**

- May 12 - Register [here](#)
- June 9
- August 11
- October 13

- November 10
- December 8



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### 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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