



June 19, 2026

Welcome to America's Physician Groups' *California Update*. Each week APG reports the latest on health care happenings in the Golden State.

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This Week In Review

Over the past week, APG has engaged state policymakers and regulators on several significant initiatives affecting California physician organizations, value-based care arrangements, and the Medi-Cal managed care delivery system.

This week, APG met with Office of Health Care Affordability (OHCA) staff to discuss the agency's proposed spending target enforcement framework and the unique role that California's delegated physician organizations play in slowing health care spending growth through advanced payment models. APG also continued its advocacy regarding the Department of Health Care Services' proposed renewal of California's Section 1915(b) Medi-Cal managed care waiver, including recommendations to preserve administrative simplification efforts and revisit Medi-Cal subcontractor Medical Loss Ratio (MLR) requirements. Finally, we lobbied the Senate Health Committee on our joint bill to extend the CalVEBA Direct pilot in San Diego County.

In addition, APG submitted recommendations regarding implementation of the federal CMS-0057-F Interoperability and Prior Authorization Rule, urging regulators to recognize the operational realities of California's delegated care model and establish a coordinated statewide implementation strategy. APG also remains actively engaged with DHCS and Medi-Cal managed care plans regarding the transition to the 2025 subcontractor MLR reporting framework and the need to preserve

incentives for delegated organizations to invest in quality improvement, care management, and fraud, waste, and abuse prevention activities.

Additional information on each of these issues is provided below. As always, we welcome member feedback as APG continues its advocacy on behalf of California physician organizations and the patients they serve.



APG Meets With OHCA On Spending Target Enforcement Proposal

APG recently participated in a stakeholder meeting with Office of Health Care Affordability (OHCA) staff regarding the agency's [developing spending target enforcement](#) framework and Performance Improvement Plan (PIP) process. Bill Barcellona was joined by representatives from Heritage Provider Network, Sharp Community Medical Group, and MedPOINT Management to discuss how the proposal would apply to California physician organizations operating under delegated and capitated arrangements.

Participants emphasized that California's delegated care model is specifically designed to improve care coordination and manage the total cost of care through physician accountability. APG urged OHCA to recognize that physician organizations participating in advanced payment models already assume responsibility for managing utilization, improving quality, and reducing unnecessary spending. These organizations represent one of the state's most effective mechanisms for bending the health care cost curve while maintaining access and quality.

A significant portion of the discussion focused on OHCA's Total Health Care Expenditure (THCE) attribution methodology. APG members explained that physician organizations are currently attributed spending that extends well beyond services under their operational control, including pharmaceutical expenditures, behavioral health services, and hospital costs. Participants noted that physician organizations generally do not control drug pricing, are rarely delegated responsibility for behavioral health services, and do not establish hospital charge structures.

APG encouraged OHCA to consider these limitations when evaluating physician organization performance and to incorporate recognition of advanced payment model participation when assessing compliance with statewide spending targets. We will continue to engage with OHCA as the agency develops its enforcement regulations and implementation framework. APG will follow up with written comments in the immediate future.



APG Submits Comments On DHCS 1915(b) Waiver Renewal

On June 18, APG submitted comments regarding the Department of Health Care Services' proposed renewal of California's Section 1915(b) Medi-Cal managed care waiver.

APG's comments support continuation of California's managed care delivery system while encouraging DHCS to pursue additional administrative simplification initiatives that reduce unnecessary burdens on health plans, physician organizations, and providers. APG also urges the Department to preserve flexibility for delegated delivery systems that have successfully coordinated care for millions of Medi-Cal beneficiaries.

The letter further highlights APG's ongoing concerns regarding Medi-Cal subcontractor Medical Loss Ratio (MLR) reporting requirements. APG believes the waiver renewal process presents an important opportunity to revisit existing reporting standards and pursue greater alignment between state and federal requirements. Particular emphasis is placed on ensuring that delegated physician organizations receive appropriate recognition for quality improvement activities, care coordination investments, and other activities that improve patient outcomes while reducing unnecessary spending.

Members, please review the full [APG comment letter](#).



APG Continues Advocacy On Medi-Cal Subcontractor MLR Reporting

APG remains actively engaged with DHCS and Medi-Cal managed care plans regarding implementation of the 2025 subcontractor Medical Loss Ratio (MLR) reporting requirements.

During recent discussions with DHCS staff during the June 9 APG California Medi-Cal Forum meeting, APG members reviewed changes associated with the Department's transition from the historic four-part test methodology to a reporting framework based on federal third-party vendor guidance. APG continues to seek clarity regarding reporting expectations and the treatment of activities that improve quality, care coordination, and program integrity.

APG has also raised broader policy concerns regarding the current federal approach to recognizing Health Care Quality Improvement (HCQI) activities. Physician organizations frequently invest substantial resources in fraud, waste, and abuse prevention, care management infrastructure, provider oversight, and quality improvement initiatives that directly

benefit Medi-Cal beneficiaries. Yet many of these activities receive limited recognition under existing reporting standards.

Because APG member organizations collectively serve more than six million Medi-Cal beneficiaries, APG believes that future state and federal policy should encourage continued investment in these activities rather than discourage them through overly restrictive reporting rules. APG will continue working with DHCS, health plans, and federal policymakers to promote a reporting framework that appropriately recognizes the value delegated physician organizations bring to the Medi-Cal program.



APG Submits Recommendations On CMS-0057-F Implementation

On June 18, APG submitted recommendations to HCAI, DHCS, and DMHC regarding implementation of the federal CMS-0057-F Interoperability and Prior Authorization Rule and its potential impact on California's delegated care model.

The federal rule requires health plans to implement new interoperability standards and prior authorization application programming interfaces (APIs). However, important questions remain regarding how those requirements should be applied within California's unique delegated delivery system, where many utilization management and care coordination functions are performed by physician organizations and their contracted vendors.

APG urged regulators to recognize that many delegated organizations do not possess the internal technology infrastructure necessary to independently develop and maintain complex FHIR-based interoperability solutions. APG also noted that neither federal regulations nor existing state guidance clearly establish whether delegated physician organizations must independently deploy these capabilities.

The letter recommends that HCAI assume a leadership role in convening plans, physician organizations, vendors, and regulators to develop a coordinated statewide implementation strategy. Such an approach would promote consistency, reduce unnecessary administrative costs, and help ensure that interoperability requirements support patient care without disrupting successful delegated care arrangements.

Members, please review the full [APG letter](#).



APG Seeks Submissions For The 2026 Case Studies In Excellence

All APG members are invited to submit an innovative care initiative or best practice in value-based care for consideration in the next edition of Case Studies in Excellence. Click [here](#) to submit your abstract by **June 26**.

APG's annual [Case Studies in Excellence](#) series highlights our members' innovative care initiatives and best practices. It remains a highly sought-after publication and serves as an effective educational tool that helps policymakers, purchasers/payers, partners, prospective APG members, and others understand value-based care.

We welcome member submissions showcasing "value" in coordinated, patient-centered, high-quality care delivery and payment models. This 2026 series will continue to cover a broad range of topics and also feature a special spotlight on artificial intelligence in value-based care.

Selected case studies will be featured at APG's Annual Fall and Spring Conferences and shared via social media spotlights!

Please review the [submission guidelines](#) and [submit](#) your abstract by **June 26**.

If you have content or program questions, please contact Dr. Susan Huang at cmo@apg.org.



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

- December 3

California Medi- Cal Forum

4:00 - 5:00 pm

- 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](#)

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

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