CALIFORNIA UPDATE

September 18, 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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APG Responds To DMHC Draft Claims And Provider Dispute Regulations

APG has provided **feedback** to the Department of Managed Health Care on **proposed amendments** to regulations governing claims settlement practices and provider dispute resolution. The drafts would revise sections 1300.71 and 1300.71.38 before the Department begins its formal rulemaking process.

APG recommended that claims-payment and provider-dispute obligations apply to a capitated provider only when the relevant function has actually been delegated to that organization. A physician organization should not be held responsible for a function retained by the health plan or assigned to another entity.

APG also recommended uniform business hours of Monday through Friday, 8:00 a.m. to 5:00 p.m. Pacific Time, excluding weekends and recognized federal holidays. Claims and provider disputes received outside those hours would be treated as received on the next working day. A single statewide standard would provide certainty while preventing individual plans from imposing different receipt conventions on their delegates.

The proposed regulations would identify requests for medical records in more than 3% of claims as a potential payment-pattern concern. APG recommended retaining the 3% threshold only as an oversight screening measure—not as a presumptive regulatory violation. DMHC should consider claim volume, sample size, materiality, the information reasonably available to the payer, and whether the requests demonstrate

a systemic practice. Medical-record needs can vary significantly by specialty, claim type, coding complexity, and legitimate payment-integrity concerns.

APG supports the draft's recognition that emergency services claims may be reimbursed at the level of care supported by the documentation. We asked DMHC to clarify that this authority applies to either the health plan or its capitated provider, depending on which entity is responsible for adjudicating the claim. APG also recommended coordinating the regulation with DMHC's separate downcoding guidance so plans and delegated organizations are not subject to conflicting standards.

Additional APG recommendations include using materiality and adequate sample sizes when identifying demonstrable and unjust payment patterns; recognizing standard electronic remittance information; preserving contractual reconciliation rights when plans and delegates disagree about financial responsibility; and creating a unified statewide reporting framework. Delegated organizations contracting with several plans should not have to reconstruct the same claims and dispute information according to multiple plan-specific templates and definitions.

APG will continue working with DMHC, member organizations, and health-plan partners as the Department moves toward formal rulemaking. Our goal is to support timely and accurate claims payment, fair provider dispute resolution, and meaningful oversight while ensuring that the regulations reflect the responsibilities and operational realities of California's delegated model.

OHCA Emergency CMIR Regulations Reflect Several APG Recommendations

OHCA's September emergency regulatory text reflects several meaningful changes that respond to concerns APG raised in its June 11 comment letter regarding expansion of the Cost and Market Impact Review (CMIR) program. APG urged OHCA to recognize the distinctive structure of California's delegated physician organization model and to avoid treating routine administrative, management, and organizational arrangements in the same manner as transactions that actually consolidate health care markets or transfer control of physician organizations. APG also sought to reduce duplicative regulatory reporting for physician organizations and affiliated management services organizations (MSOs) that already operate within California's extensive regulatory oversight framework.

The most significant development is OHCA's movement toward a more control-based approach to MSO transactions. APG recommended that the regulatory focus be narrowed to arrangements involving actual operational control rather than routine administrative support and specifically asked OHCA to clarify that ordinary delegation and redelegation arrangements should not themselves constitute material change transactions. The September text now expressly excludes transactions occurring in the "usual and regular course of business" of a health care entity or MSO. It also excludes transactions among entities that already control, are controlled by, or are under common control with one another, including corporate restructurings. These provisions provide important protection for longstanding delegated structures in which an affiliated or captive MSO supports a physician organization without changing who ultimately controls the organization.

OHCA also made an important change to the specific provision governing MSO transactions. Under revised section 97435(c)(10)(C), the relevant transaction is now one involving a transfer of control, responsibility, or governance of a health care entity, rather than a change in ownership or control of the MSO itself. This change is directionally consistent with APG's central argument that CMIR scrutiny should distinguish between an MSO that merely provides administrative infrastructure and an arrangement that actually changes control of a physician organization. Nevertheless, the regulations continue to require notice in certain circumstances when an MSO begins providing management and administrative support services even without a transfer of control. APG's recommendation was therefore substantially advanced but not fully incorporated.

The emergency text also addresses portions of APG's concerns regarding disclosure and regulatory burden. APG requested broader confidentiality protections for valuation materials and other proprietary business information, and the revised regulations now expressly deem several categories—including transaction valuation documentation, contract rates, compensation documents, and marked-confidential stock purchase agreements—to be confidential and nonpublic. OHCA also increased the transaction threshold applicable to certain private-equity and hedge-fund interests from 5 percent in the earlier proposal to 10 percent in the September version, although separate disclosure requirements continue to require identification of certain 5-percent ownership interests.

OHCA has also taken steps toward addressing APG's concern about duplicative reporting. The revised filing provisions permit a submitter, in appropriate circumstances, to identify where required information

appears in another entity's submission for the same transaction rather than reproducing it. This is meaningful progress toward reducing redundant submissions. APG's more specific recommendation, however, remains unresolved: where the financial and operational information of a captive or affiliated MSO is already reflected in the regulatory reporting of an affiliated risk-bearing organization to the Department of Managed Health Care (DMHC), APG recommended that OHCA permit reliance on that existing regulatory information rather than require it to be submitted again. The emergency regulations do not appear to create that specific RBO/MSO incorporation-by-reference mechanism.

Several other APG recommendations were not incorporated. OHCA retained the ten-year aggregation period for related or similar transactions despite APG's request that the period be shortened or more narrowly tailored. The regulations also continue to treat certain health care real-estate sale-leaseback arrangements as material change transactions without creating the broader exemption or expedited pathway APG requested for transactions that do not materially affect clinical operations, access, ownership, or competition. And while the regulations recognize DMHC-reported RBO revenue for purposes of determining filing thresholds, they do not establish the broader streamlined or presumptive exemption for already-regulated RBOs that APG proposed.

Taken as a whole, the September text represents meaningful, though incomplete, movement toward APG's recommendations. Most importantly, OHCA has increasingly focused the CMIR framework on the distinction APG has emphasized throughout its advocacy: providing management or administrative infrastructure is not the same as acquiring control of a physician organization. The new ordinary-course and common-control exclusions, together with the revised treatment of MSO control transactions, should reduce the risk that routine arrangements within California's delegated model are swept unnecessarily into the CMIR process. At the same time, APG has a continuing basis to advocate for clearer protection of affiliated MSO/RBO structures, greater reliance on information already available through DMHC oversight, and more targeted treatment of transactions that do not materially alter competition, affordability, access, quality, or control.

Join APG's September 30 Southern California Regional Meeting
Wednesday, September 30, 2026
10:00 a.m.–2:00 p.m. PT

MemorialCare Health System
Aliso Assembly Room, Third Floor
17390 Brookhurst Street
Fountain Valley, CA 92708

APG members and guests are invited to join us for the Southern California Regional Meeting on Wednesday, September 30, in Fountain Valley. The meeting will bring together physician organization leaders and other health care partners for timely policy discussions, practical insights, and opportunities to connect with colleagues from across the region.

The agenda will feature a panel moderated by the Los Angeles Network for Enhanced Services (LANES) on leveraging health information exchanges, as well as a CommonSpirit presentation on building a governance model for value-based transformation in California. Jacob Parkinson (California Department of Health Care Access & Information) will join us virtually to discuss developments and compliance requirements in the Data Exchange Format implementation. APG will also provide an update on state policy and advocacy, including the latest developments affecting delegated physician organizations, and share news about upcoming member programs and events.

Time will be reserved for an open discussion of issues important to participating organizations. Members are encouraged to bring their operational perspectives, policy concerns, and ideas for APG's future advocacy.

View the full agenda and register today to help APG finalize its planning. Members may also share the invitation with colleagues interested in attending or learning more about APG.

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
- October 13 - ***Register***

- 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

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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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