CALIFORNIA UPDATE

September 25, 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:

- **DHCS Transition To Fee-For-Service Raises Continuity And Financial Stability Questions For Delegated Physician Groups**
- **Join APG's September 30 Southern California Regional Meeting**
- **Join APG's October 8 Northern California Regional Meeting**
- **APG California Policy & Advocacy 2026 Meeting Dates**
- **APG California Advocacy Member Resources**

DHCS Transition to Fee-for-Service Raises Continuity and Financial Stability Questions for Delegated Physician Groups

At its September 22 stakeholder meeting, the Department of Health Care Services (DHCS) presented slides outlining its plan to move approximately 1.93 million Medi-Cal members with "unsatisfactory immigration status" (UIS) from managed care to fee-for-service (FFS) Medi-Cal on January 1, 2027. Members who remain eligible for full-scope Medi-Cal will retain that coverage, but their route to care and the way providers are paid will change.

The federal payment rule explains why this transition presents a particular challenge for APG members. In State Medicaid Director Letter #25-003, issued September 30, 2025, the Centers for Medicare & Medicaid Services (CMS) concluded that federal Medicaid funding for this population is available only for qualifying emergency care and services actually furnished. CMS excluded risk-based managed care capitation payments and directed states to remove these members from managed care capitation rates and risk contracts. DHCS highlighted this requirement on slide 7 of its presentation. The existing plan-to-group capitation arrangement therefore cannot simply continue for affected members within the federally funded managed care program.

The payment change will most certainly interrupt established care relationships. On slide 15, DHCS estimates that, among approximately 151,000 managed care providers serving affected members, roughly 20,000 are not enrolled in FFS and another 45,000 are enrolled but not meaningfully active in FFS billing. DHCS labels these figures preliminary.

APG asks its Medi-Cal physician-group members to assess their contracted networks and determine how many providers serving affected patients are actively billing FFS, enrolled but not actively billing, or not enrolled. Precise aggregate counts, along with the number of affected patients receiving ongoing or time-sensitive care from those providers, will strengthen APG's advocacy with DHCS for targeted enrollment and continuity assistance.

DHCS's UIS to FFS Transition Policy Guide, version 2.0, discussed on slide 19, states that California's statutory managed care continuity-of-care protections do not apply when members move from managed care to FFS. The guide instead requires plans to identify members needing transition planning, share authorization and provider information with DHCS, and maintain member services and care management through December 31, 2026. Members may continue with current providers who are enrolled in and accepting patients through Medi-Cal FFS. APG will seek clarification on how DHCS will protect ongoing treatment when provider enrollment, billing, or authorization transfer remains unresolved.

The transition could also affect the financial stability of groups caring for members who remain in managed care. As APG raised in its September 10 policy letter, removing a relatively healthy segment of enrollment can leave a smaller, more acute population whose hospital and specialty utilization exceeds the assumptions used to negotiate a risk-bearing organization's capitation. Mid-contract payment and risk-sharing adjustments may be needed to protect the solvency and long-term network capacity of delegated organizations.

APG will ask DHCS to evaluate a separately funded administrative role for physician organizations that can identify high-risk patients, transfer care plans, and coordinate continued access to treating physicians. CMS guidance excludes federal emergency-Medicaid funding for primary care case-management fees and related administrative payments for this population. **Slide 22 identifies $31 million in the 2026–27 state budget for care coordination services.** APG will ask whether part of that allocation could support a defined administrative fee or contract for delegated groups, subject to the necessary funding, legal, and contracting review.

DHCS also describes a targeted provider engagement strategy on slide 28. APG can help by gathering aggregate information from member groups about FFS provider participation, sharing enrollment and billing guidance through their networks, and identifying where assistance would best preserve existing care relationships.

Of particular note is the fact that DHCS officials stated that they were working with Kaiser Permanente to develop a direct billing system for Permanente physicians to keep seeing their patients. It begs the question, if KP, why not other APG members with robust, care managed networks that can handle claims payment with the Department? The Department also mentioned that it is working directly with University of California medical groups to transition into pure fee for service relationships.

DHCS will hold an **FFS Transition Webinar on September 30, from 10:00 to 11:00 a.m.**, to help providers and advocates give members consistent guidance about the transition. We encourage APG members involved in Medi-Cal care and network operations to participate and bring questions about provider enrollment, billing, authorizations, and continuity of treatment.



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.

Join APG's October 8 Northern California Regional Meeting
Thursday, October 8, 2026
10:00 a.m.–2:00 p.m. PT

Hill Physicians Medical Group
2613 Camino Ramon
San Ramon, CA 94583

APG members and guests are invited to join us for the Northern California Regional Meeting on Thursday, October 8, in San Ramon. 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 a presentation by Sutter Medical Group about ambulatory peer review. Lumeris will discuss "Implementing AI in the Real World: Leadership, Governance, and Lessons Learned. HCAI staff will report on their DxF compliance efforts and IHA will discuss Symphony and potential implications related to SB 137 and AB 280. 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

---

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

William Barcellona, EVP of Government Affairs..... wbarcellona@apg.org
David Gonzalez, Senior Legislative Advocate..... dgonzalez@apg.org
Norma Springsteen, Administrative Coordinator.... nspringsteen@apg.org

---
