CALIFORNIA UPDATE

October 2, 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 Member Barry Arbuckle Highlights Alternative Payment Models As Key To California Affordability

APG member Barry Arbuckle, PhD, Executive Chairman of MemorialCare Health System, makes a strong case for accelerating California's transition from fee-for-service reimbursement to alternative payment models in a new California Health Care Foundation Expert Perspective published September 29. In **"The Payment Model That's Holding Back California's Health Care System"**, Arbuckle argues that the traditional fee-for-service system rewards the volume of tests, visits, and procedures while often failing to compensate physicians for the coordination and preventive interventions that can keep patients healthier and avoid costly downstream care. Alternative Payment Models Can …

Arbuckle's argument closely reflects APG's longstanding advocacy for value-based, coordinated care. He points to the Health Care Payment Learning and Action Network framework now used by the Office of Health Care Affordability (OHCA), under which the most advanced Category 4 arrangements replace volume-based reimbursement with population-based payment. In these models, providers receive predictable payments to manage the health of a population, creating financial incentives for prevention, coordination, and appropriate use of health care resources. Alternative Payment Models Can …

Drawing on MemorialCare's own experience, Arbuckle describes how alternative payment models can support lower-cost sites of care, integration of behavioral and primary care, expanded virtual services, and

direct physician-to-physician coordination. MemorialCare's eConsult program, for example, has facilitated more than 21,000 consultations between primary care physicians and specialists since 2021; in 74% of those consultations, the specialist provided a treatment plan without requiring the patient to join a specialty appointment waitlist. Alternative Payment Models Can … He also cites MemorialCare's direct-contracting experience with a Southern California employer, where pharmacy spending per member fell by more than 20% in the first year and subsequent cost trends remained below those of employees outside the arrangement. Alternative Payment Models Can …

The article is particularly timely as California policymakers seek to meet OHCA's affordability and alternative payment model goals. Arbuckle calls for faster adoption of advanced payment arrangements and greater accountability for achieving the state's APM targets, while encouraging delivery systems to develop the infrastructure needed to succeed under population-based payment. Alternative Payment Models Can …

Arbuckle's perspective reinforces a central theme of APG's advocacy: California's affordability challenge cannot be addressed solely by constraining health care spending after the fact. Payment policy must also create the conditions for physician organizations to coordinate care, invest in prevention, manage population health, and assume accountability for both quality and total cost of care.

Read Barry Arbuckle's full article at the California Health Care Foundation.



2026 Legislative Session Closes With Key APG Outcomes And New Implementation Requirements

Governor Gavin Newsom completed action on the 2026 legislative session's enrolled bills on September 30. APG's final report, **APG 2026 Enacted & Vetoed Health Care Laws**, summarizes 73 measures relevant to physician organizations: **59 signed into law and 14 vetoed**. The results include important outcomes for APG's advocacy, alongside new requirements affecting coverage, claims administration, provider directories, and artificial intelligence.

A principal achievement was the enactment of **AB 2594**, which APG co-sponsored to extend the California Schools VEBA direct-contracting pilot through December 31, 2030. The extension provides additional time to evaluate the pilot's cost and quality performance and develop evidence to inform future policy. The Governor also vetoed **AB 539**, which APG

opposed because its authorization-duration requirements would have limited the ability to reassess care as a patient's condition changes. His veto message recognized those clinical concerns.

The final round of decisions brought another favorable outcome with the veto of **AB 2575**, which APG opposed because of its impact on useful adoption of clinical decision support technology. The Governor also vetoed **SB 903**, addressing AI in psychotherapy, while signing **AB 1979**, extending medical-information confidentiality requirements to qualifying health care chatbot businesses, and **SB 503**, establishing duties to identify, monitor, and mitigate reasonably foreseeable biased impacts in clinical decision support systems. APG was neutral on the two signed measures.

Other enacted bills warrant close operational review. **AB 280** establishes a mandatory provider-directory central utility; APG remained opposed because the bill retains authority for plans to withhold 50% of an RBO's monthly capitation payment. **SB 1049** provides additional time to submit corrected claims following specified denials or overpayment notices, while **AB 2499** establishes electronic claims-documentation requirements beginning May 26, 2028. New laws also address hospital medical-staff reappointments, prescription dose adjustments, mental health parity, and several coverage mandates.

The Governor vetoed several proposed Medi-Cal expansions, including the acupuncture measures **AB 1949 and SB 944**, additional Home and Community-Based Alternatives Waiver slots under **AB 2081**, and pharmacist reimbursement provisions in **AB 2571**, which APG supported.

Members should refer to **APG's final report, *APG 2026 Enacted & Vetoed Health Care Laws***, for brief summaries of each measure and a consolidated review of APG's high-priority bills. APG's work now turns to implementation, with continued emphasis on clear requirements, reduced administrative friction, and recognition of the operational differences between delegated HMO care and fragmented coverage models. APG staff will provide a comprehensive virtual briefing, releasing implementation guides in early December at the California Policy Forum.



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 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

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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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