CALIFORNIA UPDATE

October 9, 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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New OHCA Report Highlights California's Uneven Progress Toward Value Based Care

The Office of Health Care Affordability released its Report on Promoting High Value Health Care in California, 2023–2024 on October 7. The report establishes baseline measures of alternative payment model adoption and primary care investment, revealing substantial differences between commercial HMO/POS and PPO/EPO coverage.

In 2024, 81.4 percent of commercial HMO/POS members were attributed to qualifying alternative payment arrangements linked to quality performance, compared with 31.3 percent of PPO/EPO members. HMO/POS adoption remained unchanged from 2023, while PPO/EPO adoption declined from 34.1 percent. Reported primary care spending also differed: 5.1 percent of total medical expense for HMO/POS coverage, compared with 3.3 percent for PPO/EPO coverage.

Across the markets included in the report, aggregate fee-for-service payments increased 10.4 percent, while capitation and full-risk payments increased 4.1 percent. These figures describe growth in payment categories; they are not adjusted per-member cost trends and do not independently establish the causes of the difference.
For APG, the findings strengthen the case for greater precision in California health policy. Policymakers should recognize the operational differences between coverage models and support the physician organizations that have built the infrastructure for coordinated,

accountable care. Progress toward value-based payment requires sustained investment in those delivery capabilities. We feel that OHCA has a role to educate the public and employer base about the significant differences between coverage models in access, cost and quality. When more Californians are covered under efficient plans, overall system costs will decrease and quality will improve.

OHCA's focus on primary care spending measurement may not be reflective of the capability and quality of integrated, coordinated care physician organizations that embrace team-based care models. APG recommends further measurement of network stability, tenure of patient-to-PCP relationships and assignments between coverage models. These measures would help illuminate whether payment and network arrangements support stable clinical relationships and a clearly identified source of primary care.

APG members should consider how their own experience can inform this discussion, particularly the investments in care coordination, clinical teams, and population health management that make delegated care possible.

Read the OHCA report

DMHC Revises Infertility Coverage Guidance

The Department of Managed Health Care revised its SB 729 implementation guidance on October 5. All Plan Letter 25-021 addresses infertility diagnosis and treatment, fertility services, and related coverage requirements for full-service commercial plans. It excludes Medi-Cal managed care and Medicare Advantage.

Members should distinguish two implementation dates. The underlying commercial coverage requirements took effect for applicable contracts issued, amended, or renewed on or after January 1, 2026. The October revisions apply to contracts issued, amended, or renewed on or after July 1, 2027; CalPERS contracts become subject to the requirements beginning that date.

The guidance requires medical necessity determinations and utilization review by plans or entities acting on their behalf to align with current American Society for Reproductive Medicine guidelines. AB 116 authorizes DMHC to issue implementing guidance outside the Administrative Procedure Act process.

APG members with delegated responsibilities should review authorization criteria, specialty referral arrangements, and contractual divisions of financial responsibility with their plan partners. Those discussions should establish who administers and pays for covered services, how providers receive updated instructions, and whether contract changes are needed.

For organizations contracting with multiple plans, consistent implementation instructions will be particularly valuable in limiting avoidable administrative friction.

Read revised APL 25-021 on the DMHC All Plan Letters page

DHCS Updates Dyadic Services Guidance

DHCS issued All Plan Letter 26-019 on October 1, superseding APL 22-029 and updating guidance for the existing dyadic services benefit. Dyadic care addresses children's developmental and behavioral health needs through services involving the child and a parent or caregiver.

The letter prohibits prior authorization for dyadic services and requires payment in accordance with network provider agreements. Multiple services may occur on the same day, but services and billing must avoid duplication with the medical well-child visit or other dyadic services.

Medi-Cal managed care plans must submit updated policies and procedures within 90 calendar days of the letter's release—December 30, 2026. Plans must communicate applicable requirements to subcontractors, downstream subcontractors, and network providers, and review agreements, including divisions of financial responsibility, as appropriate.

APG members serving pediatric populations should work with their plan partners to confirm authorization workflows, payment arrangements, encounter reporting, and provider education. Clear instructions will help clinical teams integrate these services into routine care while preventing duplicate billing or uncertainty over payment responsibility.

Organizations working with several Medi-Cal plans should compare implementation instructions early and identify discrepancies that could complicate delivery of the same benefit across their networks.

Read DHCS APL 26-019

Upcoming OHCA Meetings Address High Value Care and Spending Target Enforcement

OHCA's Health Care Affordability Advisory Committee will meet on Wednesday, October 14, at 10:00 a.m. Pacific. Its agenda includes review of the newly released high-value care report, payer strategies for primary care investment, an equity and quality measure update, and discussions of spending target enforcement and progressive enforcement regulations.

These discussions are relevant to APG members' clinical investments and future spending accountability. Written comments may be submitted to ohca@hcai.ca.gov. The agenda requests submission at least four business days before the meeting for inclusion in posted materials. Members can access the agenda and participation information on the meeting page.

The Investment and Payment Workgroup meets Wednesday, October 21, at 9:00 a.m. Pacific. APG is represented on the workgroup by Bill Barcellona. Meeting information is available on the workgroup page. Written comments may be sent to the same email address with "Investment and Payment Workgroup public comment" in the subject line.

October 14 Advisory Committee meeting

Investment and Payment Workgroup meeting information

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.

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

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