

LEGISLATIVE UPDATE



Week of October 20, 2025

State Issues

2025 Legislative Session Concludes

The October 13 deadline for Governor Newsom to sign or veto bills has now passed and the 2025 legislative session has concluded. A total of 917 bills were acted on: 794 bills were signed and 123 were vetoed. In a year marked by devastating wildfires, a growing state budget deficit, and sweeping federal policy changes, hundreds of health care-related bills made their way through the process on a broad range of issues, including prior authorization streamlining, pharmacy benefit manager accountability, health care provider operations, and Artificial Intelligence. The Legislature passed and the Governor signed several bills that are aimed at supporting patient's access to care.

SB 41 (Weiner): Pharmacy Benefit Managers. Prohibits certain business practices of PBMs that make it harder for patients to access medications. This bill accompanies additional new regulatory controls, included in budget trailer bill legislation enacted earlier this year, that requires greater oversight and licensure by the Department of Managed Health Care.

AB 416 (Krell): involuntary commitment. Seeks to ease emergency room overcrowding and improve patients getting access to care in the best setting by allowing Emergency Department physicians to set and release 5150 behavioral health holds.

SB 306 (Becker): Prior Authorization: Requires health plans to lift prior authorization requirements when a physician has had the service approved by the plan 90% or more of the time.

AB 447 (Mark Gonzalez): Emergency room patient prescriptions. Allows patients in the emergency department to take home certain unused medications, like inhalers.

SB 669 (McGuire): Rural hospitals: standby perinatal services. Creates a pilot program for rural hospitals to develop innovative labor and delivery staffing models that tailor services to the needs of those communities.

State Budget. Despite these positive steps forward, the state budget reflects a different picture. With the state suffering from a \$12 billion budget gap this year, they looked to the Medi-Cal budget to help close the gap. They made several key policy changes to Medi-Cal this year, and DHCS has a great summary to the state's changes [here](#).

Like the changes from the federal government and HR 1, the implementation deadline for the state changes is staggered. Those going into effect in January 2026 include a freeze on new enrollment of undocumented adults and a reinstatement of the asset limit for Medi-Cal enrollment. Adult dental services for all undocumented adults goes away July 2026, and monthly premiums for undocumented beneficiaries will begin to be collected in July 2027. We expect implementation issues to be addressed for these state policy changes – as well as the numerous federal Medicaid cuts, such as work requirements and more frequent eligibility verification procedures – next year through both policy and budget bills next year. *(more)*

New LAO Report Outlines Serious Medi-Cal Issues	Today, the Legislative Analyst’s Office released a report outlining the state and federal changes we are expecting to the Medi-Cal program, given HR 1 and state budget cuts. You can find that report here. They note that the State’s Medi-Cal program, after years of growth and expansion, will now face serious funding gaps, policy changes and cuts. Since so many of the biggest hits have not yet been finalized from CMS, the LAO only summarizes the reduction in federal resources to California as “many billions.” They also make clear that the state does not have the financial ability to backfill all these cuts and the Legislature will have to consider how to balance Medi-Cal eligibility, benefits and financing moving forward. They also highlight that the state will have to develop programs that address the health care of the millions of Californians who will lose coverage and be newly uninsured. They challenge the legislature to explore “new approaches, pursue creative solutions and rebalance its fiscal programmatic priorities.” Jason Sisney, the Speaker’s lead advisor on budget issues, released a memo with his highlights of the LAO report, which can be found here. He highlights the costs counties will face both as providers and those responsible for Medi-Cal beneficiary eligibility redetermination. He also notes that there is an expectation that these cuts will result in hospitals and clinics having to close.
Health Plans Must Cover COVID-19 Vaccines	DMHC-licensed health plans in California must continue to cover COVID-19 vaccines, as well as RSV and flu vaccines, with no cost-sharing or prior authorization for health plan members. In collaboration with California’s partners in the West Coast Health Alliance (WCHA), CDPH issued immunization recommendations that go beyond federal guidance, ensuring COVID-19 vaccines remain accessible and Californians are informed by evidence-based, scientific guidance. AB 144 (the recently passed and signed Health Trailer Bill) requires health plans to cover CDPH-recommended immunizations, including COVID-19 vaccines for children and adults, and during pregnancy. DMHC’s All Plan Letter to licensed health plans summarizes the new requirements under AB 144 and CDPH recommendations regarding COVID-19, RSV and flu vaccinations. The DMHC’s COVID-19 fact sheet provides important information about health plan coverage for COVID-19 vaccines, tests and treatment. Visit the CDPH Public Health for All for more information on immunization requirements and resources.
Limited MCO Funds Finally Flowing	The California Medical Association announced last week that after months of delay, California has finally begun moving forward with implementation of Proposition 35, the voter-approved measure to increase Medi-Cal payments and expand access to care. While the 2025-26 state budget included budget allocations that were contrary to those required under Proposition 35, there is some movement on some of the funds. The four areas where action is taking place are: reproductive health, GME residency programs, physician reimbursement for ED care, and emergency transportation. Funding for all other segments have not yet begun. Emergency Department Physician Payments: On September 30, the California Department of Health Care Services (DHCS) submitted a State Plan Amendment (SPA) to CMS seeking approval to use Prop 35 funds for supplemental payments to emergency department physicians who treat Medi-Cal patients. Once approved, the supplemental payments will be for four E/M billing codes (99282-99285) and be retroactive to July 1, 2025.

(more)

Limited MCO Funds Finally Flowing (continued)	Family Planning and Abortion Services: The state has begun distributing \$90 million in Prop 35 funding for family planning and abortion care through grants administered by the California Department of Health Care Access and Information (HCAI). Graduate Medical Education Expansion: In early September, the Newsom Administration confirmed that \$75 million in Prop 35 funds for graduate medical education is available now. These dollars are being distributed through the state's CalMedForce GME program, administered in a partnership between Physicians for a Healthy California and the University of California. Emergency Transportation Services: DHCS also submitted a State Plan Amendment to CMS to support supplemental payments for ground emergency medical transportation for Medi-Cal enrollees. Once approved, this change, too, would be retroactive to July 1, 2025. Full implementation of Prop 35 is hindered by both state budget action redirecting those funds to backfill the Medi-Cal budget and the challenges California's MCO tax faces from HR 1's uniformity section.
California Set to Sell Low-Cost Insulin	Governor Newsom recently announced the expansion of the CalRx program to include a generic insulin, aimed at reducing barriers to accessing this essential diabetes medication. California's CalRx® Insulin Glargine in pen form will be available to consumers for a suggested retail price of not more than \$55 per five-pack of pens (average cost of \$11 per pen) beginning January 1, 2026. Through an agreement secured by Civica Rx — a nonprofit generic drug manufacturer — with Biocon Biologics, Californians will have access to an interchangeable biosimilar insulin glargine pen offered under the CalRx brand and pricing.

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