

---

# SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Scott Wiener, Chair

2025 - 2026 Regular

---

<b>Bill No:</b>	AB 116	<b>Hearing Date:</b>	June 25, 2025
<b>Author:</b>	Committee on Budget		
<b>Version:</b>	June 24, 2025 Amended		
<b>Urgency:</b>	No	<b>Fiscal:</b>	Yes
<b>Consultant:</b>	Scott Ogus		

**Subject:** Health

**Summary:** This bill is an omnibus health trailer bill, and contains changes to implement the 2025-26 budget.

**Proposed Law:** This bill makes technical and clarifying statutory revisions affecting health programs necessary to implement the Budget Act of 2025. Specifically, this bill:

Department of Health Care Access and Information (HCAI)

- 1) Makes changes to statute governing certified wellness coaches to align with current terminology, specify supervision requirements, and revise activities that can be carried out by a certified wellness coach.
- 2) Expands authority for CalRx to enter into partnerships to increase competition, lower prices, and address supply shortages for generic or brand name drugs to address emerging health concerns including reproductive health care, gender affirming health care, vaccines, medical supplies, and medical devices.
- 3) Repeals various statewide certification requirements for community health workers.

Department of Managed Health Care (DMHC)

- 4) Delays until January 1, 2026, implementation of health care coverage requirements for diagnosis and treatment of infertility and fertility services, pursuant to SB 729 (Menjivar), Chapter 930, Statutes of 2024.
- 5) Requires pharmacy benefit managers (PBMs) be licensed and regulated by DMHC, and provide certain data to HCAI.
- 6) Requires health care service plans that contract with a PBM to require the PBM to:
  - a. Comply with regulatory requirements
  - b. Register with DMHC, and obtain and maintain a license, if required
  - c. Inform its contracted pharmacists of the right to submit complaints to DMHC

- 7) Requires PBMs to obtain and maintain a license with DMHC, on or after January 1, 2027, or the date on which DMHC has established the licensure process.
- 8) Requires PBM licensure applications to include certain information, including organizational and financial documents, ownership and governance information, and certain information about its pharmaceutical business operations.
- 9) Requires PBMs to submit information to the Health Care Payments Data Program at HCAI.
- 10) Authorizes DMHC to, after appropriate notice and opportunity for hearing, suspend or revoke a PBM license or assess administrative penalties if the director determines the licensee has committed acts or omissions constituting grounds for disciplinary action, including:
  - a. Operating contrary to its organizational documents or published plan
  - b. The continued operation of the PBM will constitute a substantial risk to its subscribers or enrollees
  - c. The PBM has violated regulatory requirements
  - d. The PBM has engaged in fraud, dishonest dealing, or unfair competition
  - e. The PBM has permitted or assisted violations of professional codes and regulations by an employer or contractor
  - f. The PBM has aided or assisted in the commission of an illegal act
  - g. The PBM, its management company, or other affiliate or controlling person has been convicted or pleaded no contest to a crime or committed an act involving dishonesty, fraud, or deceit, and the crime or act is substantially related to the qualifications, functions, or duties of a person engaged in PBM activities
  - h. The PBM has been subject to a final disciplinary action taken at the state, federal, or international level that would be a violation under California law
  - i. The PBM violates the Confidentiality of Medical Information Act
  - j. The PBM violates its requirements to submit data to HCAI
- 11) Authorizes an annual fee to be assessed on PBMs to support the actual and reasonably necessary expenses of the department to implement PBM licensure and oversight.
- 12) Establishes the Pharmacy Benefit Manager Fund, administered by DMHC, to receive fees, fines, penalties, and reimbursements, to support, upon appropriation by the Legislature, regulation of PBMs.
- 13) Authorizes DMHC to conduct periodic routine and non-routine examinations of the fiscal and administrative affairs of any PBM.

Department of Health Care Services (DHCS)

- 14) Expands the definition of contractors subject to sanctions to include providers of the Home- and Community-Based Alternatives Waiver and Programs of All-Inclusive Care for the Elderly.

- 15) Establishes a permanent Medi-Cal Anti-Fraud Special Deposit Fund to deposit Medi-Cal provider payments withheld while a credible allegation of fraud is being investigated.
- 16) Removes cognitive health assessment training and biannual reporting requirements currently supported through the Dementia Care Aware Initiative.
- 17) Imposes utilization management and prior authorization requirements for outpatient hospice services in the Medi-Cal program.
- 18) Beginning January 1, 2026, imposes a freeze on enrollment in full-scope Medi-Cal coverage for undocumented individuals, age 19 and older, with a three-month grace period after disenrollment to re-enroll in full-scope Medi-Cal.
- 19) Beginning July 1, 2027, imposes premiums of \$30 per beneficiary on individuals in full-scope Medi-Cal coverage with unsatisfactory immigration status, ages 19 to 59, with a three-month "cure" period to remit unpaid premiums before being disenrolled.
- 20) Beginning July 1, 2026, eliminates dental coverage in full-scope Medi-Cal for individuals with unsatisfactory immigration status.
- 21) Beginning January 1, 2026, reinstates the Medi-Cal asset limit at \$130,000 for individuals, and \$65,000 for each additional household member, when determining eligibility for Medi-Cal coverage.
- 22) Expands eligibility for supplemental reimbursement programs for non-designated public hospitals (NDPHs).
- 23) Authorizes DHCS to retain a portion of intergovernmental transfer funding for the NDPH supplemental payment program to cover the administrative costs of operating the program.
- 24) Eliminates the Skilled Nursing Facility Workforce and Quality Incentive Program, which provides incentives for facilities to improve outcomes and invest in workforce.
- 25) Suspends the requirement for skilled nursing facilities to have an alternative source of power for no fewer than 96 hours during a power outage until a reimbursement rate add-on to support the costs of this requirement is approved by the Legislature. This requirement was originally implemented pursuant to AB 2511 (Irwin), Chapter 788, Statutes of 2022.
- 26) Modifies minimum state supplemental rebate amounts for HIV/AIDS and cancer drugs and ties state supplemental rebate amounts to a federal rebate percentage effective January 1, 2026.
- 27) Beginning January 1, 2026, imposes prior authorization requirements on Medi-Cal coverage of drugs that have been removed from the contracted drug list, and

requires a 60 day notice to beneficiaries and stakeholders that a drug is no longer on the contracted drug list, rather than a public hearing.

- 28) Imposes utilization management requirements for COVID-19 services provided in the Medi-Cal program.
- 29) Beginning July 1, 2026, eliminates community clinic reimbursement through the Prospective Payment System for individuals with unsatisfactory immigration status and, instead, requires reimbursement through the fee-for-service delivery system.

California Department of Public Health (CDPH)

- 30) Makes technical changes to authority provided in the 2023 Budget Act to support various HIV/AIDS and other prevention efforts funded through the AIDS Drug Assistance Program Rebate Fund.
- 31) Abolishes special deposit funds and establishes new special funds for each of the abolished funds, including the Skilled Nursing Facility Minimum Staffing Penalty Account, the Internal Departmental Quality Improvement Account, the State Health Facilities Citation Penalties Account, and the Federal Health Facilities Citation Penalties Account.
- 32) Authorizes the adoption of emergency regulations, no later than January 31, 2026, and final regulations no later than 18 months thereafter, to establish staffing standards and other policies for acute psychiatric hospitals.
- 33) Provides \$75 million from the AIDS Drug Assistance Program Rebate Fund to support the loss of federal funding for HIV prevention programs.

Department of State Hospitals (DSH)

- 34) Extends the Enhanced Treatment Program pilot at the Department of State Hospitals to January 1, 2030.
- 35) Modifies the reporting requirement to the court from semiannually to annually for the Not Guilty by Reason of Insanity population at the Department of State Hospitals, which aligns with the annual reporting requirements for other long-term patient populations.

**Fiscal Effect:** Provides \$75 million from the AIDS Drug Assistance Program Rebate Fund to support the loss of federal funding for HIV prevention programs.

**Support:** None on file.

**Opposed:** None on file.