

ASSEMBLY THIRD READING

AB 2352 (Valencia)

As Amended May 18, 2026

Majority vote

SUMMARY

Allows a nonprofit public benefit corporation that provides nonspecialty mental health services to enroll as a Medi-Cal provider.

COMMENTS

Provider Requirements for Medi-Cal Participation. Federal rules issued by the Centers for Medicare and Medicaid Services (CMS) in 2011 enhanced fee-for-service (FFS) provider enrollment and screening requirements pursuant to the federal Patient Protection and Affordable Care Act (ACA). These regulations were issued to reduce the incidence of fraud and abuse by ensuring that providers would be individually identified and screened. In 2016, these rules were extended to providers contracted with Medi-Cal managed care plans. Prior to the 2016 rule, the Medi-Cal managed care plans' network providers were not required to enroll in the Medi-Cal program. Medi-Cal provides some services through a FFS delivery system, but most services are provided through the Medi-Cal managed care delivery system. The following background sections describe the provider enrollment, screening, and credentialing process for providers in Medi-Cal.

- 1) *Enrollment through the PAVE System.* All Medi-Cal providers must enroll through a state-level pathway to provide services and bill Medi-Cal. The provider enrollment process includes a number of required components to allow the Department of Health Care Services (DHCS) to verify the provider's information. For instance, a nurse practitioner enrolling in Medi-Cal must provide their nursing license and Nurse Practitioner Certificate specifying the area of specialization, a driver's license or state ID, and proof of liability insurance, among other things. For those pursuing individual stand-alone enrollment, additional documentation is required, such as a signed lease agreement if the business premises are not owned by the applicant, Fictitious Business Name Statement, business licenses, permit, proof of workers' compensation insurance, and similar documents. The applicable DHCS website lists nearly 50 provider types that can be registered through the Medi-Cal Provider Application and Validation for Enrollment (PAVE) system.
- 2) *Screening and Enrollment Requirements for Managed Care Plans.* Medi-Cal managed care network providers that have a "state-level enrollment pathway," i.e., they are able to enroll through PAVE or another recognized state-level pathway, are required to enroll. In addition to ensuring providers are enrolled, plans must screen providers. This includes stratifying their network providers by risk level (limited risk, moderate risk, and high risk), with defined screening requirements for each level of risk. A provider's designated risk level is affected by findings of license verification, site reviews, checks of suspended and terminated provider lists, and criminal background checks.
- 3) *Credentialing Requirements for Managed Care Plans.* A provider who is enrolled and screened still must go through a managed care plan's credentialing process to be a network provider with a particular plan. According to DHCS, credentialing is defined as the recognition of professional or technical competence, and may include registration,

certification, licensure, and/or professional association membership. The credentialing process ensures that providers are properly licensed and certified as required by state and federal law. Plans are required to verify a number of items related to education, training, and licensure. Plans must also collect information about work history, hospital and clinic privileges in good standing, history of any suspension or curtailment of hospital and clinic privileges, current Drug Enforcement Administration identification number, National Provider Identifier number, and malpractice insurance in an adequate amount, as required for the particular provider type. Plans also must collect information about the providers' history of liability claims against the provider, sanctions or limitations on the provider's license issued by any state agencies or licensing boards, status as terminated or suspended from either Medicare or Medicaid/Medi-Cal.

Genesis of this Bill. In July 2022, DHCS issued All-Plan Letter (APL) 22-013, titled, "Provider Credentialing / Re-Credentialing And Screening / Enrollment," which comprehensively describes plans' obligations related to provider enrollment, credentialing, and screening. The clear guidance regarding plans' responsibilities has led plans to re-verify that all their contracting providers meet the requirements. However, certain nonprofit providers have encountered barriers when attempting to enroll through PAVE because these nonprofits do not have one of the types of business structures that are recognized by PAVE. The statute requiring enrollment is limited to providers that are either a professional corporation or a provider group, neither of which applies to many nonprofit behavioral health providers. In APL 22-013, DHCS notes applications submitted to DHCS from providers who do not have a state-level enrollment pathway through PAVE will be denied.

Managed care plans are also authorized to enroll their contracting providers directly, but it is more efficient for plans to verify the enrollment status of providers who have already enrolled with the state (generally through PAVE). Anecdotally, according to the mental health providers sponsoring this bill, plans are generally not offering an alternative way to enroll, rendering many behavioral health providers unable to continue relationships with managed care plans to provide nonspecialty mental health (services for diagnosis and treatment of non-severe mental health conditions that are covered by Medi-Cal managed care plans).

Access Challenges in Medi-Cal Managed Care Behavioral Health Services. Medi-Cal managed care plans are responsible for providing non-specialty mental health services, which includes mental health evaluation and treatment, psychological and neuropsychological testing, psychiatric consultation, and outpatient laboratory, drugs, supplies, and supplements. Challenges accessing services have long been reported, and managed care plans do not suffer from an excess of willing behavioral health providers, making this issue a challenge for maintaining plan networks and continuity of care for Medi-Cal members, as well as for nonprofit providers. For instance, according to a 2023 state audit, "Children Enrolled in Medi-Cal Face Challenges in Accessing Behavioral Health Care," survey results of appointment wait times show that many Medi-Cal managed care plans are unable to provide children with timely access to behavioral health care. According to a 2021 California Pan-Ethnic Health Network report, "Medi-Cal Managed Care Plan Mental Health Services: An Unfulfilled Promise For Communities Of Color," primary care providers complain that finding accurate lists of in-network mental health providers has proven very difficult for the patients they serve.

California is also suffering from a severe shortage of behavioral health providers. According to the Department of Health Care Access and Information, all regions and counties are projected to

face a shortage of Non-Prescribing Licensed behavioral health Clinicians in 2025, with 22 counties facing a severe shortage of -50% or more. Statewide, this represents a -40.6% shortage and an estimated need for 55,298 additional providers to meet forecasted demand. By 2033, it is projected that the overall statewide shortage of Non-Prescribing Licensed Clinicians will increase resulting in a need for 171,413 total providers to meet future demand, nearly double the current statewide supply.

According to the Author

According to the author, this bill will maintain continuity of care for Medi-Cal beneficiaries by clarifying existing law to allow nonprofit community-based organizations (CBOs), who employ licensed mental health professionals, to enroll in Medi-Cal as group providers. Although CBOs are critical component of our state's behavioral health delivery system, the author explains, they increasingly face denials through the Medi-Cal Provider Application and Validation for Enrollment (PAVE) system, despite being licensed and qualified to provide these services. Challenges enrolling through PAVE prevent CBOs from contracting with Medi-Cal managed care plans and receiving reimbursement for services rendered. The author concludes that this bill ensures CBOs continue to provide timely access to outpatient mental health care services by clarifying their eligibility.

Arguments in Support

This bill is sponsored the California Behavioral Health Association and is supported by a large number of behavioral health providers. Supporters indicate this bill clarifies that nonprofit public benefit corporations with 501(c)(3) status that employ licensed mental health professionals are eligible to enroll in Medi-Cal delivery of nonspecialty mental health services. Supporters argue that despite the absence of a statutory prohibition, nonprofit behavioral health providers have increasingly faced barriers enrolling in the PAVE system due to an interpretation that group providers must be organized as professional corporations. They note this interpretation has created an unintended administrative barrier for nonprofit community based providers that are legally organized, appropriately licensed, and otherwise qualified to provide Medi-Cal reimbursable services. Nonprofit providers have reported losing reimbursement for services already rendered, experiencing disruptions to continuity of care for Medi-Cal beneficiaries, and facing difficult decisions such as reducing services, laying off staff, or closing service locations. Supporters conclude that this bill provides statutory clarification that nonprofit public benefit corporations delivering non-specialty mental health services are eligible to enroll in PAVE as group providers. Furthermore, they note this bill does not expand scope of practice, create new provider categories, or weaken program integrity.

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Assembly Committee on Appropriations:

One-time costs to DHCS in the hundreds of thousands of dollars, to make changes to the PAVE system. DHCS states adding a field for non-specialty mental health services in the PAVE system will require four limited-term full-time staff (General Fund, federal funds).

VOTES

ASM HEALTH: 16-0-0

YES: Bonta, Chen, Addis, Aguiar-Curry, Pacheco, Caloza, Carrillo, Mark González, Johnson, Patel, Patterson, Rogers, Sanchez, Schiavo, Sharp-Collins, Stefani

ASM APPROPRIATIONS: 11-0-4

YES: Wicks, Aguiar-Curry, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache

ABS, ABST OR NV: Hoover, Dixon, Ta, Tangipa

UPDATED

VERSION: May 18, 2026

CONSULTANT: Lisa Murawski / HEALTH / (916) 319-2097

FN: 0003025