
THIRD READING

Bill No: AB 2352
Author: Valencia (D), et al.
Amended: 5/18/26 in Assembly
Vote: 21

SENATE HEALTH COMMITTEE: 11-0, 6/24/26

AYES: Weber Pierson, Valladares, Caballero, Durazo, Gonzalez, Grove, Menjivar, Padilla, Pérez, Rubio, Smallwood-Cuevas

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/13/26

AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

ASSEMBLY FLOOR: 78-0, 5/27/26 - See last page for vote

SUBJECT: Medi-Cal providers: nonprofit public benefit corporations

SOURCE: California Behavioral Health Association

DIGEST: This bill allows nonprofit benefit corporations that provide nonspecialty mental health services to enroll as a Medi-Cal provider.

ANALYSIS:

Existing law:

- 1) Establishes the Medi-Cal program, which is administered by the Department of Health Care Services (DHCS), and under which qualified low-income individuals receive health care services. [Welfare and Institutions Code (WIC)§14000, et seq.]
- 2) Defines a Medi-Cal managed care plan (Medi-Cal plan) as any individual, organization, or entity that enters into a comprehensive risk contract with DHCS to provide covered full-scope health care services to enrolled Medi-Cal beneficiaries. [WIC §14184.101]

- 3) Establishes the coverage of nonspecialty mental health services for mild-to-moderate distress or mild-to-moderate impairment of mental, emotional, or behavioral functioning resulting from mental health disorders in the Medi-Cal program, to be covered by a Medi-Cal plan or through the Medi-Cal fee-for-service delivery system. [WIC §14184.402]
- 4) Requires DHCS to screen, enroll, and periodically revalidate all network providers of Medi-Cal plans. Authorizes Medi-Cal plans to execute provider agreements pending the outcomes of DHCS's enrollment or revalidation, so long as the Medi-Cal plan terminates the provider from their network upon notification from DHCS that the provider cannot be enrolled. [42 CFR §438.602]
- 5) Authorizes an applicant or provider who is a health care provider licensed or certificated under the Business and Professions Code, or, is a professional corporation enrolling as a Medi-Cal provider as either an individual provider or as a rendering provider in a provider group, to enroll in the Medi-Cal program. [WIC §14043.15]
- 6) Establishes Medi-Cal enrollment requirements for providers serving Medi-Cal members. [WIC § 14043.26]
- 7) Defines a "professional corporation" as a corporation engaged in rendering professional services in a single profession organized as such under state law and pursuant to a certificate of registration issued by the governmental agency regulating the profession. Exempts specified health care professionals from the certificate requirement. [CORP §13401]

This bill allows nonprofit benefit corporations that provide nonspecialty mental health services to enroll as a Medi-Cal provider.

Background

According to the author of this bill:

This bill will maintain continuity of care for Medi-Cal beneficiaries by clarifying existing law to allow nonprofit community-based organizations, who employ licensed mental health professionals, to enroll in Medi-Cal as group providers. Although community-based organizations are critical components of our State's behavioral health delivery system, they increasingly face denials through the Medi-Cal PAVE system despite being licensed and qualified to

provide these services. This prevents community-based organizations from receiving reimbursement for services rendered. This bill ensures community-based organizations can continue to provide timely access to outpatient mental health care services by clarifying their eligibility.

Medi-Cal provider enrollment process. According to DHCS, the ability to identify and reject potentially fraudulent providers from admission into the Medi-Cal program is the first component of any anti-fraud program. An applicant or provider seeking to provide services in the Medi-Cal program must submit a complete application package through the Medi-Cal Provider Application and Validation for Enrollment (PAVE) system. While reviewing an application and supporting documents, DHCS may conduct a background check of an applicant or provider for the purpose of verifying information. This review may also include an unannounced on-site inspection, a review of business records, and data searches to ensure that the applicant or provider meets enrollment criteria. Notification requirements and timeframes for DHCS application processing vary depending upon the type of provider. For example, for physicians and physician groups, DHCS acknowledges receipt within 15 days and notifies of the results of the application within 90 days. Results can include: 1) approved for enrollment as a provisional provider; 2) incomplete and additional information is required; 3) referred for a comprehensive review and background check; 4) denied; or, 5) withdrawn by request of the applicant or provider. For applications from provider types other than physicians or physician groups, DHCS acknowledges receipt within 30 days and gives results within 180 days. Applicants who are notified that additional information is required have 60 days to provide that information.

Managed care provider enrollment. As most Medi-Cal recipients are in a Medi-Cal plan, and Medi-Cal plans are required to provide nonspecialty behavioral health service, Medi-Cal plans have been the primary contractors with these providers. Medi-Cal plans were previously given considerable discretion in provider credentialing and enrollment. Credentialing is a separate process from enrollment in which a provider's license, privileges at various hospitals or clinics, and other professional requirements for a particular provider type are checked. In 2022, DHCS issued All-Plan Letter 22-013 interpreting new federal regulations requiring states to screen, enroll, and periodically revalidate all network providers or their managed care plans. The guidance clarified that the provider credentialing process, which was a plan responsibility, was separate from the screening and enrollment requirements. The letter gave the Medi-Cal plans the options of utilizing the PAVE system or establishing their own enrollment process in a manner that is substantively equivalent to DHCS's provider enrollment process.

The letter also clarified that providers who went through the state process could provide services in both the Medi-Cal fee-for-service delivery system or contract with a Medi-Cal plan, but if the provider only enrolled with a Medi-Cal plan, they could not participate in the fee-for-service delivery system. As a result, Medi-Cal plans that did not previously require providers to enroll in the PAVE system are now doing so. Information from DHCS indicates that of the 24 plans, 21 require enrollment through the PAVE process, though three of those plans will allow for exceptions to meet a network need and use a substantially equivalent process. Existing law limits the DHCS provider enrollment process to individual health care providers or professional corporations, thus non-profit provider entities that had previously enrolled with a Medi-Cal plan cannot enroll through PAVE. While each individual provider working for the entity can enroll with DHCS through the PAVE system, this leaves the entity out of the claims process and out of contracting with the Medi-Cal plans.

Behavioral Health Workforce Shortages in Medi-Cal. According to the Department of Health Care Access and Information, in 2025, all regions and counties were projected to face a shortage of Non-Prescribing Licensed Clinicians, with 22 counties facing a severe shortage of 50% or more. Statewide, this represented a 40.6% shortage and an estimated need for 55,298 additional providers to meet that forecasted demand. According to a May 2024 report by the California Health Care Foundation, California's lack of mental health and substance use disorder providers needed to meet the rising demand for services is especially acute in Medi-Cal. In addition to reimbursement rates, the report also cites the enrollment process as one of the barriers (credentialing challenges being the other topic covered), stating that California is the only state with a maximum timeline of 180 days for non-physician reviewed provider enrollment. The report points out that the vast majority of behavioral health providers in the state are not physicians. Thus, California's longer processing timeline disproportionately affects behavioral health providers.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, DHCS estimates the following:

- One-time costs of \$1.1 million (\$275,000 General Fund and \$825,000 federal funds) in 2027-28, to update the online enrollment portal to require providers to indicate whether or not the provider intends to render nonspecialty mental health services as a nonprofit corporation.

- One-time costs of \$631,000 (\$316,000 General Fund and \$315,000 federal funds) in 2027-28 and \$595,000 (\$298,000 General Fund and \$297,000 federal funds) in 2028-29 for staffing resources.

SUPPORT: (Verified 8/13/2026)

California Behavioral Health Association (source)
Airport Marina Counseling Service
Alameda Family Services
Association of Community Human Service Agencies
Aviva Family and Children's Services
Board of Behavioral Sciences
California Alliance of Child and Family Services
California Association of Marriage and Family Therapists
California Association of Nonprofits
California Coalition for Behavioral Health
California Community Foundation
California Consortium of Addiction Programs and Professionals
California Family Counseling Center
California Peer Watch
California Psychological Association
Children's Institute, Inc.
El Hogar Community Services
Fresno Pacific University Pacific Counseling Center
Hillsides Pasadena
National Association of Social Workers, California Chapter
Open Paths Counseling Center
Orange County Asian and Pacific Islander Community Alliance, Inc.
Pacific Counseling Center
PathPoint
Portia Bell Hume Behavioral Health and Training Center
Shields for Families
SistahFriends
Southern California Health & Rehabilitation Program
Stand Up Placer, Inc.
Tarzana Treatment Centers, Inc.
The Fresno Center
The Village Family Services
Turning Point Community Programs
Turning Point of Central California, Inc.

Valley Family Center
WellSpace Health

OPPOSITION: (Verified 8/13/2026)

None received

ARGUMENTS IN SUPPORT: The source of this bill, the California Behavioral Health Association, states that the prohibition on nonprofit enrollment in the PAVE process means that community-based providers are losing reimbursement for services already delivered, facing recredentialing barriers with managed care plans, and experiencing disruption that threatens service continuity. This bill does not expand scope of practice, create new provider types, or weaken program integrity. It removes an unintended administrative barrier that is destabilizing the provider network and limiting access to care. Without action, more nonprofit providers will be forced to reduce services or exit the Medi-Cal system, further straining the workforce and reducing access to nonspecialty mental health services. The California Board of Behavioral Sciences writes that these nonprofits seeking to enroll with DHCS provide essential mental health services to Medi-Cal recipients, often serving as the primary or only access point for care within their communities. This bill will help preserve access to critical mental health treatment by eliminating unnecessary administrative barriers.

ASSEMBLY FLOOR: 78-0, 5/27/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Fariás, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Celeste Rodriguez, Tangipa

Prepared by: Jen Flory / HEALTH / (916) 651-4111
8/14/26 12:02:11

**** END ****