SENATE RULES COMMITTEE
Office of Senate Floor Analyses
(916) 651-4171

THIRD READING

Bill No: AB 2499
Author: Gipson (D)
Amended: 8/20/26 in Senate
Vote: 21

SENATE HEALTH COMMITTEE: 10-0, 7/1/26
AYES: Weber Pierson, Valladares, Caballero, Durazo, Gonzalez, Grove, Menjivar, Padilla, Pérez, Smallwood-Cuevas
NO VOTE RECORDED: Rubio

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 59-13, 5/28/26 - See last page for vote

SUBJECT: Health care coverage: claims payments

SOURCE: Providence St. Joseph Health

DIGEST: This bill requires a health plan or insurer to accept, and confirm, electronic medical records and supporting documentation necessary to process a claim through a standard electronic submission method, and prohibits a plan or insurer from denying, pending, or delaying a claim solely because the plan's or insurer's systems are unable to accept documentation that otherwise meets state requirements, unless state or federal standards are adopted.

Senate Floor Amendments of 8/20/26 add that a "standard electronic submission method," includes establishing a file size limit sufficient to allow submission of typical medical documentation required to adjudicate claims, and delete a requirement that a plan or insurer maintain reasonable minimum technical standards, including a file size limit sufficient to allow submission of typical medical documentation required to adjudicate claims.

ANALYSIS:

Existing law:

1) Establishes the Department of Managed Health Care to regulate health plans under the Knox-Keene Health Care Service Plan Act of 1975 and the California Department of Insurance to regulate health and other insurers under the Insurance Code. [Health and Safety Code (HSC) §1340, et seq., and Insurance Code (INS) §106, et seq.]

2) Establishes requirements and timelines for plans and insurers to reimburse a completed claim from health care providers [HSC §1371 and INS §10123.13]

3) Establishes the California Health and Human Services Data Exchange Framework (data exchange framework) that includes a single data sharing agreement and common set of policies and procedures to leverage national standards for information exchange and data content and govern and require the exchange of health information among health care entities and government agencies in California. [HSC §130290, et. seq]

4) Requires, by January 31, 2024, health care organizations such as hospitals, physician organizations, and skilled nursing organizations to exchange health information or provide access to health information to and from other required health care organizations in real time as specified by the Department of Health Care Access and Information pursuant to the data exchange framework data sharing agreement for treatment, payment, or health care operations with some exceptions for health care organizations, such as specified clinics, required to exchange or provide access to health information by July 1, 2026. [HSC §130290]

This bill:

1) Requires, commencing May 26, 2028, a health plan or insurer to accept electronic medical records and supporting documentation necessary to process a claim through a standard electronic submission method.

2) Requires a health plan or insurer to confirm receipt electronically and prohibits a plan/insurer from denying, pending, or delaying a claim solely because the plan/insurer's systems are unable to accept documentation that otherwise meets stated requirements.

3) Indicates that this bill does not prohibit a plan/insurer from denying, pending, or delaying a claim to the extent authorized under law, and the prohibition does not apply during a period in which a plan's or insurer's ability to accept

electronic medical records and supporting documentation is impacted outside of the plan's or insurer's control, as specified.

4) Requires if a state or federal standard is adopted that is specific to file size, number or other capacity requirements for claims related supporting documentation submission, that standard to apply.

5) Defines "electronic submission" as submission through an electronic portal designated by the plan or an electronic submission in accordance with the data exchange framework and applicable federal interoperability rules.

Comments

According to the author:

> Healthcare providers and health insurers spend countless hours and billions of dollars on claims processing. Many healthcare providers are still required to manually fax or mail patient health documents to health insurers due to system file size limitations. This administrative burden causes delays in patient care, increases the chance of inadvertently exposing protected health information (PHI), and draws healthcare resources away from direct patient care. This bill addresses that by modernizing how health insurers process claims in California. Right now, many health plans rely on outdated systems that make it hard for providers to submit the necessary information for care reimbursement. As a result, claims sit in limbo, offices spend extra time tracking down payments, and in some cases, patients get caught in the middle and their data is at risk. By modernizing the claims process, this bill would reduce patient confusion, cut down on delays that can slow down care, and protect PHI by moving away from paper-based and manual processes that create unnecessary risk. When claims move through the system smoothly, providers can focus on care, patients get clearer answers, and California's healthcare system becomes more efficient, ensuring valuable healthcare resources are dedicated to directing patient care.

Background

21st Century Cures Act and federal rules. This federal law, specifically Title IV promotes the adoption and use of electronic health record technology. Final rules seek to improve interoperability by requiring certified health information technology products to adopt new and updated vocabulary and content standards, including common clinical data composed of standardized data elements and improving health information systems to transmit, receive, and use standardized

clinical documents. Centers for Medicare & Medicaid Services (CMS) Interoperability and Patient Access regulations for public programs as contained in United States Department of Health and Human Services final rule. The CMS final rule requires entities to share adjudicated claims, encounter information, and clinical data contained in the United States Core Data for Interoperability.

Standards for Health Care Claims Attachments. A March 2026 CMS Fact Sheet on the Final Rule related to Administrative Simplification describes the first-ever Health Insurance Portability and Accountability Act- adopted standards for health care claims attachments, enabling the secure electronic exchange of health care claims-related supporting clinical documentation such as medical records, x-rays and imaging, clinical notes, telemedicine visit documentation and laboratory results. The rule also establishes requirements for electronic signatures to ensure health care claims attachment transactions are secure, authenticated, and compliant with federal standards. According to the fact sheet, eliminating manual processes such as faxing and mailing, are projected to save the health care industry roughly $781 million annually; reduce administrative burden; accelerate claims processing, ensure secure, authenticated electronic exchanges, and streamline workflows for both providers and payers. Compliance deadlines for these standards are set for 24 months from the effective date of the final rule, which was May 26, 2026.

Data exchange framework. California's data exchange framework requires acute and psychiatric hospitals, physician organizations and medical groups, skilled nursing facilities, health plans, clinical labs, and other health and social service organizations who voluntarily choose to participate, (participants/signatories) to sign the data exchange agreement and exchange health and human services information in real time starting on January 31, 2024. The data exchange framework is not a centralized data repository; instead, it is when participants agree to follow rules of the road for securely and appropriately exchanging health and social services information to best serve patients and join a shared commitment to providing safe, effective, whole-person care across California. The law requires required signatories to the data sharing agreement, which includes health insurers and health plans, to exchange health information or provide access to health information to and from every other required signatory.

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

SUPPORT: (Verified 8/19/26)

Providence St. Joseph Health (source)
Adventist Health
Alliance of Catholic Health Care, Inc.

Association of Dental Support Organizations
California Medical Association
California Orthopedic Association
California Podiatric Medical Association
Camino Health Center
Harbor Community Health Centers
Healdsburg Hospital Community Board
Humboldt County Community Ministry Board
Loma Linda University Adventist Health Sciences Center
Orange County Business Council
Petaluma Valley Hospital Community Board
Providence Little Company of Mary Foundation Board
Providence Mission Hospital Community Ministry Board
Providence Santa Rosa Memorial Hospital Foundation Board
Providence St. Mary Medical Center Community Ministry Board
Queen of the Valley Medical Center Community Board
Santa Rosa Memorial Hospital Community Board
St. Jude Medical Center Board of Trustees
Saint Joseph Hospital Community Ministry Board
Valley Industry and Commerce Association

OPPOSITION: (Verified 8/19/26)

Association of California Life & Health Insurance Companies
California Association of Health Plans

ARGUMENTS IN SUPPORT: Providence St. Joseph Health, this bill's sponsor, writes this bill offers a narrow and practical solution by requiring plans and insurers to accept electronic medical records and supporting documentation necessary to process a claim through standard electronic submission methods, while preserving existing coverage rules, patient privacy, medical necessity standards, claims adjudication standards, and the ability of a plan or insurer to request information necessary to determine payer liability. This bill modernizes the method by which providers may submit records and documentation that plans insurers already request. The sponsors indicate that publicly available payer guidance illustrates that large payers have varying size limits per transaction, attachment limits, and rejection codes when attachments exceed certain limits. The sponsors indicate that a 100 MB cap is modest relative to ordinary business and consumer file-transfer tools which allow file uploads ranging from 1GB to several terabytes depending upon the platform. Adventist Health writes hospitals and care teams are often required to manually fax thousands of pages of medical records to

payers due to restrictive file size limits or a lack of viable electronic submission systems, which divert clinical staff from patients. Additionally, Adventist Health indicates delays caused by lost, incomplete, or misfiled faxed documents can slow claims processing and reimbursement, creating administrative burdens that ultimately affect patients. By enabling fast, reliable electronic submissions, this bill will help ensure that claims are processed more efficiently. Transitioning away from fax-based systems enhances patient privacy protections by reducing the risk of misdirected faxes and unintended disclosures of sensitive health information.

ARGUMENTS IN OPPOSITION: The California Association of Health Plans (CAHP) and the Association of California Life and Health Insurance Companies (ACLHIC) indicate it is unclear what specific problem this bill is attempting to solve as health plans already widely accept electronic claim submissions and have invested heavily in interoperable systems, provider portals, and clearinghouse infrastructure. CAHP and ACLHIC believe the vast majority of claims are submitted and adjudicated electronically today without issue. CAHP and ACLHIC feel this bill is one sided and should require providers to submit claims and/or prior authorization requests electronically using plan-designated portals or existing interoperability standards. They are very concerned that this bill would prohibit them from denying, pending, or delaying claims when system limitations prevent the receipt of necessary documentation. CAHP and ACLHIC feel this creates risk of improper payments.

ASSEMBLY FLOOR: 59-13, 5/28/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Davies, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Ward, Wicks, Wilson, Zbur, Rivas
NOES: DeMaio, Dixon, Ellis, Gallagher, Jeff Gonzalez, Hadwick, Hoover, Johnson, Macedo, Patterson, Sanchez, Tangipa, Wallis
NO VOTE RECORDED: Castillo, Chen, Elhawary, Flora, Lackey, Quirk-Silva, Celeste Rodriguez, Ta

Prepared by: Teri Boughton / HEALTH / (916) 651-4111
8/24/26 14:04:16

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