Office of Senate Floor Analyses
(916) 651-1520 Fax: (916) 327-4478

THIRD READING

Bill No: AB 512
Author: Harabedian (D), et al.
Amended: 7/14/25 in Senate
Vote: 21

SENATE HEALTH COMMITTEE: 9-0, 7/9/25
AYES: Menjivar, Durazo, Gonzalez, Limón, Padilla, Richardson, Rubio, Weber Pierson, Wiener
NO VOTE RECORDED: Valladares, Grove

SENATE APPROPRIATIONS COMMITTEE: 5-0, 8/29/25
AYES: Caballero, Cabaldon, Grayson, Richardson, Wahab
NO VOTE RECORDED: Seyarto, Dahle

ASSEMBLY FLOOR: 68-1, 6/2/25 - See last page for vote

SUBJECT: Health care coverage: prior authorization

SOURCE: California Medical Association

DIGEST: This bill shortens the required response times for health plans and insurers for prior authorization requests submitted by providers to three business days for requests received via electronic submission (from five business days) for a standard request and 24 hours for requests received via electronic submission or 48 hours for requests received via submissions that are not electronic (from 72 hours) for more urgent requests.

ANALYSIS:

Existing law:

1) Establishes the Department of Managed Health Care (DMHC) to regulate health plans under the Knox-Keene Health Care Services Plan Act of 1975; the California Department of Insurance (CDI) to regulate health and other insurers; the Department of Health Care Services (DHCS) to administer the Medi-Cal

program. [Health and Safety Code [HSC] §1340, et seq., Insurance Code [INS] §106, et seq. and Welfare and Institutions Code [WIC] §14000, et seq.]

2) Requires health plans and insurers, and any contracted entity that performs utilization review or utilization management functions, prospectively, retrospectively, or concurrently, based on medical necessity requests to comply with specified requirements, including a decision within five business days of receiving reasonable information to make a decision, conducting retrospective review within 30 days and decisions associated with imminent and serious threat within 72 hours or sooner. [HSC §1367.01 and INS §10123.135]

This bill:

1) Requires decisions based on medical necessity to approve, modify, or deny requests by providers prior to or concurrent with the provision of health care services to enrollees or insureds to be made in a timely fashion appropriate for the nature of the enrollee's or insured's condition, not to exceed three business days received via electronic submission for standard requests, or 24 hours for urgent requests received via electronic submission and 48 hours via submissions that are not electronic, from the plan's receipt of the information reasonably necessary and requested by the plan to make the determination.

2) Defines "electronic submission" to mean submission through an electronic portal designated by the plan or in accordance with federal interoperability rules, as specified.

Background

Prior authorization. Prior authorization is a form of utilization review or utilization management. Utilization review can occur prospectively, retrospectively, or concurrently, and a plan or insurer can approve, modify, delay or deny in whole or in part a request based on its medical necessity. California law requires written policies and procedures that are consistent with criteria or guidelines and supported by clinical principles and processes. These policies and procedures must be filed with regulators, and disclosed, upon request, to providers, plans, and enrollees or insureds. There are timelines in the law for plans and insurers to respond to requests once any medical information that is reasonably necessary to make the determination is provided as described in the existing law summary. California also has a standardized form for prior authorization submissions for prescription drugs. If a health plan or insurer fails to respond to the prior authorization request within 72 hours for nonurgent requests, and within 24 hours if exigent circumstances exist, upon the receipt of a completed form, the

request is deemed granted. Exigent circumstances exist when an enrollee or insured is suffering from a health condition that may seriously jeopardize the enrollee's or insured's life, health, or ability to regain maximum function or when an enrollee or insured is undergoing a current course of treatment using a nonformulary drug.

Average length of time for a single prior authorization request. In 2023, at the request of the Legislature, the California Health Benefits Review Program (CHBRP) conducted a survey of California-regulated plans and insurers and found overall, between 5% and 15% of all covered medical services, and between 16% and 25% of pharmacy benefits, were subject to prior authorization requirements. CHBRP's survey of state regulated health plans and insurers shows the average time for a manual prior authorization by phone, mail, or fax in 2022 was 100-120 hours (medical benefit) and 30.5-55 hours for pharmacy benefit. For electronic prior authorizations in 2022 the average response time was 12-46 hours (medical benefit) and 31-69 hours for pharmacy benefit.

Final Rule. In January of 2024, the Centers for Medicare and Medicaid Services (CMS) issued the *CMS Interoperability and Prior Authorization Final Rule CMS-0057-F.* The final rule requires impacted payers to send prior authorization decisions within 72 hours for expedited (i.e., urgent) requests and seven calendar days for standard (i.e., non-urgent) requests. Beginning in 2026, impacted payers must provide a specific reason for denied prior authorization decisions, regardless of the method used to send the prior authorization request. Such decisions may be communicated via portal, fax, email, mail, or phone. As with all policies in this final rule, this provision does not apply to prior authorization decisions for drugs.

Comments

Author's statement. According to the author, delays in prior authorization create unnecessary barriers to timely medical care, leading to worsened patient outcomes, increased healthcare costs, and provider burnout. This bill ensures that health insurers make prior authorization decisions within 48 hours instead of five days for standard requests and 24 hours instead of 72 hours for urgent cases, reducing delays that prevent patients from receiving necessary treatment. By streamlining the process, the bill improves access to care, lowers avoidable healthcare expenses, and allows providers to focus on patient needs.

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

According to the Senate Appropriations Committee,

- DMHC estimates costs of approximately $314,000 in 2025-26, $689,000 in 2026-27, $671,000 in 2027-28, $951,000 in 2028-29, and $944,000 in 2029-30 and annually thereafter for state operations (Managed Care Fund).
- CDI estimates costs of $9,000 in 2025-26 and $21,000 in 2026-27 for state operations (Insurance Fund).

- Unknown potential cost pressures to capitation payments for Medi-Cal managed care plans for administration (General Fund and federal funds).

SUPPORT: (Verified 8/29/25)

California Medical Association (source)
AARP
Adventist Health
Alliance of Catholic Health Care, Inc.
ALS Association
American Academy of Pediatrics, California
American Cancer Society Cancer Action Network, Inc.
American Diabetes Association
Association for Clinical Oncology
Association of Northern California Oncologists
California Access Coalition
California Academy of Child and Adolescent Psychiatry
California Association of Medical Product Suppliers
California Behavioral Health Association
California Chapter American College of Cardiology
California Children's Hospital
California Chronic Care Coalition
California Collaborative for Long-Term Services and Supports
California Commission on Aging
California Hospital Association
California Kidney Care Alliance
California Long Term Care Ombudsman Association
California Neurology Society
California Nurses Association
California Orthopedic Association
California Podiatric Medical Association

California Psychological Association
California Retired Teachers Association
California Rheumatology Alliance
California Society of Health System Pharmacists
California Society of Plastic Surgeons
California State Association of Psychiatrists
CleanEarth4Kids.org
District Hospital Leadership Forum
Fresenius Medical Care North America
Health Access California
Hemophilia Council of California
Loma Linda University Adventist Health Sciences Center
Medical Oncology Association of Southern California
Mental Health America of California
National Health Law Program
Physician Association of California
Planned Parenthood Affiliates of California
Saint Agnes Medical Center
San Francisco Marin Medical Society
Stanford Health Care
U.S. Pain Foundation
United Hospital Association
Western Center on Law & Poverty, Inc.

OPPOSITION: (Verified 8/29/25)

AHIP
America's Physician Groups
Association of California Life & Health Insurance Companies
California Association of Health Plans
California Chamber of Commerce Local Health Plans of California
Local Health Plans of California

ARGUMENTS IN SUPPORT: This bill is sponsored by the California Medical Association (CMA), which writes, this bill "This bill ensures access to care for patients. Burdensome prior authorization processes also contribute to more adverse effects on patient care outcomes, especially when they result in delays in treatment. In a 2023 physician survey, the American Medical Association found that 93% of physicians reported experiencing care delays for their patients due to prior authorization requirements. Adding to these delays are the sluggish response times by health plans to prior authorization requests. California currently has some of the

slowest response timelines in the nation – five business days for nonurgent requests and 72 hours for urgent requests. These slow-moving response times lead to delays that negatively impact patient health. Current prior authorization timelines are inadequate for many patients, especially those with urgent medical needs. Delays can cause unnecessary suffering, increased healthcare costs due to complications from postponed treatment, and administrative burdens on physicians."

ARGUMENTS IN OPPOSITION: America's Health Insurance Plans (AHIP) believes shortened prior authorization timeframes are not the right approach. AHIP says almost half of prior authorizations requests are submitted manually. AHIP launched an initiative to understand the impact of electronic prior authorization that demonstrated faster time to patient care, faster time to decision, and improved information for providers. AHIP says insurance plans have recently announced a series of commitments to streamline and simplify prior authorization, including standardizing electronic prior authorization with a new framework operational and available to plans and providers by January 1, 2027. By 2027 for all coverage types of signatory plans at least 80% of prior authorizations will be answered in real-time. The California Association of Health Plans, the Association of California Life and Health Insurance Companies, and America's Physician Groups propose an alternative to this bill that would mandate all request be submitted electronically, require all necessary information to make an appropriate determination which means plans and insurers can answer at least 80% in real time, and the effective date should be delayed to allow providers sufficient time to comply with electronic submission requirements.

ASSEMBLY FLOOR: 68-1, 6/2/25
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Davies, Dixon, Elhawary, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NOES: DeMaio
NO VOTE RECORDED: Castillo, Chen, Ellis, Flora, Hadwick, Lackey, Macedo, Patterson, Ta, Tangipa

Prepared by: Teri Boughton / HEALTH / (916) 651-4111

8/29/25 20:39:00

****** END ******