

(Without Reference to File)

SENATE THIRD READING

SB 116 (Committee on Budget and Fiscal Review)

As Amended June 24, 2025

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SUMMARY

This budget trailer bill implements various health-related provisions of the Budget Act of 2025.

Major Provisions

This budget trailer bill implements various provisions of the Budget Act of 2025 related to the Department of Health Care Services, the Department of Public Health, and the Department of Health Care Access and Information, the Department of Managed Health Care, and the Department of State Hospitals,

Specifically, this bill:

Department of Health Care Services

- 1) Freezes enrollment in Medi-Cal for individuals with undocumented immigration status, ages 19 and older, beginning January 1, 2026. Includes a three-month grace & cure period allowing for re-enrollment.
- 2) Implements a \$30 per-month Medi-Cal premium, effective July 1, 2027, for individuals with Unsatisfactory Immigration Status, ages 19 to 59.
- 3) Specifies that repayment of outstanding premium balances prior to the initiation of the three-month cure period described above shall be a condition of reenrollment for individuals disenrolled from Medi-Cal due to nonpayment of premiums.
- 4) Eliminates full-scope, state-only dental coverage for Medi-Cal enrollees with Unsatisfactory Immigration Status, ages 19 and older no sooner than July 1, 2026.
- 5) Reinstates, beginning January 1, 2026, a Medi-Cal asset test for specified populations of \$130,000 in nonexempt property for a case with one member and \$65,000 for each additional household member, up to a maximum of 10 members, as specified. Requires the Department to make available, on a quarterly basis data, the number of Medi-Cal enrollees who lost eligibility due to the asset limit, and requires the Department to consult with stakeholders to determine the appropriate data elements and level of detail, including, but not limited to, the reasons for termination.
- 6) Eliminates Prospective Payment System rates for state-only-funded services provided by federally qualified health centers and rural health clinics to individuals with Unsatisfactory Immigration Status no sooner than July 1, 2026.
- 7) Implements utilization management for COVID-19 related services in the Medi-Cal program.

- 8) Implements pre-authorization policies to obtain drugs removed from the Department's contracted drug list. Includes noticing requirements, as specified, including the requirement that the Department to provide individual notice to impacted beneficiaries, at least 60 calendar days prior to the drug being removed from the list of contract drugs, that the drug is only obtainable through the prior authorization process.
- 9) Establishes prior authorization for hospice services, as specified, beginning July 1, 2026.
- 10) Eliminates the Workforce and Quality Incentive Program for Skilled Nursing Facilities effective January 1, 2026.
- 11) Increases the minimum state rebate for pharmaceutical manufacturers entering or renewing rebate agreements on or after January 1, 2026, to at least 20% of the average manufacturer price if the federal rebate is less than 50% of that price, and at least 15% if the federal rebate is 50% or more.
- 12) Raises the default state rebate (when no supplemental rebate agreement is reached within 60 days of drug addition to the Medi-Cal list) from 20% to 25% of the average manufacturer price.
- 13) Delays the requirement that a skilled nursing facility must have an alternative source of power for no fewer than 96 hours during any type of power outage until the Department publishes a written notice on its internet website that the Legislature has appropriated sufficient funds for the express purpose of providing an add-on to the Medi-Cal skilled nursing facility per diem rate for the projected Medi-Cal cost of complying with the backup power requirements.
- 14) Adds entities participating in the Home- and Community-Based Alternatives (HCBA) Waiver and the Program of All-Inclusive Care for the Elderly (PACE) to the definition of "contractors" subject to contract termination and sanctions by the Department.
- 15) Requires nondesignated public hospitals participating in the Intergovernmental Transfer (IGT) Program to reimburse the state for administrative costs as a condition of receiving supplemental payments, and requires the department to annually project those costs and retain a corresponding percentage of each IGT amount beginning in 2026–27.
- 16) Requires additional supplemental payments to nondesignated public hospitals in 2025–26 based on General Fund transfers and available federal matching funds, and directs the remaining funds to be distributed using a department-developed methodology; sunsets the provisions on June 30, 2026, and repeals them on July 1, 2030.
- 17) Deletes the requirement that a Medi-Cal provider complete specified cognitive health assessment training to be eligible to receive specified payments. Deletes the requirement that the department consolidate and analyze data and post information related to the benefit every two years.
- 18) Establishes the Medi-Cal Anti-Fraud Special Deposit Fund for the deposit of outstanding Medi-Cal payments intercepted as a result of a payment suspension, and specifies that the funds would be continuously appropriated and allocated, but would remain in the fund until the department lifts the suspension, after which the department would be authorized

to return the intercepted Medi-Cal payments to the provider or to offset the payments against any liabilities or restitution owed by the provider to the department.

California Department of Public Health

- 19) Requires the Department to adopt emergency regulations no later than January 31, 2026 related to staffing standards, including nurse-to-patient, specific to acute psychiatric hospitals. Specifies that the Department shall adopt standard regulations no later than July 31, 2027, or one and one-half years after adoption of emergency regulations.
- 20) Provides technical changes converting four sub-funds into special funds for inclusion in the Budget Act and enable tracking revenues, expenditures, and fund balance. The sub-funds are the Internal Departmental Quality Improvement Account; the Skilled Nursing Facility Minimum Staffing Penalty Account; the State Health Facilities Citation Penalties Account; and the Federal Health Facilities Citation Penalties Account.
- 21) Allows funding in the Transgender, Gender Nonconforming, and Intersex (TGI) Wellness and Equity Fund to support HIV prevention services and fund TGI-serving organizations for facilitating evidence-based therapeutic arts program, makes various changes to allocation start and end dates, and makes other technical changes.
- 22) Provides \$75,000,000 from the AIDS Drug Assistance Program (ADAP) to support current or eligible HIV services and programs, and specifies the allocation of those funds, including authorizing up to \$65,000,000 of that \$75,000,000 to be spent to supplement or fund services, programs, or initiatives for which federal funding has been reduced or eliminated.

Department of Health Care Access and Information

- 23) Authorize the California Health and Human Services Agency through its CalRx program at HCAI to enter into partnerships to increase competition, lower prices, and address supply shortages for generic or brand name drugs to address emerging health concerns, for the development, production, procurement, or distribution of vaccines, as specified, and for the manufacture, purchase, or distribution of medical supplies or medical devices.
- 24) Revises the "behavioral health coach" to a "certified wellness coach" as a category of behavioral health provider and specifies that a certified wellness coach receives appropriate supervision and coordination from staff who are licensed or who hold a pupil personnel services credential or school nurse services credential. Adds crisis referral to, and remove crisis de-escalation and safety planning from, the list of a certified wellness coach's training and qualifications.
- 25) Repeals the Community Health Worker certificate program.

Department of Managed Health Care

- 26) Delays the date by which small and large group commercial health plans (except for CalPERS plans) must cover the diagnosis and treatment of infertility and fertility services from July 1, 2025, to January 1, 2026.

Pharmacy Benefit Managers

- 27) Requires Pharmacy Benefit Managers (PBM), as defined, to secure a license from the Department of Managed Health Care on or after January 1, 2027, or the date on which the department has established the licensure process, whichever is later.
- 28) Establishes application requirements for PBMs, and requires PBMs applying for licensure to reimburse the Director of the Department of Managed Health Care for the actual cost of processing the application, including overhead, up to a specified amount.
- 29) Requires PBMs to provide specified data to the Department of Health Care Access and Information regarding drug pricing, fees, and other information, and requires PBMs to pay amounts that are reasonably necessary to cover expenses of the Department of Health Care Access and Information pertaining to data reporting by PBMs.

Department of State Hospitals

- 30) Extends the statutory authority for the Enhanced Treatment Program (ETP) through January 1, 2030 to provide adequate time to support the completion and operation of remaining ETP units that experienced delays due to the COVID-19 pandemic.
- 31) Reduces court reporting requirement for Not Guilty by Reason of Insanity patients from semi-annual to annual.

COMMENTS

This bill is a budget trailer bill that implements provisions of the 2025-26 budget package affecting health-related department.

According to the Author**Arguments in Support**

None on file.

Arguments in Opposition

None on file.

FISCAL COMMENTS

By expanding the allowable uses of the ADAP Rebate Fund and extending the duration of certain allocations, this bill would result in a continuous appropriation. By increasing the minimum state rebate threshold for pharmaceutical manufacturers, the bill would also trigger a continuous appropriation. Additionally, by requiring nondesignated public hospitals participating in the IGT Program to reimburse the department for projected administrative costs, the bill could result in the continuous appropriation of additional moneys.

VOTES**SENATE FLOOR: 28-10-2**

YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Richardson, Rubio, Smallwood-Cuevas, Umberg, Wahab, Weber Pierson, Wiener
NO: Alvarado-Gil, Choi, Dahle, Grove, Jones, Niello, Ochoa Bogh, Seyarto, Strickland, Valladares

ABS, ABST OR NV: Reyes, Stern

UPDATED

VERSION: June 24, 2025

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