

SENATE THIRD READING
SB 386 (Limón)
As Amended August 21, 2025
Majority vote

SUMMARY

Requires a health plan and health insurer covering dental services that provides payment directly to a dental provider to have a default method of payment that does not require the dental provider to incur a fee to access payment. Requires a health plan and health insurer to obtain affirmative consent from a dental provider who opts in to a fee-based payment method (where the provider incurs a fee to access payment) before the plan or vendor provides a fee-based payment method to the provider. Delays implementation of these provisions until April 1, 2026.

Major Provisions

COMMENTS

Health plans and health insurers pay claims to health care providers providing services to covered patients through the fee-for-system model of payment. Claims for payment are typically submitted by health care providers to plans and insurers manually (via paper) or electronically (via computer).

Some health plans pay health care claims by sending health care providers a single use credit card number in lieu of sending paper checks or paying health care claims electronically. To receive payments from the card processing networks, providers must manually enter virtual credit card (VCC) numbers into their Point-of-Sale (POS) processing terminals. Card processing networks typically charge providers fees of a percent value of each payment.

In 2022, the federal Department of Health and Human Services (DHHS) issued guidance to clarify requirements for electronic transactions using electronic funds transfer (EFT) and electronic remittance advice (ERA) standards adopted under federal regulation. The DHHS guidance stated that the adopted standards permit health plans to pay claims by VCC, and that DHHS has not promulgated regulations governing claims payments made with VCCs. DHHS stated it therefore does not regulate common business practices associated with VCC payments, including fees assessed by health plans or credit card networks for VCC payments. However, DHHS guidance states that health plan must comply with a federal regulation that dictates that if an entity (such as a health care provider) requests that a health plan conduct a transaction as a standard transaction, the health plan must do so. This bill, by requiring a health plan and insurer to obtain affirmative consent from a dental provider who opts in to a fee-based payment method and allowing providers to opt out of a fee-based payment, would allow dental providers to avail themselves of this federal option.

According to the Author

Dental plans will often contract with third-party companies to issue provider payments to dental practices with virtual credit cards (VCCs). However, accepting this form of payment charges the dental office processing fees of up to 10% of the total payment amount, in addition to the standard merchant fee of 2% to 5% for processing the payment through their credit card terminal. These unjustly high fees simply to access contracted payments owed by the dental plans often force dentists to accept payment via VCC even when they have requested another method of

payment. This bill requires that any provider payment that includes a processing fee must be disclosed to dentists and cannot be the default payment method. This bill also mandates that dental plans and VCC companies clearly outline opt-in and opt-out procedures for VCC payments. The process must also outline alternative payment methods, ensuring dentists receive full payment for their services. The author notes that this bill does not apply if the health insurer directly contracts and allows providers to choose payment methods.

Arguments in Support

This bill is sponsored by the California Dental Association (CDA), which writes that the use of VCC companies as a mechanism for plans to pay providers. Dental plans contract with third-party vendors to issue provider payment via VCCs, which includes a 16-digit credit card number that is commonly faxed or emailed to the provider. To withdraw or access the funds, dental offices must run VCCs through their credit card terminals. Vendor processing fees can range from 2% to 5% of the total amount, on top of which the dentist pays the usual merchant transaction fee when processing the payment. Dental offices can sometimes pay up to 10% in fees before accessing payments they are owed. These fees are compounded by coercive behavior that forces dental offices to accept payment via VCCs. Attempts to opt-out are disregarded shortly after opting out. This bill restricts these predatory practices. CDA writes, dentists deserve to be able to fully understand and choose whether to accept payment processing fees, rather than being trapped into accepting payment methods that charge fees.

The California Dental Hygienists Association (CDHA) writes that it supports restricting these predatory payment practices, which syphon away resources from dental offices that are already operating on a thin margin. This activity harms the entire dental team and as a result, these practices reduce a dental office's ability to provide optimum access to oral health care for patients. CDHA states this bill is a critical step in correcting these predatory payment practices.

Arguments in Opposition

None.

FISCAL COMMENTS

According to the Assembly Appropriations Committee, the Department of Managed Health Care estimates minor and absorbable costs, and the California Department of Insurance anticipates no fiscal impact.

VOTES

SENATE FLOOR: 38-0-2

YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Jones, Laird, Limón, McGuire, McNeerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

ABS, ABST OR NV: Hurtado, Reyes

ASM HEALTH: 15-0-1

YES: Bonta, Chen, Addis, Aguiar-Curry, Caloza, Carrillo, Flora, Mark González, Krell, Patel, Patterson, Celeste Rodriguez, Sanchez, Schiavo, Sharp-Collins

ABS, ABST OR NV: Stefani

ASM APPROPRIATIONS: 14-0-1

YES: Wicks, Sanchez, Arambula, Calderon, Nguyen, Dixon, Elhawary, Aguiar-Curry, Hart, Pacheco, Pellerin, Solache, Ta, Tangipa

ABS, ABST OR NV: Mark González

UPDATED

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