
UNFINISHED BUSINESS

Bill No: SB 386
Author: Limón (D)
Amended: 8/21/25 in Assembly
Vote: 21

SENATE HEALTH COMMITTEE: 11-0, 4/2/25

AYES: Menjivar, Valladares, Durazo, Gonzalez, Grove, Limón, Padilla,
Richardson, Rubio, Weber Pierson, Wiener

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

SENATE FLOOR: 38-0, 6/2/25

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

NO VOTE RECORDED: Hurtado, Reyes

ASSEMBLY FLOOR: 79-0, 9/8/25 - See last page for vote

SUBJECT: Dental providers: fee-based payments

SOURCE: California Dental Association

DIGEST: This bill requires a health plan or health insurer that provides direct payment to a dental provider, or payment through a contracted vendor, to have a non-fee-based default method of payment, and, obtain affirmative consent from a dental provider who opts in, prior to providing a fee-based payment.

Assembly Amendments make clarifying changes such as that this bill's provisions are operative on April 1, 2026, and apply to health plan contracts and insurance policies issued, amended, or renewed after that date.

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. [Health and Safety Code (HSC) §1340, et seq. and Insurance Code (INS) §106, et seq.]
- 2) Requires health plans and insurers to reimburse provider claims within specified time frames, including contested claims, or pay interest and penalties, as specified. [HSC §1371.35 and INS §10123.13]
- 3) Requires every plan to have a procedure for prompt payment or denial of provider and subscriber or enrollee claims covered by the plan. [HSC §1375.1]
- 4) Permits a plan or insurer covering dental services, including a specialized health plan contract or health insurance policy covering dental services, or a contracting entity, to grant a third party access to a provider network contract, or a provider's dental services or contractual discounts if certain conditions exist and the provider chooses to participate. [HSC §1374.193 and INS §10120.4]

This bill:

- 1) Requires health plans and insurers, for contracts and policies that provide payment directly to a dental provider, or through a contracted vendor, to have a non-fee-based default method of payment. Requires the plan or insurer to remit or associate with each payment the claims and claim details associated with the payment. This bill becomes operative on and after April 1, 2026 and applies to contracts, policies, issued, amended, or renewed on or after that date.
- 2) Requires the plan or insurer to obtain affirmative consent from a dental provider who opts in to a fee-based payment method before the plan or vendor provides a fee-based payment method to the dental provider.
- 3) Requires, at the time a dental provider opts in to a fee-based payment method, information to be provided on the payment method, including a notice of the fees charged by the plan, insurer or contracted vendor, alternative methods of payment, instructions on opting out, and that the dental provider can opt out at any time.

- 4) Requires disclosure, if the plan's or insurer's contracted vendor is sharing any part of the profit, fee arrangement, or board composition with the plan or insurer.
- 5) Requires any decision to opt in or opt out of a fee-based payment method to apply to the dental provider's entire practice, and to all products or services covered under the contract or policy, including third party access, as specified.
- 6) Exempts from this bill a direct contract with a provider that allows the provider to choose payment methods, including a non-fee-based payment method for services rendered.

Comments

Author's statement. 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. This does not apply if the health insurer directly contracts and allows providers to choose payment methods.

VCCs. According to J.P. Morgan, VCCs are digital credit cards that function like physical credit cards. Companies can limit their exposure to potential fraud by generating unique card numbers and expiration dates for each transaction. These cards can be used for accounts payable transactions, claims payments, travel management, and reimbursements to independent contractors. Some VCCs operate through networks such as Visa or MasterCard.

Related/Prior Legislation

SB 1369 (Limón of 2024) was substantially similar to this bill. SB 1369 was vetoed by Governor Newsom who said in his veto message:

“This bill would require dental plans to default to a non-fee-based method of payment to providers, and to remit with each payment the associated claims and

claim details, beginning April 1, 2025. Currently, a dental provider and a plan determine the method of reimbursement during contract negotiations. A provider may opt into direct payments or payments through a contracted vendor. While I appreciate the author's intent to increase dental providers' reimbursements through changing the default payment method, this should be addressed during contract negotiations. For this reason, I cannot sign this bill.”

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

According to the Assembly Appropriations Committee, DMHC estimates minor and absorbable costs, and CDI anticipates no fiscal impact.

SUPPORT: (Verified 9/8/25)

California Dental Association (source)
California Academy of General Dentistry
California Association of Orthodontists
California Dental Hygienists' Association
California Society of Pediatric Dentistry
Children's Choice Dental Care

OPPOSITION: (Verified 9/8/25)

None received

ARGUMENTS IN SUPPORT:

This bill is sponsored by the California Dental Association (CDA), which writes that there is a growing trend in dentistry with 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 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. This bill is a critical step in correcting these predatory payment practices. [Click or tap here to enter text.](#)

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, 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, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NOES:

NO VOTE RECORDED: Nguyen

Prepared by: Teri Boughton / HEALTH / (916) 651-4111
9/8/25 19:32:02

**** END ****