STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
DF-46 (REV 07/23)

Fiscal Year	Business Unit Number	Department
2025-26	4150	Department of Managed Health Care

Hyperion Budget Request Name	Relevant Program or Subprogram
4150-021-BCP-2025-GB	3870-Health Plan Program

Budget Request Title
Health Care Coverage: Medication-Assisted Treatment (AB 1842)

Budget Request Summary
The Department of Managed Health Care (DMHC) requests expenditure authority of $64,000 in 2025-26, $133,000 in 2026-27 and annually thereafter from the Managed Care Fund to implement the requirements of AB 1842 (Chapter 633, Statutes of 2024).

Requires Legislation (submit required legislation with the BCP)	Code Section(s) to be Added/Amended/Repealed	
☐ Trailer Bill Language ☐ Budget Bill Language ☒ N/A		
Does this BCP contain information technology (IT) components? ☐ Yes ☒ No *If yes, departmental Chief Information Officer must sign*.	**Department CIO**	**Date**

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), the approval date, and the total project cost.

Project No. N/A **Project Approval Document:** N/A

Approval Date: N/A **Total Project Cost:** N/A

If proposal affects another department, does other department concur with proposal? ☐ Yes ☐ No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By	Date	Reviewed By	Date
Rita Pearson	1/10/2025	Gita Mehirdel	1/10/2025
Department Director	**Date**	**Agency Secretary**	**Date**
Mary Watanabe	1/10/2025	Kimberly Chen for Kim Johnson	1/10/2025

Department of Finance Use Only

Additional Review: ☐ Capital Outlay ☐ ITCU ☐ FSCU ☐ OSAE ☐ Dept. of Technology

Principal Program Budget Analyst	Date submitted to the Legislature
Joseph Donaldson	1/10/2025

A. Problem Statement

The Department of Managed Health Care (DMHC) requests expenditure authority of $64,000 in 2025-26, $133,000 in 2026-27 and annually thereafter from the Managed Care Fund to implement the requirements of AB 1842 (Chapter 633, Statutes of 2024).

This proposal requests specialized consulting funding for clinical and statistical consultants to develop survey methodology and provide clinical review during health plan surveys.

Background/History

The DMHC protects consumers' health care rights and ensures a stable health care delivery system. As part of this mission, the DMHC licenses and regulates health plans under the Knox-Keene Health Care Service Plan Act of 1975, as amended (Knox-Keene Act). Embedded in the mission is the task of evaluating and promoting health care service plan (health plan) regulatory compliance and ensuring enrollees have consistent access to timely and medically necessary health care services. The DMHC regulates the majority of health care coverage in California including 96 percent of state regulated commercial and government markets. Health plans licensed by the DMHC provide coverage to nearly 30 million members.

In 2020, Senate Bill (SB) 855 amended California's mental health parity statute, requiring commercial health plans and insurers in all markets to cover treatment for all medically necessary mental health (MH) and substance use disorder (SUD) conditions. SB 855 established specific standards for what constitutes medically necessary treatment and criteria for the use of impartial non-profit clinical guidelines when making medical necessity and level of care placement decisions for MH or SUD treatment. The law allows health plans to conduct utilization review, such as prior authorization (PA). Existing law requires health plans to respond to PA requests in a timely manner (generally within 72 hours for urgent cases and in a timely fashion appropriate for the nature of the enrollee's condition not exceeding five (business days for non-urgent cases).

Under existing law, the use of impartial standards in utilization management addresses concerns regarding improper delays, denials, or modifications of requests for Medication Assisted Treatment (MAT). A health plan is required to use the American Society of Addiction Medicine (ASAM) criteria for a SUD like opioid use disorder (OUD).

AB 1842 expands on the recent work of the federal government to mainstream addiction treatment by eliminating the unnecessary barriers to treatment. AB 1842 requires group or individual health plans to cover at least one drug in specified OUD treatment categories without PA, step therapy, or utilization review. Health plans would be permitted to select generic drugs and other specified versions to meet the requirements of AB 1842.

The DMHC will need to:

- Provide statistical consultation to develop methodology for routine surveys that require a focused file review of SUD medication assisted treatment files and review methodology for follow-up surveys conducted.
- Provide clinical review during routine and follow-up survey activity of SUD drug files.

B. Justification

The DMHC is committed to advancing federal and state efforts to address SUDs and the opioid epidemic, by reducing barriers to clinically prescribed MAT to help individuals start treatment and achieve more long-term recovery.

The DMHC has determined the following resources are necessary to implement the requirements of AB 1842.

Office of Plan Monitoring (OPM)

The DMHC's OPM performs routine medical surveys of DMHC-licensed health, behavioral and specialized health plans.

The OPM is requesting funding of $50,000 in 2025-26 and $112,000 in 2026-27 and ongoing for clinical consulting services to provide clinical review of SUD drug files. This cost is based on consultant funding of $49,000 in 2025-26 and $110,000 in 2026-27 and ongoing and anticipated Department of General Services (DGS) service fees of $1,000 in 2025-26 and $2,000 in 2026-27 and ongoing.

The OPM is also requesting consultant funding of $14,000 in 2025-26 and $21,000 in 2026-27 and ongoing for statistical consulting services to develop methodology for surveys requiring a focused review of SUD and review methodology for follow-up surveys conducted. The DGS service fees associated with this consultant contract are minimal and will be absorbed by the DMHC's existing budget.

The consultant funding amounts are based on OPM's experience with similar contracts and an anticipated hourly rate of $350 for clinical consultants and $200 for statistical consultants. The work performed by these consultants requires the use of highly specialized expertise that is not available through the civil service system. Additionally, utilizing consultant contracts will provide flexibility to access expertise in various clinical areas that is not available when limited to a specific civil service classification.

C. Departmentwide and Statewide Considerations

AB 1842 enhances recent federal initiatives to integrate addiction treatment into mainstream broader healthcare system by eliminating the unnecessary barriers to care. Increasing access to MAT is a critical step in combating the overdose crisis.

This proposal supports the California Health and Human Services Agency's (CalHHS) strategic priority to Build a Healthy California for All by monitoring for and addressing barriers to care in health plans' delivery systems that may lead to an enrollee's harm.

D. Outcomes and Accountability

Approval of this proposal will provide the DMHC with the necessary resources to implement the requirements of AB 1842.

E. Implementation Plan

The DMHC will begin implementing the requirements of AB 1842 on July 1, 2025.

F. Supplemental Information

This request will be funded through annual assessment of the health plans that are regulated by the DMHC. The ongoing fiscal impact of this request to full-service health plans is estimated at less than $0.01 per enrollee per year.

Attachment A: BCP Fiscal Detail Sheet

BCP Fiscal Detail Sheet

BCP Title: Health Care Coverage: Medication-Assisted Treatment (AB 1842)

BR Name: 4150-021-BCP-2025-GB

Budget Request Summary

Operating Expenses and Equipment

Operating Expenses and Equipment	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
5340 - Consulting and Professional Services - Interdepartmental	0	1	2	2	2	2
5340 - Consulting and Professional Services - External	0	63	131	131	131	131
Total Operating Expenses and Equipment	**$0**	**$64**	**$133**	**$133**	**$133**	**$133**

Total Budget Request

Total Budget Request	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
Total Budget Request	**$0**	**$64**	**$133**	**$133**	**$133**	**$133**

Fund Summary

Fund Source

Fund Source	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
State Operations - 0933 - Managed Care Fund	0	64	133	133	133	133
Total State Operations Expenditures	**$0**	**$64**	**$133**	**$133**	**$133**	**$133**
Total All Funds	**$0**	**$64**	**$133**	**$133**	**$133**	**$133**

Program Summary

Program Funding

Program Funding	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
3870 - Health Plan Program	0	64	133	133	133	133
Total All Programs	**$0**	**$64**	**$133**	**$133**	**$133**	**$133**