STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
DF-46 (REV 03/25)

Fiscal Year	Business Unit Number	Department
2026-27	4150	Department of Managed Health Care

Hyperion Budget Request Name	Relevant Program or Subprogram
4150-039-BCP-2026-MR	3870-Health Plan Program

Budget Request Title
Electronic Filing and Analysis of Claims Settlement Data Project Implementation (AB 3275)

Budget Request Summary
The Department of Managed Health Care (DMHC) requests $2,420,000 in 2026-27 and $2,026,000 in 2027-28 from the Managed Care Fund to implement an Electronic Filing and Analysis of Claims Settlement (eFACS) data solution to meet the requirements of Assembly Bill (AB) 3275 (Chapter 763, 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Requires Legislation (submit required legislation with the BCP)	Code Section(s) to be Added/Amended/Repealed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	N/A

Does this BCP contain information technology (IT) components? ☒ Yes ☐ No	Department CIO	Date
	Ralph Cesena Jr	5/14/2026

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.4150-038 **Approval Date:** 10/17/2024

Project Approval Document: S1BA **Total Project Cost:** TBD

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	5/14/2026	Gita Mehirdel	5/14/2026
Department Director	**Date**	**Agency Secretary**	**Date**
Mary Watanabe	5/14/2026	Sara Nelson for Kim Johnson	5/14/2026

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	5/14/2026

A. Problem Statement

The Department of Managed Health Care (DMHC) is requesting $2,420,000 in 2026-27 and $2,026,000 in 2027-28 from the Managed Care Fund (MCF) to implement an Electronic Filing and Analysis of Claims Settlement (eFACS) data solution to meet the requirements of Assembly Bill (AB) 3275 (Chapter 763, Statutes of 2024).

Background/ History

The DMHC's mission is to ensure health plan members have access to equitable, high-quality, timely, and affordable health care within 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). The DMHC regulates the majority of health care coverage in California, including 97 percent of state regulated commercial and government markets. The health plans licensed by the DMHC provide coverage to over 30 million members.

Beginning January 1, 2026, AB 3275 (Chapter 763, Statutes of 2024) requires health plans to reimburse a claim within 30 calendar days after receipt of the claim, or if a claim is contested or denied, notifying the claimant in writing within 30 calendar days. AB 3275 also increased the penalty on health plans that fail to automatically pay interest owed on a claim, raising it from $10 to $15 or 10 percent of the accrued interest on the claim.

Additionally, AB 3275 requires that member complaints regarding delayed or denied claim payments be treated as a grievance, making them subject to grievance-related provisions of the Knox-Keene Act. This includes the option to file a complaint directly with the health plan as well as with the DMHC.

To address the administrative requirements of AB 3275, the DMHC received ongoing resources in a 2025-26 Budget Change Proposal (BCP) to address the following:

- Promulgate and amend applicable regulations to clarify the requirements of AB 3275.
- Review the health plan policies and procedures submitted by health plans following the passage of AB 3275.
- Review quarterly and annual financial statements submitted by health plans to analyze increased administrative costs resulting from SB 3275 requirements.
- Address an increased number of health plan member and provider complaints.
- Address an increased number of significant matter enforcement referrals beginning in 2025-26 following the passage of AB 3275.

Additionally, to meet the timeliness standards outlined in AB 3275, the DMHC must modernize the current Claims Settlement Practices and Dispute Resolution Application.

The changes mandated by AB 3275 will affect all three application portals including the health plan portal, the DMHC portal and the public portal and will require updates to more than 30 reports. Because the current system operates on a legacy .NET framework, its architecture must be upgraded to implement the requirements of AB 3275.

The DMHC anticipates a 24-month IT modernization project to implement the necessary system updates, support compliance with new legislative mandates and improve efficiency and transparency of claim settlement and dispute resolution processes. This will be achieved by migrating the existing functionality of the Claims Settlement Practices and Dispute Resolution

Application, and new capabilities required of AB 3275, into a new application deployed within the DMHC's existing OutSystems low-code, cloud-based, enterprise application platform.

In 2025-26 BCP, the DMHC received planning resources to begin the planning effort around implementing a comprehensive eFACS data solution, which will enable faster review of claim timeliness data, quicker identification and categorization of timeliness issues and more efficient analysis of payment trends to determine appropriate corrective actions.

While the primary scope of this project is the implementation of a complete eFACS data solution, this initiative will also establish a foundation for future application modernization and program efficiencies, including the electronic filing of all documents required from health plans and their delegated entities to the DMHC.

The solution will also enhance the DMHC's Risk Bearing Organization (RBO) oversight, financial reporting system's grading criteria, corrective action plan process and claims timeliness reports to support full compliance with AB 3275 requirements.

B. Justification

Under the previous law, health plans were required to reimburse claims no later than 30 and 45 working days of receiving a claim, unless the claim was contested. AB 3275 shortens the 30 and 45 working days timeline to 30 calendar days and imposes penalties for violation of the timeliness requirements.

The DMHC has determined that the following resources are necessary to implement an eFACS data solution to meet the requirements of AB 3275.

Office of Technology & Innovation (OTI)

The DMHC's OTI is responsible for all DMHC IT-related facets, including application and system development and support, procurement and management of IT assets, data security and supporting staff members' IT needs.

The following limited-term resources are requested to address the IT project implementation workload:

Costs of California Department of Technology (CDT)

OTI is requesting limited-term funding of $200,000 each year in 2026-27 and 2027-28 for the CDT IT Project oversight and manager engagement.

This amount includes $52,000 in 2026-27 and 2027-28 for CDT IT project oversight, and $148,000 each year in 2026-27 and 2027-28 for CDT project manager engagement. The project oversight cost is based on CDT's $218 per hour rate and an estimated 240 hours each year. The IT project manager's cost is based on $12,340 per month in 2026-27 and 2027-28.

Consultant Funding

The OTI is requesting limited-term resources of $2,122,000 in 2026-27 and $1,750,000 in 2027-28 for the following IT Project implementation consultants:

- Senior Technical Lead Architect
- Senior Project Manager
- Business Solutions Analyst
- Senior Programmer
- Senior Data Engineer
- Senior Report Developer

- Senior Quality Assurance Analyst

The cost is based on a $190 average per hour rate and an estimated 21,000 total hours during the 24-month project term, and OTI's expertise and experience with similar contracts.

The use of limited-term consultant funding is being requested instead of a civil service classification due to the immediate need for high-level expertise to perform the short-term workload. This workload is not ongoing and is not sufficient to support a permanent civil service resource.

Total OTI eFACS Project Cost

The DMHC estimates OTI's total cost in this proposal to be $2,420,000 in 2026-27 and $2,026,000 in 2027-28.

These amounts also include $98,000 in 2026-27 and $76,000 in 2027-28 for CDT fees.

C. Departmentwide and Statewide Considerations

This proposal aligns with the DMHC's mission to ensure health plan members have access to equitable, high-quality, timely, and affordable health care within a stable health care delivery system. This proposal also aligns with the DMHC's strategic plan to regulate fairly, efficiently and effectively and foster a culture of excellence.

This proposal also aligns with the California Health and Human Services IT Data and Strategic Plan to achieve solution and data optimization, build and leverage re-usable application components, and use of technology and data to inform insights and drive decisions.

D. Outcomes and Accountability

Approval of this proposal will provide the resources for the implementation of a project to modernize the DMHC Claims Settlement Practices and Dispute Resolution Application. This modernization will enhance program efficiencies for the electronic filing of all documents required to be submitted by health plans and their delegated entities. Additionally, the resources requested in this proposal will also address the interim maintenance and operations of the legacy applications and meet the administrative program requirements necessary for compliance with AB 3275.

E. Implementation Plan

The execution of the planned project will occur during 2026-27 and 2027-28.

F. Supplemental Information (If Applicable)

This request will be funded through annual assessments of the health plans that are regulated by the DMHC. The ongoing fiscal impact of this request to full-service health plans is approximately $0.05 per enrollee in 2026-27 and approximately $0.04 per enrollee in 2027-28.

Attachment A: BCP Fiscal Detail Sheet

BCP Fiscal Detail Sheet

(Dollars in Thousands)

BCP Title: Electronic Filing and Analysis of Claims Settlement Data Project Implementation (AB 3275)

BR Name: 4150-039-BCP-2026-MR

Budget Request Summary

Operating Expenses and Equipment

Operating Expenses and Equipment	FY26 Current Year	FY26 Budget Year	FY26 BY+1	FY26 BY+2	FY26 BY+3	FY26 BY+4
5340 - Consulting and Professional Services - External	0	2,122	1,750	0	0	0
5340 - Consulting and Professional Services - Interdepartmental	0	200	200	0	0	0
5344 - Consolidated Data Centers	0	98	76	0	0	0
Total Operating Expenses and Equipment	**$0**	**$2,420**	**$2,026**	**$0**	**$0**	**$0**

Total Budget Request

Total Budget Request	FY26 Current Year	FY26 Budget Year	FY26 BY+1	FY26 BY+2	FY26 BY+3	FY26 BY+4
Total Budget Request	**$0**	**$2,420**	**$2,026**	**$0**	**$0**	**$0**

Fund Summary

Fund Source

Fund Source	FY26 Current Year	FY26 Budget Year	FY26 BY+1	FY26 BY+2	FY26 BY+3	FY26 BY+4
State Operations - 0933 - Managed Care Fund	0	2,420	2,026	0	0	0
Total State Operations Expenditures	**$0**	**$2,420**	**$2,026**	**$0**	**$0**	**$0**
Total All Funds	**$0**	**$2,420**	**$2,026**	**$0**	**$0**	**$0**

Program Summary

Program Funding

Program Funding	FY26 Current Year	FY26 Budget Year	FY26 BY+1	FY26 BY+2	FY26 BY+3	FY26 BY+4
3870 - Health Plan Program	0	2,420	2,026	0	0	0
Total All Programs	**$0**	**$2,420**	**$2,026**	**$0**	**$0**	**$0**