

California Governor Signs Legislation Impacting Health Care Claim Reimbursement and DMHC Requests for Records

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On September 27, California Governor Gavin Newsom signed into law two bills that will impact health care service plans and insurers in the state.

AB 3275 – Health Care Coverage: Claim Reimbursement

AB 3275 amends, repeals, and adds California Health and Safety Code §§ 1371, 1371.34, 1371.35, Insurance Code §§ 10123.13, 10123.147, and Welfare and Institutions Code § 14093.08, which govern deadlines to pay claims and fees for failure to timely pay claims. Current law requires that health plans, specialized health plans, and health insurers reimburse, contest, or deny claims within 30 working days, and that health maintenance organizations (HMO) reimburse claims, contest, or deny claims within 45 working days. Current law also requires that claims unpaid, contested, or denied within the 30 or 45 working day period accrue 15% interest per annum, and if interest is not automatically paid, an additional \$10 fee is owed. The new law requires health plans and insurers to pay claims within 30 calendar days.

AB 3275 makes the following changes to the statutory scheme, effective January 1, 2026:

- Health care service plans, including HMOs and Medi-Cal managed care plans, and health insurers must reimburse claims no later than 30 calendar days after receipt of a claim, and no later than 30 calendar days after receiving information in response to a contested claim.
- If a health care service plan or health insurer contests or denies a claim, it must notify the claimant in writing within 30 calendar days of receipt of a claim.
- If a health care service plan or health insurer fails to automatically pay interest on a late-paid claim, an additional fee, the greater of \$15 or 10% of the accrued interest, is owed.
- A complaint made by an enrollee to a health care service plan (except specialized health plans) about a delay or denial of payment of a claim is a grievance.

- The California Department of Insurance may issue guidance and amend regulations. Such guidance is not subject to the Administrative Procedure Act until December 31, 2027.

AB 3221 – DMHC: Review of Records

AB 3221 amends the Knox-Keene Health Care Service Plan Act to allow the Department of Managed Health Care (DMHC) to request health plan records in a searchable digital format, take disciplinary action when health care service plans do not either fully or timely respond to records requests, and seek relief on consumers' behalf through administrative hearings rather than court proceedings.

The bill amends California Health and Safety Code §§ 1380, 1381, and 1386, which require that the DMHC periodically conduct medical surveys of the health delivery system of each plan and detail the scope and process of such surveys. Although current law requires that plans make all records open to inspection by the DMHC, the amendments update the law to reflect technological advancements of the past few decades by requiring plans to furnish electronically formatted documents.

AB 3221 makes the following changes to the statutory scheme, effective January 1, 2025:

- Electronic plan records must be furnished in an electronic format. To the extent feasible, such records must be furnished in a digitally searchable format.
- Plan records must be preserved until furnished if requested by the DMHC.
- Disciplinary action may be imposed if a plan fails to either fully or timely respond to a request for production of records.
- The DMHC may seek relief through an administrative law proceeding.
- The DMHC may take administrative action, including through an enforcement action, before the 18-month deadline to release a follow-up report.

In sum, this legislation imposes new requirements for a health care service plan's response to DMHC record requests. Although some plans may already have digital recordkeeping, this legislation may require updates to some plans' internal processes with respect to DMHC regulatory surveys and enforcement actions.

We will continue to monitor the impacts of these new laws and provide updates.

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