

AMENDED IN ASSEMBLY MARCH 17, 2025

CALIFORNIA LEGISLATURE—2025–26 REGULAR SESSION

ASSEMBLY BILL

No. 384

Introduced by Assembly Member Connolly
(Coauthor: Senator Weber Pierson)

February 3, 2025

An act to add Section 1371.45 to the Health and Safety Code, to add Section 10112.76 to the Insurance Code, and to add Section 14133.87 to the Welfare and Institutions Code, relating to health care coverage.

LEGISLATIVE COUNSEL’S DIGEST

AB 384, as amended, Connolly. Health care coverage: mental health and substance use disorders: inpatient admissions.

Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the licensure and regulation of health care service plans by the Department of Managed Health Care, and makes a willful violation of the act a crime. Existing law provides for the regulation of health insurers by the Department of Insurance. Existing law requires a health care service plan or health insurer to ensure that processes necessary to obtain covered health care services, including, but not limited to, prior authorization processes, are completed in a manner that assures the provision of covered health care services to an enrollee or insured in a timely manner appropriate for the enrollee’s or insured’s condition, as specified.

This bill, the California Mental Health Protection Act, would prohibit a health care service plan contract or health insurance policy issued, amended, or renewed on or after January 1, 2027, that provides coverage for mental health and substance use disorders from requiring prior authorization (1) for an enrollee or insured to be admitted for medically

necessary 24-hour care in inpatient settings for mental health and substance use disorders, as specified, and (2) for any medically necessary health care services provided to an enrollee or insured while admitted for that care. The bill would authorize the Director of the Department of Managed Health Care or the Insurance Commissioner, as applicable, to assess administrative or civil penalties, as specified, for violations of these provisions.

Because a willful violation of these provisions by a health care service plan would be a crime, the bill would impose a state-mandated local program.

Existing law establishes the Medi-Cal program, which is administered by the State Department of Health Care Services and under which qualified low-income individuals receive health care services through various delivery systems, including managed care. The Medi-Cal program is, in part, governed and funded by federal Medicaid program provisions.

This bill would prohibit requiring prior authorization under the Medi-Cal program (1) for admission for medically necessary 24-hour care in inpatient settings for mental health and substance use disorders, as specified, and (2) for any medically necessary health care services provided to a beneficiary while admitted for that care. The bill would authorize the Director of the State Department of Health Care Services to terminate a contract with, or impose sanctions on, an entity that violates these provisions. The bill would condition implementation of these provisions on the availability of federal financial participation and the receipt of any necessary federal approvals.

For purposes of these provisions, this bill would provide that 24-hour care in inpatient settings includes, among other things, a general acute care hospital and an acute psychiatric hospital, as specified.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. This act is known, and may be cited, as the
2 California Mental Health Protection Act.

3 SEC. 2. Section 1371.45 is added to the Health and Safety
4 Code, to read:

5 1371.45. (a) A health care service plan contract issued,
6 amended, or renewed on or after January 1, 2027, that provides
7 coverage for mental health and substance use disorders shall not
8 require prior authorization for an enrollee to be admitted to
9 medically necessary 24-hour care in inpatient settings, as
10 determined by a physician, for a mental health disorder, substance
11 use disorder, or a co-occurring mental health disorder and substance
12 use disorder.

13 (b) A health care service plan contract issued, amended, or
14 renewed on or after January 1, 2027, that provides coverage for
15 mental health and substance use disorders shall not require prior
16 authorization for medically necessary health care services, as
17 determined by a physician, provided to an enrollee while the
18 enrollee is admitted to 24-hour care in an inpatient setting for a
19 mental health disorder, substance use disorder, or a co-occurring
20 mental health disorder and substance use disorder.

21 (c) The director may assess administrative penalties for
22 violations of this section as provided for in Section 1368.04, in
23 addition to any other remedies permitted by law.

24 (d) *For purposes of this section, “24-hour care in inpatient*
25 *settings” includes all of the following settings:*

26 (1) *A general acute care hospital and a rural general acute care*
27 *hospital as those terms are defined in subdivision (a) of Section*
28 *1250.*

29 (2) *An acute psychiatric hospital, as defined in subdivision (b)*
30 *of Section 1250.*

31 (3) *A psychiatric health facility, as defined in Section 1250.2.*

32 (4) *A chemical dependency recovery hospital, as defined in*
33 *Section 1250.3.*

34 (5) *A psychiatric residential treatment facility, as defined in*
35 *Section 1250.10.*

36 SEC. 3. Section 10112.76 is added to the Insurance Code, to
37 read:

1 10112.76. (a) A health insurance policy issued, amended, or
2 renewed on or after January 1, 2027, that provides coverage for
3 mental health and substance use disorders shall not require prior
4 authorization for an insured to be admitted to medically necessary
5 24-hour care in inpatient settings, as determined by a physician,
6 for a mental health disorder, substance use disorder, or a
7 co-occurring mental health disorder and substance use disorder.

8 (b) A health insurance policy issued, amended, or renewed on
9 or after January 1, 2027, that provides coverage for mental health
10 and substance use disorders shall not require prior authorization
11 for medically necessary health care services, as determined by a
12 physician, provided to an insured while the insured is admitted to
13 24-hour care in an inpatient setting for a mental health disorder,
14 substance use disorder, or a co-occurring mental health disorder
15 and substance use disorder.

16 (c) If the commissioner determines that a health insurer has
17 violated this section, the commissioner may, after appropriate
18 notice and opportunity for hearing in accordance with the
19 Administrative Procedure Act (Chapter 5 (commencing with
20 Section 11500) of Part 1 of Division 3 of Title 2 of the Government
21 Code), by order, assess civil penalties.

22 (d) *For purposes of this section, “24-hour care in inpatient*
23 *settings” includes all of the following settings:*

24 (1) *A general acute care hospital and a rural general acute care*
25 *hospital as those terms are defined in subdivision (a) of Section*
26 *1250 of the Health and Safety Code.*

27 (2) *An acute psychiatric hospital, as defined in subdivision (b)*
28 *of Section 1250 of the Health and Safety Code.*

29 (3) *A psychiatric health facility, as defined in Section 1250.2*
30 *of the Health and Safety Code.*

31 (4) *A chemical dependency recovery hospital, as defined in*
32 *Section 1250.3 of the Health and Safety Code.*

33 (5) *A psychiatric residential treatment facility, as defined in*
34 *Section 1250.10 of the Health and Safety Code.*

35 SEC. 4. Section 14133.87 is added to the Welfare and
36 Institutions Code, to read:

37 14133.87. (a) Prior authorization shall not be required under
38 the Medi-Cal program for admission for medically necessary
39 24-hour care in inpatient settings, as determined by a physician,

1 for a mental health disorder, substance use disorder, or a
2 co-occurring mental health disorder and substance use disorder.

3 (b) Prior authorization shall not be required for medically
4 necessary health care services, as determined by a physician,
5 provided to a beneficiary while the beneficiary is admitted to
6 24-hour care in an inpatient setting for a mental health disorder,
7 substance use disorder, or a co-occurring mental health disorder
8 and substance use disorder.

9 (c) If the director finds that an entity that contracts with the
10 department for the delivery of health care services, including a
11 Medi-Cal managed care plan or a prepaid health plan, violates this
12 section, the director may terminate the contract or impose sanctions
13 as set forth in Section 14197.7.

14 (d) This section shall be implemented only to the extent that
15 federal financial participation is available and not otherwise
16 jeopardized, and any necessary federal approvals have been
17 obtained.

18 (e) *For purposes of this section, “24-hour care in inpatient*
19 *settings” includes all of the following settings:*

20 (1) *A general acute care hospital and a rural general acute care*
21 *hospital as those terms are defined in subdivision (a) of Section*
22 *1250 of the Health and Safety Code.*

23 (2) *An acute psychiatric hospital, as defined in subdivision (b)*
24 *of Section 1250 of the Health and Safety Code.*

25 (3) *A psychiatric health facility, as defined in Section 1250.2*
26 *of the Health and Safety Code.*

27 (4) *A chemical dependency recovery hospital, as defined in*
28 *Section 1250.3 of the Health and Safety Code.*

29 (5) *A psychiatric residential treatment facility, as defined in*
30 *Section 1250.10 of the Health and Safety Code.*

31 SEC. 5. No reimbursement is required by this act pursuant to
32 Section 6 of Article XIII B of the California Constitution because
33 the only costs that may be incurred by a local agency or school
34 district will be incurred because this act creates a new crime or
35 infraction, eliminates a crime or infraction, or changes the penalty
36 for a crime or infraction, within the meaning of Section 17556 of
37 the Government Code, or changes the definition of a crime within

- 1 the meaning of Section 6 of Article XIII B of the California
- 2 Constitution.

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