

AMENDED IN ASSEMBLY APRIL 21, 2025

CALIFORNIA LEGISLATURE—2025–26 REGULAR SESSION

ASSEMBLY BILL

No. 877

Introduced by Assembly Member Dixon

February 19, 2025

An act to add and repeal Section 1348.97 of the Health and Safety Code, to add and repeal Section 10127.25 of the Insurance Code, and to add and repeal Section 14124.17 of the Welfare and Institutions Code, relating to health care coverage.

LEGISLATIVE COUNSEL’S DIGEST

AB 877, as amended, Dixon. Health care coverage: substance use disorder: residential facilities.

Existing law provides for the regulation of health care service plans by the Department of Managed Health Care and health insurers by the Department of Insurance. Existing law requires a health care service plan contract or disability insurance policy to provide coverage for medically necessary treatment of mental health and substance use disorders, as defined, under the same terms and conditions applied to other medical conditions.

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 medically necessary health care services, including specified mental health and substance use disorder services, pursuant to a schedule of benefits.

Existing law provides for the regulation of community care facilities that provide nonmedical care, including residential facilities, short-term residential therapeutic programs, and group homes by the State Department of Social Services. Existing law requires the care and

supervision provided by a short-term residential therapeutic program or group home to be nonmedical, except as otherwise permitted by law.

This bill would require the Department of Managed Health Care, the Department of Insurance, and the State Department of Health Care Services to prepare and send one letter to each chief financial officer of a health care service plan, health insurer, or Medi-Cal managed care plan that provides coverage, including out-of-network benefits, in California for substance use disorder in residential facilities, as defined. The bill would require the letter to include, among other things, a statement informing the plan or insurer that substance use disorder treatment in licensed ~~and certified~~ *or unlicensed* residential facilities is almost exclusively nonmedical, with rare exceptions. The bill would authorize the Department of Managed Health Care, the Department of Insurance, and the State Department of Health Care Services to consult with each other, and would require those departments to consult with the State Department of Social Services, when preparing the contents of the letter. The bill would require the letters to be sent on or before ~~an unspecified date~~ *October 1, 2026*.

The bill would repeal these provisions on January 1, 2027.

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

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

- 1 SECTION 1. Section 1348.97 is added to the Health and Safety
- 2 Code, to read:
- 3 1348.97. (a) The department shall prepare and send one *digital*
- 4 *or hardcopy* letter to each chief financial officer of a health care
- 5 service plan that provides coverage, including out-of-network
- 6 benefits, in California for substance use disorder in residential
- 7 facilities, in accordance with the following requirements:
- 8 (1) (A) The letter shall include a statement informing the health
- 9 care service plan that substance use disorder treatment in licensed
- 10 ~~and certified~~ *or unlicensed* residential facilities is almost
- 11 exclusively nonmedical, with rare exceptions.
- 12 (B) The letter shall include a statement informing the health
- 13 care service plan of the requirements to bill nonmedical treatment
- 14 accordingly.
- 15 (2) The letter shall include a statement that informs the health
- 16 care service plan of the circumstances that allow for medical

1 treatment for substance use disorder in licensed~~and certified~~ or
2 *unlicensed* residential facilities.

3 (b) For purposes of this section, “residential facility” means a
4 ~~place, building, or premises that provides residential care or~~
5 ~~services; all of the following:~~

6 (1) *Any family home, group care facility, or similar facility*
7 *determined by the department, for 24-hour nonmedical care of*
8 *persons in need of personal services, supervision, or assistance*
9 *essential for sustaining the activities of daily living or for the*
10 *protection of the individual.*

11 (2) *An alcohol or other drug program certified by the State*
12 *Department of Health Care Services pursuant to Chapter 7.1*
13 *(commencing with Section 11832) of Part 2 of Division 10.5.*

14 (3) *An alcohol or other drug recovery or treatment facility*
15 *licensed by the State Department of Health Care Services pursuant*
16 *to Chapter 7.5 (commencing with Section 11834.01) of Part 2 of*
17 *Division 10.5.*

18 (4) *A recovery residence as defined in subdivision (f) of Section*
19 *11833.05.*

20 (c) The department shall consult with the State Department of
21 Social Services, and may consult with the Department of Insurance
22 and the State Department of Health Care Services, when preparing
23 the content of the letters required by subdivision (a).

24 (d) The department shall send the letters required by subdivision
25 (a) on or before ~~_____~~. *October 1, 2026.*

26 (e) This section shall remain in effect only until January 1, 2027,
27 and as of that date is repealed.

28 SEC. 2. Section 10127.25 is added to the Insurance Code, to
29 read:

30 10127.25. (a) The department shall prepare and send one
31 *digital or hardcopy* letter to each chief financial officer of a health
32 insurer that provides coverage, including out-of-network benefits,
33 in California for substance use disorder in residential facilities, in
34 accordance with the following requirements:

35 (1) (A) The letter shall include a statement informing the health
36 insurer that substance use disorder treatment in licensed~~and~~
37 ~~certified~~ or *unlicensed* residential facilities is almost exclusively
38 nonmedical, with rare exceptions.

(B) The letter shall include a statement informing the health insurer of the requirements to bill nonmedical treatment accordingly.

(2) The letter shall include a statement that informs the health insurer of the circumstances that allow for medical treatment for substance use disorder in licensed ~~and certified~~ or *unlicensed* residential facilities.

(b) For purposes of this section, “residential facility” means ~~a place, building, or premises that provides residential care or services~~; *all of the following*:

(1) *Any family home, group care facility, or similar facility determined by the department, for 24-hour nonmedical care of persons in need of personal services, supervision, or assistance essential for sustaining the activities of daily living or for the protection of the individual.*

(2) *An alcohol or other drug program certified by the State Department of Health Care Services pursuant to Chapter 7.1 (commencing with Section 11832) of Part 2 of Division 10.5 of the Health and Safety Code.*

(3) *An alcohol or other drug recovery or treatment facility licensed by the State Department of Health Care Services pursuant to Chapter 7.5 (commencing with Section 11834.01) of Part 2 of Division 10.5 of the Health and Safety Code.*

(4) *A recovery residence as defined in subdivision (f) of Section 11833.05 of the Health and Safety Code.*

(c) The department shall consult with the State Department of Social Services, and may consult with the Department of Managed Health Care and the State Department of Health Care Services, when preparing the content of the letters required by subdivision (a).

(d) The department shall send the letters required by subdivision (a) on or before ~~_____~~; *October 1, 2026*.

(e) This section shall remain in effect only until January 1, 2027, and as of that date is repealed.

SEC. 3. Section 14124.17 is added to the Welfare and Institutions Code, to read:

14124.17. (a) The department shall prepare and send one *digital or hardcopy* letter to each chief financial officer of a Medi-Cal managed care plan that provides coverage, including out-of-network benefits, in California for substance use disorder

1 in residential facilities, in accordance with the following
2 requirements:

3 (1) (A) The letter shall include a statement informing the
4 Medi-Cal managed care plan that substance use disorder treatment
5 in licensed ~~and certified~~ or *unlicensed* residential facilities is almost
6 exclusively nonmedical, with rare exceptions.

7 (B) The letter shall include a statement informing the Medi-Cal
8 managed care plan of the requirements to bill nonmedical treatment
9 accordingly.

10 (2) The letter shall include a statement that informs the Medi-Cal
11 managed care plan of the circumstances that allow for medical
12 treatment for substance use disorder in licensed ~~and certified~~ or
13 *unlicensed* residential facilities.

14 (b) For purposes of this section, “residential facility” means ~~a~~
15 ~~place, building, or premises that provides residential care or~~
16 ~~services; all of the following:~~

17 (1) *Any family home, group care facility, or similar facility*
18 *determined by the department, for 24-hour nonmedical care of*
19 *persons in need of personal services, supervision, or assistance*
20 *essential for sustaining the activities of daily living or for the*
21 *protection of the individual.*

22 (2) *An alcohol or other drug program certified by the*
23 *department pursuant to Chapter 7.1 (commencing with Section*
24 *11832) of Part 2 of Division 10.5 of the Health and Safety Code.*

25 (3) *An alcohol or other drug recovery or treatment facility*
26 *licensed by the department pursuant to Chapter 7.5 (commencing*
27 *with Section 11834.01) of Part 2 of Division 10.5 of the Health*
28 *and Safety Code.*

29 (4) *A recovery residence as defined in subdivision (f) of Section*
30 *11833.05 of the Health and Safety Code.*

31 (c) The department shall consult with the State Department of
32 Social Services, and may consult with the Department of Managed
33 Health Care and the Department of Insurance, when preparing the
34 content of the letters required by subdivision (a).

35 (d) The department shall send the letters required by subdivision
36 (a) on or before ~~_____~~ *October 1, 2026.*

37 (e) This section shall remain in effect only until January 1, 2027,
38 and as of that date is repealed.

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