

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 introduced, 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 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.

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 letter
- 4 to each chief financial officer of a health care service plan that
- 5 provides coverage, including out-of-network benefits, in California
- 6 for substance use disorder in residential facilities, in accordance
- 7 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 residential facilities is almost exclusively nonmedical,
- 11 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
2 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.

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

10 (d) The department shall send the letters required by subdivision
11 (a) on or before ____.

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13 and as of that date is repealed.

14 SEC. 2. Section 10127.25 is added to the Insurance Code, to
15 read:

16 10127.25. (a) The department shall prepare and send one letter
17 to each chief financial officer of a health insurer that provides
18 coverage, including out-of-network benefits, in California for
19 substance use disorder in residential facilities, in accordance with
20 the following requirements:

21 (1) (A) The letter shall include a statement informing the health
22 insurer that substance use disorder treatment in licensed and
23 certified residential facilities is almost exclusively nonmedical,
24 with rare exceptions.

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

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

31 (b) For purposes of this section, “residential facility” means a
32 place, building, or premises that provides residential care or
33 services.

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

39 (d) The department shall send the letters required by subdivision
40 (a) on or before ____.

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

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

5 14124.17. (a) The department shall prepare and send one letter
6 to each chief financial officer of a Medi-Cal managed care plan
7 that provides coverage, including out-of-network benefits, in
8 California for substance use disorder in residential facilities, in
9 accordance with the following requirements:

10 (1) (A) The letter shall include a statement informing the
11 Medi-Cal managed care plan that substance use disorder treatment
12 in licensed and certified residential facilities is almost exclusively
13 nonmedical, with rare exceptions.

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

17 (2) The letter shall include a statement that informs the Medi-Cal
18 managed care plan of the circumstances that allow for medical
19 treatment for substance use disorder in licensed and certified
20 residential facilities.

21 (b) For purposes of this section, “residential facility” means a
22 place, building, or premises that provides residential care or
23 services.

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

28 (d) The department shall send the letters required by subdivision
29 (a) on or before ____.

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