CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES
Michelle Baass | Director

DATE: October 31, 2025

ALL PLAN LETTER 25-011
SUPERSEDES ALL PLAN LETTER 22-012

TO: ALL MEDI-CAL DENTAL MANAGED CARE PLANS

SUBJECT: DISCONTINUATION OF PROPOSITION 56 TOBACCO TAX FUNDS INCENTIVE SUPPLEMENTAL PAYMENTS

PURPOSE:

The purpose of this All Plan Letter (APL) is for the Department of Health Care Services (DHCS) to notify Dental Managed Care (DMC) plans of the discontinuation of the disbursement of Proposition 56 supplemental incentive payments to Medi-Cal Dental providers, effective for dates of service on or after July 1, 2026. This APL supersedes APL 22-012[1]. The DMC plans shall expedite processing of any updates needed to ensure implementation will be achievable by July 1, 2026.

BACKGROUND:

The California Healthcare, Research, and Prevention Tobacco Tax Act of 2016, or Proposition 56 (Prop 56), was approved by voters during the November 8, 2016, statewide general election. Prop 56 increased taxes imposed on cigarettes and tobacco products and allocated a specified percentage of those revenues to DHCS to increase funding for existing health care programs under the Medi-Cal program.

Assembly Bill (AB) 120 (Statutes of 2017, Chapter 22, § 3, Item 4260-101-3305)[2] amended the Budget Act of 2017 to appropriate Prop. 56 funds for specified DHCS health care expenditures. DHCS continues to provide supplemental payments in addition to the current dental Schedule of Maximum Allowances (SMA) for specific procedures.

Senate Bill (SB) 101 (Statutes of 2025, Chapter 4, § 2, Item 4260-101-3305)[3] amended the Budget Act of 2025 and included the appropriation of the Prop 56 funds for supplemental payments to Medi-Cal Dental providers for only the 2025-26 fiscal year. Consequently, the elimination of these supplemental payments, which will begin on July 1, 2026, was proposed as part of the 2025-26 fiscal year budget.

[1] APL 22-012 Proposition 56 can be found here: https://www.dhcs.ca.gov/services/Documents/APL-22-012-Prop-56.pdf
[2] AB-120 Budget Act of 2017.
[3] SB-101 Budget Act of 2025.

POLICY:

As part of the enactment of Assembly Bill 227 (2025-2026 Budget Act), DHCS is discontinuing Prop 56 supplemental payments to Medi-Cal Dental providers.

Prop 56 claims are subject to a one (1) year claims runout period. Claims for services provided on or before June 30, 2026, must be submitted within one (1) year of the date of service, and no later than June 30, 2027, to be eligible for reimbursement.

The DMC plans are instructed to identify any system and operational impacts associated with this change in accordance with the effective date of the elimination slated for July 1, 2026, including but not limited to:

- Identify and make all systems and operational impacts associated with this policy.
- Identify and update DMC plan websites and Provider portals.
- Identify and update Provider manuals, Provider incentives, Provider training and education, including instructions regarding the discontinuation of claiming.
- Update all impacted systems, reports, manuals including internal staffing training, outreach training, and Call Center scripts.
- DMC plans shall update the Provider and Member Explanation of Benefit (EOB) to include an appropriate explanation of the discontinued supplemental payment, including the qualifying procedures and time frame for claims to be submitted and paid with a supplemental payment. The explanation on the EOB shall include the verbiage below:
    - Prop 56 supplemental payments are discontinued for dates of services on or after July 1, 2026.

The DMC plans must continue to submit the quarterly Prop 56 deliverable to DHCS through the one (1) year claims runout period in accordance with APL 25-005[4] and subsequent iterations of the annual deliverable schedule.

REQUIREMENTS:

If the requirements contained in this APL, including any updates or revisions to this APL, necessitate a change in a DMC plan's contractually required Policies and Procedures (P&P), the plan must submit its updated P&Ps with and without Track Changes to DHCS at dmcdeliverables@dhcs.ca.gov within 90 days of the release of this APL.

If a DMC plan determines that no P&P changes are necessary, the plan must submit an email confirmation to dmcdeliverables@dhcs.ca.gov within 10 days of the release of this

[4] APL 25-005 Deliverable Schedule and enclosure can be found here: https://www.dhcs.ca.gov/services/Pages/DentalAllPlanLetters.aspx

APL stating that the plan's P&Ps have been reviewed and no changes are necessary. The email confirmation must include the title of this APL as well as the applicable APL release date in the subject line.

DMC plans are responsible for ensuring that their Subcontractors, Downstream Subcontractors, and Network Providers comply with all applicable state and federal laws and regulations, Contract requirements, and other DHCS guidance, including APLs and Policy Letters. These requirements must be communicated by each DMC plan to all Subcontractors and Network Providers. Any failure to meet the requirements of this APL may result in a Corrective Action Plan (CAP) and/or monetary sanctions. For additional information regarding administrative and monetary sanctions, see APL 22-009[5], and any subsequent iterations on this topic.

DMC plans should review their Network Provider, Subcontractor, and/or Downstream Subcontractor Agreements, including Division of Financial Responsibility provisions as appropriate, to ensure compliance with this APL.

If you have any questions regarding this APL, please contact the DHCS at dmcdeliverables@dhcs.ca.gov.

Sincerely,

Original signed by:

Dana Durham
Chief, Medi-Cal Dental Services Division
Department of Health Care Services

[5] APL 22-009 Enforcement Actions: Administrative and Monetary Sanctions can be found here: https://www.dhcs.ca.gov/services/Documents/APL-22-009.pdf