

DATE: September 21, 2026

ALL PLAN LETTER 25-011 (REVISED)

TO: ALL MEDI-CAL MANAGED CARE PLANS

SUBJECT: H.R. 1 – FEDERAL PAYMENTS TO PROHIBITED ENTITIES

PURPOSE:

The purpose of this All Plan Letter (APL) is to provide guidance to Medi-Cal managed care plans (MCPs) on handling of payments to Medi-Cal and Family Planning, Access, Care, and Treatment Program (Family PACT) Providers who may be impacted by H.R. 1, enacted on July 4, 2025 (Public Law No: 119-21). This APL also provides guidance pertaining to a Temporary Restraining Order (TRO) blocking immediate implementation of Section 71113 in H.R. 1, subsequent Preliminary Injunctions (PIs), and recent Order to Stay the PIs.

This APL applies to services rendered with dates of service (DOS) from July 4, 2025, through July 3, 2026. For services rendered with DOS on or after July 4, 2026, MCPs must comply with APL 26-013: "H.R. 1 – Federal Payment to Prohibited Entities – Important Update: End of One-Year Restriction on Federal Payments" for applicable guidance.¹

The Department of Health Care Services (DHCS) is committed to maintaining access to essential family planning and reproductive health services for all Medi-Cal members and Family PACT clients while complying with all applicable federal requirements. DHCS appreciates your ongoing partnership and commitment to ensuring Medi-Cal members and Family PACT clients have access to these important covered services. Revised text is found in italics.

¹ See APL 26-013. APLs are available at:
<https://www.dhcs.ca.gov/formsandpubs/Pages/AllPlanLetters.aspx>.

BACKGROUND:

On July 3, 2025, the United States Congress passed H.R. 1², which includes Section 71113, Federal Payments to Prohibited Entities. H.R. 1 was enacted on July 4, 2025 (Public Law No: 119-21). Section 71113 is excerpted here:

"No Federal funds that are considered direct spending and provided to carry out a State plan under title XIX of the Social Security Act or a waiver of such a plan shall be used to make payments to a prohibited entity for items and services furnished during the 1-year period beginning on the date of the enactment of this Act, including any payments made directly to the prohibited entity or under a contract or other arrangement between a State and a covered organization."

"Prohibited Entity" is defined as follows:

"The term "prohibited entity" means an entity, including its affiliates, subsidiaries, successors, and clinics—

(A) that, as of the first day of the first quarter beginning after the date of enactment of this Act—

(i) is an organization described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code;

(ii) is an essential community provider described in section 156.235 of title 45, Code of Federal Regulations (as in effect on the date of enactment of this Act), that is primarily engaged in family planning services, reproductive health, and related medical care; and

(iii) provides for abortions, other than an abortion—

(I) if the pregnancy is the result of an act of rape or incest; or (II) in the case where a woman suffers from a physical disorder, physical injury, or physical illness, including a life-endangering physical condition caused by or arising from the pregnancy itself, that would, as certified by a physician, place the woman in danger of death unless an abortion is performed; and

(B) for which the total amount of Federal and State expenditures under the Medicaid program under title XIX of the Social Security Act for medical assistance furnished in fiscal year 2023 made directly, or by a covered organization, to the entity or to any affiliates, subsidiaries, successors, or clinics of the entity, or made to the entity or to any

² H.R.1 can be accessed at: <https://www.congress.gov/bill/119th-congress/house-bill/1/text>

affiliates, subsidiaries, successors, or clinics of the entity as part of a nationwide health care provider network, exceeded \$800,000.”

On July 7, 2025, Planned Parenthood Federation of America (Planned Parenthood) filed a complaint in Massachusetts federal court, asserting that the provisions in over H.R. 1, Section 71113 are unconstitutional, and its clear purpose is to prevent Planned Parenthood from receiving Medicaid reimbursements. The Federal District Court Judge in Massachusetts issued a TRO blocking immediate implementation of Section 71113 in H.R. 1 to Planned Parenthood and its members.

On July 21 and July 28, 2025, the Federal District Court issued two separate Pls that modified the TRO. On September 11, 2025, the First Circuit Court of Appeals issued an order staying (putting on hold) both Pls. *Please note that both Pls referenced within this APL have since been vacated and the cases dismissed.*

POLICY:

Payments and Claims/Encounter Processing

MCPs should continue to cover services and process claims or Encounters for Medi-Cal and Family PACT Providers who determine in good faith they **do not meet** the definition of Prohibited Entity as these claims or Encounters are not impacted by H.R. 1.

MCPs must continue to cover services and process and pay claims or Encounters for Medi-Cal and Family PACT Providers who **meet** the definition of Prohibited Entity based on the following Provider claims/Encounter submission allowances and prohibitions:

- Medi-Cal and Family PACT Providers who **meet** the definition of “Prohibited Entity” should take the following actions:
 - Providers should continue to submit claims or Encounters in accordance with published Medi-Cal and Family PACT policy for services rendered with dates of service (DOS) on or before July 3, 2025. These claims or Encounters are not impacted by H.R. 1.
 - Providers who **obtained relief** under either the July 21 or the 28 Pls should submit claims or Encounters for all services rendered with DOS on or after July 4, 2025 through September 10, 2025, after which the Pls were stayed (put on hold).³

³ The guidance regarding claim submission during the PI period was accurate as of the September 17, 2025, revision of this APL. The Pls were vacated on December 12, 2025.

- Providers who **did not obtain relief** under either the July 21 or 28 Pls should hold claims or Encounters for all services, except abortion services (please see further information below), rendered with DOS on or after July 4, 2025, *through July 3, 2026*.⁴
- Providers should hold (i.e., not submit) claims or Encounters for all services rendered with DOS on or after September 11, 2025, *through July 3, 2026*⁵, with the exception of abortion claims or Encounters, which should continue to be submitted for DOS on or after July 4, 2025, in accordance with existing Medi-Cal policies.

Claim/Encounter submission instructions for Providers who meet the definition of "Prohibited Entity":

Dates of Service	Abortion Services	Non-Abortion Services
On or before July 3, 2025	Submit Claims	Submit Claims
July 4, 2025 through September 10, 2025	Submit Claims	Providers who obtained relief under either the July 21 or July 28, 2025 Pls: Submit claims Providers who did not obtain relief under either the July 21 or the July 28, 2025 Pls: Do not submit claims
September 11, 2025 through July 3, 2026 ⁶	Submit Claims	Do not submit claims

MCPs may, at their discretion, continue to make payments and process claims or Encounters for Medi-Cal and Family PACT Providers who **meet** the definition of "Prohibited Entity" that fall outside of the Provider claim/Encounter submission allowances mentioned above. Such services, and associated costs, will not be considered in capitation rates paid by DHCS to MCPs under the Primary Contract. Additional

⁴ For DOS on or after July 4, 2026, MCPs must comply with APL 26-013.

⁵ For DOS on or after July 4, 2026, MCPs must comply with APL 26-013.

⁶ For DOS on or after July 4, 2026, MCPs must comply with APL 26-013.

information will be forthcoming regarding whether such services, and associated costs, will receive consideration in capitation rates paid by DHCS to MCPs under the State-Only Contract.

Exception for Abortion Services

All Providers, including Medi-Cal and Family PACT Providers who **meet** the definition of “Prohibited Entity” may continue to submit claims or Encounters **exclusively** for procedural and medication abortion using the following procedure codes as well as all directly related, ancillary services that are provided as part of the procedural or medication abortion claim or Encounter in accordance with existing Medi-Cal policy as outlined in the “Abortions” section of the Medi-Cal Provider Manual⁷ since these services are already covered and reimbursed by DHCS with entirely State General Funds:

- 59840, 59841, 59850-59852, 59855-59857, S0190, S0191, and S0199.

To ensure appropriate adjudication and compliance with federal requirements, Medi-Cal and Family PACT Providers who **meet** the definition of “Prohibited Entity” should submit claims or Encounters for abortion services using the procedural codes above **on a separate claim or Encounter**. This claim or Encounter must **not** include any other services that are not directly related to the abortion service.

Subcontractors, Downstream Subcontractors, and Network Providers Compliance

MCPs are responsible for ensuring that these requirements, including the effective dates, are communicated to applicable Subcontractors, Downstream Subcontractors, and Network Providers.

⁷ Medi-Cal Provider Manuals can be accessed at: <https://mcweb.apps.prd.cammis.medi-cal.ca.gov/publications/manual>

Page 6

If you have any questions regarding this APL, please contact your Managed Care Operations Division Contract Manager. For questions regarding the related Provider Bulletins, please contact DHCS' Office of Family Planning via email at:

OFPStakeholder@dhcs.ca.gov.

Sincerely,

Original Signed by Dennis Hsieh

Dennis Hsieh, MD, JD

Division Chief, Managed Care Quality and Monitoring Division