

DEPARTMENT OF HEALTH CARE SERVICES

PROPOSED TRAILER BILL LEGISLATION

Medical Loss Ratio Remittances FACT SHEET

Issue Title: Medical Loss Ratio Remittances. The Department of Health Care Services (DHCS) proposes to redirect medical loss ratio (MLR) remittances collected from Medi-Cal managed care plans (MCPs) to the General Fund.

Background: MLR is a measure of the percentage of revenues expended on allowable medical expenses. Existing law requires Medi-Cal MCPs to comply with a minimum MLR standard of 85 percent consistent with Section 438.8 of Title 42 of the Code of Federal Regulations and, effective for contract rating periods commencing on or after July 1, 2023, to provide a remittance for an MLR reporting year in which an MCP does not meet the minimum MLR standard of 85 percent (Welfare & Institutions Code (WIC) Sections 14197.2(b) and (c)(1)). After the requisite federal share amounts associated with any remittance is returned to the federal government, existing law requires the remaining amounts be transferred to the Medi-Cal Loan Repayment Program Special Fund for the purposes of the Medi-Cal Physicians and Dentists Loan Repayment Program. (WIC Section 14197.2(c)(2)). The Medi-Cal Loan Repayment Program Special Fund also receives annual revenues from the Electronic Cigarette Excise Tax enacted by SB 395 (Caballero, Chapter 489, Statutes of 2021). Existing law allocates 48 percent of SB 395 revenues to support the Medi-Cal Physician and Dentists Loan Repayment Program (Revenue and Taxation Code section 31005).

Justification for the Change: In order to address the State's budget shortfall, DHCS proposes to redirect MLR remittances from the Medi-Cal Loan Repayment Program Special Fund to the General Fund. The estimated amount of remittances that will be redirected is \$25 million ongoing beginning in 2027-28 (WIC Section 14197.2(c)(2)).

DHCS also proposes technical cleanup edits to remove a definition that was previously made inoperative on January 1, 2024, and corresponding technical lettering updates (WIC Section 14197(f)(2)).

Summary of Arguments in support:

- The proposal is necessary to help address California's budget shortfall.



BCP or Estimate Issue # and Title: 4260-379-ECP-2026-MR, Medical Loss Ratio Remittances