

# DEPARTMENT OF HEALTH CARE SERVICES PROPOSED TRAILER BILL LEGISLATION

## Medi-Cal Provider Oversight FACT SHEET

### **Issue Title: Medi-Cal Provider Oversight**

This proposal further modernizes and strengthens the Department of Health Care Services' (DHCS or Department) ability to protect Medi-Cal members and program funds. It expands DHCS' ability to respond swiftly and effectively to program integrity risks, including fraud and unsafe provider practices.

### **Background:**

On January 27, 2026, the Centers for Medicare & Medicaid Services (CMS) submitted a [letter](#) requesting that the Department provide CMS with a comprehensive program integrity plan, and requested detailed information about DHCS' enrollment processes, payment suspension (PS), program affiliation, and circumstances in which DHCS terminates provider enrollment. DHCS submitted its [response](#) on February 27, 2026.

In that letter, DHCS detailed how provider enrollment and screening functions are a key tenet of its program integrity work. While existing protocols are robust, DHCS continually analyzes trends and reviews its protocols for opportunities to further strengthen and refine its tools to combat fraud and limit improper payments and respond to emerging threats from bad actors. This proposal includes several targeted enhancements to DHCS's statutory authority that will further bolster DHCS's efforts to prevent and detect fraud and hold bad actors accountable.

### **Justification for the Change:**

- This proposal strengthens the Department's existing ability to protect members and preserve Medi-Cal funds, including the Department's authority around provider suspensions and payment holds when credible evidence of fraud exists.
- Existing law authorizes a Temporary Suspension (TS) when a provider is actively under investigation for fraud or abuse by the Department or any state, local, or federal law enforcement agency, and also requires the Department to provide a 15-day notice of the TS to a provider before it can take effect. This proposal ex-

pands the Department's TS authority to investigations by *any* state, local, or federal government agency for fraud or abuse, including in any state or federal program, not just those involving law enforcement. Similarly, the proposal to remove the 15-day notice requirement when issuing TS allows the Department to take immediate action in preventing fraud and protecting the health and safety of Medi-Cal members. This proposal addresses the need for these additional efficiencies by amending WIC Section 14043.36.

- Existing law requires the Department to impose a Payment Suspension upon receipt of a credible allegation of fraud (CAF), consistent with federal standards. However, existing state language, in defining a CAF, references a "probable cause" standard that differs from the federal definition of a CAF in 42 CFR Section 455.2. Matching the federal definition would maintain consistency with the CAF definition used by all other states and could accelerate CAF referrals that warrant further investigation and prosecution. This proposal addresses this by amending WIC Section 14107.11.
- DHCS maintains two separate databases. The Suspended and Ineligible (S&I) database tracks individuals and entities that are prohibited, suspended, or otherwise ineligible to participate in the Medi-Cal program (e.g. federal exclusions, criminal convictions, license suspension) and is publicly available. The Restricted Provider Database (RPD) tracks active DHCS payment suspensions and temporary suspensions and is currently only available to managed care plans. The proposal adds the RPD to the list of databases cited in WIC Section 14043.61 that are publicly available, which could help decrease potential overpayments by other payors, due to increased awareness of the sanctions imposed by DHCS. More fully utilizing the RPD increases the Department's capacity to identify, monitor, and suspend fraudulent providers consistently, in collaboration with the managed care plans and other payors.
- Under existing law, DHCS's ability to impose provider enrollment moratoria is limited because WIC Section 14043.55 exempts certain provider types from this authority. These limitations can restrict DHCS's ability to act quickly when needed to safeguard public funds and maintain provider oversight. This proposal amends WIC Section 14043.55 to address this issue.
- Under existing law, Medi-Cal provider application denial, suspension, and termination authority contains certain limitations and exceptions that can slow DHCS's ability to take timely action against providers when concerns arise. For example, the statutory provisions governing provider enrollment limit the Department's

flexibility to act quickly when fraud, waste, or abuse risks are identified. This proposal amends WIC Section 14043.2 to address these issues.

- WIC Section 14043.28 establishes the reapplication prohibitions and conditions triggered when a provider's enrollment status is denied or terminated. This proposal would extend these provisions beyond providers with provisional and preferred provisional provider status, so that they apply to all providers, as appropriate.

Specifically, this proposal would:

**1. Expand Authority for Enrollment Denial or Termination Based on Affiliations**—WIC Section 14043.2

- Moves provisions regarding administrative appeal rights from subdivision (b) to subdivision (d) (WIC Sections 14043.2(b) and (d).)
- Authorizes the Department to deny an application or terminate enrollment when the provider has disclosed an affiliation, sets the parameters for DHCS to evaluate whether an affiliation poses an undue risk, and authorizes the Department to take specified actions on affiliations, as specified (WIC Section 14043.2(c)(1)-(3).)
- Conditions the implementation of these provisions upon federal approval and federal financial participation (WIC Section 14043.2(c)(4).)

**2. Further Strengthen Provider Enrollment Integrity**—WIC Section 14043.27

- Adds "full enrollment status" throughout the section, as appropriate (WIC Section 14043.27), expanding existing authority applicable only to provisional statuses to all enrollment types.
- Clarifies that termination of enrollment status results in deactivation and removal from Medi-Cal, unless limited to a specific location, and prohibits mail drops, virtual offices, or nonoperational spaces unless exempted (WIC Section 14043.27(b)).
- Removes the prior 10-year limit tied to the date of the application package so DHCS can take action when specified individuals with ownership or control interest in the provider have specified actions taken against them or are under investigation for instances of fraud or abuse, as specified (WIC Section 14043.27(c)).
- Extends termination authority to cases where DHCS discovers that the provider is under investigation for fraud or abuse by DHCS or any state or federal program (WIC Section 14043.27(d)).
- Confirms appeal rights for providers whose enrollment status is terminated under this section (WIC Section 14043.27(e)).

**3. Reapplication Prohibition Update**—WIC Section 14043.28



- Applies the provisions of this section to providers with permanent enrollment status, as appropriate (WIC Section 14043.28).
- 4. Temporary Suspensions—WIC Section 14043.36**
- Clarifies DHCS' authority to suspend providers under investigation by any state, local, or federal agency for fraud or abuse, including in any state or federal program, at the Department's discretion (WIC Section 14043.36(a)).
  - Implement suspension upon issuance of the written notice, eliminating 15-day period before suspension takes effect (WIC Section 14043.36(c)).
- 5. Moratorium Authority Update—WIC Section 14043.55**
- Removes statutory exceptions that previously prevented DHCS from imposing enrollment moratoriums on clinics, health facilities, exempt clinics, and certain licensed or certified individual practitioners (WIC Section 14043.55(a)).
- 6. Restricted Provider Database—WIC Section 14043.61**
- Add the RPD to the list of Department published exclusion tools and authorize provider suspension if provider submits claims for services provided by suspended providers listed on the RPD. (WIC Section 14043.61(a)).
- 7. Temporary Payment Suspensions—WIC Section 14107.11**
- Clarify initiation of payment suspension upon State's verification of a credible allegation of fraud in conformity with definition of a credible allegation of fraud set out in 42 CFR Section 455.2. (WIC Section 14107.11(a)).
  - Harmonizes the state definition of a credible allegation of fraud with 42 CFR Section 455.2 by removing conflicting state "probable cause" language and referencing the definition described in 42 CFR Section 455.2 (WIC Section 14107.11(d)).

**Summary of Arguments in support:**

- Further strengthens Medi-Cal provider oversight with no state fiscal impact.
- Allows DHCS to take additional immediate protective action when risks to members or public funds are identified.
- Expands and modernizes provider risk- tracking and transparency tools, including public release of the RPD.
- Strengthens the State's ability to safeguard federal Medicaid dollars by preventing fraudulent, abusive, or medically unnecessary billing.
- Harmonizes suspension, deactivation, and payment hold statutes.
- Creates a consistent standard across enrollment types when applying reapplication bans, terminations, and reinstatement conditions.