

**DATE:** July 31, 2025

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.

*On July 21 and July 28, 2025, the Federal District Court issued two separate Preliminary Injunctions (PIs) that modified the TRO. The July 21 PI did not provide relief to any California Provider. The July 28 PI provided relief to all of the Planned Parenthood affiliates in California. The Department of Health Care Services (DHCS) has revised this APL in response to the July 28 PI. Revised text is found in italics.*

**BACKGROUND:**

On July 3, 2025, the United States Congress passed H.R. 1<sup>1</sup>, 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—

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

(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 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.

## **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 **do not meet** the definition of Prohibited Entity as these claims or Encounters are not impacted by H.R. 1.*

MCPs should continue to cover services and process claims or Encounters for Medi-Cal and Family PACT Providers who **meet** the definition of “Prohibited Entity” for services rendered with dates of service (DOS) on or before July 3, 2025, as these claims or Encounters are not impacted by H.R. 1

MCPs should continue payments and processing claims or Encounters for Medi-Cal and Family PACT Providers who **meet** the definition of “Prohibited Entity” and are Providers who **obtained relief** under *the July 28 PI for services rendered with DOS on or after July 4, 2025, until the PI terminates or expires*, or further court orders require additional clarification.

*Except as indicated below*, MCPs must suspend all payments and processing of any claims or Encounters for Medi-Cal and Family PACT Providers who **meet** the definition of “Prohibited Entity” and **did not obtain** relief under *the July 28 PI* for services rendered with DOS on or after July 4, 2025.

Additionally, MCPs should inform Medi-Cal and Family PACT Providers of the following:

- Medi-Cal and Family PACT Providers who **do not meet** the definition of “Prohibited Entity” should continue to submit claims or Encounters in accordance with published Medi-Cal and Family PACT policy. These claims or Encounters are not impacted by H.R. 1.
- Medi-Cal and Family PACT Providers who **meet** the definition of “Prohibited Entity” should take the following action:
  - *Medi-Cal and Family PACT Providers should submit claims or Encounters in accordance with published Medi-Cal and Family PACT policy for services rendered with DOS on or before July 3, 2025. These claims or Encounters are not impacted by H.R. 1.*
  - Medi-Cal and Family PACT Providers who **obtained relief** under *the July 28 PI* should submit claims or Encounters for all services *rendered with DOS on or after July 4, 2025*, until the *PI* terminates or expires, or further court orders require additional clarification.
  - Medi-Cal and Family PACT Providers who **did not obtain relief** under *the July 28 PI* 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.

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” and who **did not obtain relief** under *the July 28 PI* for non-abortion services rendered with DOS on or after July 4, 2025. Such services, and associated costs, will not be considered in capitation rates paid by DHCS to MCPs under the Primary Contract. Additional 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

Medi-Cal and Family PACT Providers who **meet** the definition of “Prohibited Entity” and **did not obtain** relief under *the July 28 PI* 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 Manual<sup>2</sup> 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” and are **not** Providers who **obtained relief** under *the July 28 PI* 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.

#### Next Steps

DHCS recognizes that this situation is rapidly evolving and will implement necessary policy and system updates to comply with H.R. 1 and any applicable court orders. Now that H.R. 1 has been enacted, DHCS will continue to communicate any additional information to Prohibited Entities as applicable through its regular communication channels and updated policy guidance.

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.

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

[OFPStakeholder@dhcs.ca.gov](mailto:OFPStakeholder@dhcs.ca.gov).

Sincerely,

Bambi Cisneros

Acting Division Chief, Managed Care Quality and Monitoring Division

Assistant Deputy Director, Health Care Delivery Systems

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<sup>2</sup> Medi-Cal Provider Manuals can be accessed at: <https://mcweb.apps.prd.cammiis.medi-cal.ca.gov/publications/manual>