

DATE: July 30, 2026

ALL PLAN LETTER 26-008
SUPERSEDES ALL PLAN LETTER 25-011

TO: ALL MEDI-CAL DENTAL MANAGED CARE PLANS

SUBJECT: AB 109: 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 Plans (Dental MCPs) of the effective date for the discontinuation of the disbursement of Proposition 56 supplemental incentive payments to Medi-Cal Dental providers, which will apply to dates of service on or after July 1, 2027. This APL supersedes APL 25-011¹. The Dental MCPs shall expedite processing of any updates needed to ensure implementation will be achievable by July 1, 2027.

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.

¹ APL 25-011 Proposition 56 can be found here: <https://www.dhcs.ca.gov/services/dental-managed-care-all-plan-letters/>

² [AB-120 Budget Act of 2017](https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB120) can be found here:
https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB120



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 was proposed as part of the 2025-26 fiscal year budget. AB 109 (Statutes of 2026, Chapter 19, § 2, Item 4260-101-3305)⁴ amended the proposal and appropriated funding for Prop 56, thereby suspending the elimination of Prop 56 supplemental payments to July 1, 2027.

POLICY:

As part of the enactment of AB 109, DHCS is discontinuing Prop 56 supplemental payments to Medi-Cal Dental providers effective July 1, 2027. Prop 56 claims are subject to a one (1) year claims runout period. Claims for services provided on or before June 30, 2027, must be submitted within one (1) year of the date of service, and no later than June 30, 2028, to be eligible for reimbursement. The Dental MCPs 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, 2027, including but not limited to:

- Identify and make all systems and operational impacts associated with this policy.
- Identify and update Dental MCP 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.
- Dental MCPs 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 service on or after July 1, 2027.

³ SB-101 Budget Act of 2025 can be found here:
https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260SB101

⁴ AB- 109 Budget Act of 2026 can be found here:
https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260AB109

The Dental MCPs must continue to submit the quarterly Prop 56 deliverable to DHCS through the one (1) year claims runout period in accordance with APL 26-004⁵ 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 Dental MCP's contractually required policies and procedures (P&Ps), the plan must submit its updated P&Ps with and without Track Changes to DHCS' Medi-Cal Dental Services Division (MDSD) at dmcdeliverables@dhcs.ca.gov no later than 90 days before the effective date of this change.

If a Dental MCP determines that no P&P changes are necessary, the Dental MCP must submit an email confirmation to dmcdeliverables@dhcs.ca.gov no later than 90 days before the effective date of this change, stating that the Dental MCP'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.

Dental MCPs 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 Dental MCP to all Subcontractors, Downstream Subcontractors, and Network Providers. Any failure to meet the requirements of this APL may result in a Corrective Action Plan (CAP), and/or Liquidated Damages, and/or monetary sanctions. For additional information regarding administrative and monetary sanctions, see APL 22-009 and any superseding APL on this topic.

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

Sincerely,

Original signed by:

⁵ APL 26-004 Deliverable Schedule and enclosure can be found here:
<https://www.dhcs.ca.gov/services/Pages/DentalAllPlanLetters.aspx>

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