

DATE: July 3, 2025

ALL PLAN LETTER 25-011

TO: ALL MEDI-CAL MANAGED CARE PLANS

SUBJECT: HOUSE RESOLUTION (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 House Resolution (H.R.) 1.

BACKGROUND:

On July 3, 2025, the United States Congress passed H.R. 1¹, which includes Section 71113, Federal Payments to Prohibited Entities. 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),

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

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.”

POLICY:

Service Delivery

All Medi-Cal and Family PACT Providers, including those who meet the definition of “Prohibited Entity” as noted above, may continue to:

- Perform Presumptive Eligibility for Pregnant People (PE4PP) determinations and Family PACT enrollment;
- Accept eligible Medi-Cal and PE4PP members and Family PACT clients; and
- Render services per existing obligations and standards, which includes the prohibition against balance billing, or charging Medi-Cal members for services.

For more information, please refer to the Medi-Cal Program & Eligibility Manual², Family PACT Policies, Procedures and Billing Instructions Manual³, Provider Guidelines⁴, Provider Regulations⁵, and Other Health Coverage⁶ sections of the Medi-Cal Provider Manual.

Payments and Claims Processing

Except as described below, MCPs must suspend all payments and processing any claims for Medi-Cal and Family PACT Providers who meet the definition of “Prohibited Entity” for services rendered with dates of service (DOS) on or after the date of enactment of H.R. 1 (estimated July 4, 2025). For example, if H.R. 1 is signed into law on July 4, 2025, MCPs must suspend payments to Medi-Cal and Family PACT Providers who meet the definition of “Prohibited Entity” for dates of service on or after July 4, 2025. This includes processing of claims received by these entities for dates of service on or after July 4, 2025.

MCPs should continue to cover services and process claims for Medi-Cal and Family PACT Providers who meet the definition of “Prohibited Entity” for services rendered with DOS preceding the date of enactment of H.R. 1 (estimated July 4, 2025), as these claims are not impacted by H.R. 1.

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

- Medi-Cal and Family PACT Providers that meet the definition of “Prohibited Entity” 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) preceding the date of enactment of H.R. 1 (estimated July 4, 2025). These claims are not impacted by H.R. 1.

² The Medi-Cal Program & Eligibility Manual can be accessed at:

<https://mcweb.apps.prd.cammis.medi-cal.ca.gov/publications/manual?community=medi-cal-program-and-eligibility>

³ The Family PACT Policies, Procedures & Billing Instructions Manual can be accessed at:

<https://mcweb.apps.prd.cammis.medi-cal.ca.gov/publications?community=family-pact>

⁴ The Provider Guidelines can be accessed at: [https://mcweb.apps.prd.cammis.medi-cal.ca.gov/assets/3F9BC03F-B4CB-4C8B-A84E-](https://mcweb.apps.prd.cammis.medi-cal.ca.gov/assets/3F9BC03F-B4CB-4C8B-A84E-57A19221B53F/provguide.pdf?access_token=6UyVkRRfByXTZEWlh8j8QaYyIPyP5ULO)

[57A19221B53F/provguide.pdf?access_token=6UyVkRRfByXTZEWlh8j8QaYyIPyP5ULO](https://mcweb.apps.prd.cammis.medi-cal.ca.gov/assets/3F9BC03F-B4CB-4C8B-A84E-57A19221B53F/provguide.pdf?access_token=6UyVkRRfByXTZEWlh8j8QaYyIPyP5ULO)

⁵ The Provider Regulations can be accessed at: [https://mcweb.apps.prd.cammis.medi-cal.ca.gov/assets/FCE1B425-A921-4D23-8018-](https://mcweb.apps.prd.cammis.medi-cal.ca.gov/assets/FCE1B425-A921-4D23-8018-DCF16A7BF451/provreg.pdf?access_token=6UyVkRRfByXTZEWlh8j8QaYyIPyP5ULO)

[DCF16A7BF451/provreg.pdf?access_token=6UyVkRRfByXTZEWlh8j8QaYyIPyP5ULO](https://mcweb.apps.prd.cammis.medi-cal.ca.gov/assets/FCE1B425-A921-4D23-8018-DCF16A7BF451/provreg.pdf?access_token=6UyVkRRfByXTZEWlh8j8QaYyIPyP5ULO)

⁶ The Other Health Coverage section of the Medi-Cal Provider Manual can be accessed at:

https://mcweb.apps.prd.cammis.medi-cal.ca.gov/assets/9BFF53F7-4808-49EF-8D0C-330CCD652FE9/othhlth.pdf?access_token=6UyVkRRfByXTZEWlh8j8QaYyIPyP5ULO

- Medi-Cal and Family PACT Providers that meet the definition of “Prohibited Entity” must hold claims (i.e., do not submit claims or Encounters) for services rendered with DOS on or after the date of enactment of H.R. 1 (estimated July 4, 2025).

MCPs may, at their discretion, continue to make payments and process claims for Medi-Cal and Family PACT Providers who meet the definition of “Prohibited Entity” for services rendered with dates of service (DOS) on or after the date of enactment of H.R. 1 (estimated 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 that meet the definition of “Prohibited Entity” may continue to submit claims exclusively for procedural abortion using Current Procedural Terminology (CPT) codes 59840 and 59841 as well as medication abortion using Healthcare Common Procedure Coding System (HCPCS) codes S0190, S0191, and S0199 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. To ensure appropriate adjudication and compliance with federal requirements, Medi-Cal and Family PACT Providers that meet the definition of “Prohibited Entity” should submit claims for abortion services using the CPT and HCPCS codes listed in this paragraph and in Medi-Cal policy **on a separate claim**. This claim must not include any other ancillary or related services.

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 will implement any necessary policy and system updates to comply with the final version of H.R. 1 to ensure that no federal payments are made to Prohibited Entities. Following enactment of H.R. 1, DHCS will communicate any additional information to

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

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.

Sincerely,

Bambi Cisneros

Acting Division Chief, Managed Care Quality and Monitoring Division
Assistant Deputy Director, Health Care Delivery Systems