

**California Department of Health Care Services
Proposed Trailer Bill Legislation**

Utilization Management for COVID-19 Services

FACT SHEET

Issue Title: Utilization Management for COVID-19 Services. The Department of Health Care Services (DHCS) proposes to strengthen utilization management (UM) for COVID-19 services in the Medi-Cal program.

Background: In response to the COVID-19 Public Health Emergency (PHE), Senate Bill (SB) 510 (Pan, Chapter 729, Statutes of 2022) requires managed care plans (MCPs) to cover COVID-19 diagnostic, screening, and post exposure or response testing and health care services without cost sharing or UM, regardless of whether services are provided by an in-network or out-of-network provider. DHCS issued [All Plan Letter \(APL\) 22-009](#) to effectuate SB 510 in the Medi-Cal program. SB 1473 (Pan, Chapter 545, Statutes of 2022), in part, requires MCPs to also cover COVID-19 therapeutics without cost sharing or UM, regardless of whether services are provided by an in-network or out-of-network provider.

Justification for the Change: DHCS proposes to strengthen the ability for DHCS and MCPs to conduct appropriate UM in the Medi-Cal program, specifically removing the existing requirement for MCPs to cover COVID-19 services by out-of-network providers, which will improve management of health care costs and prevent inappropriate use of services.

Per state law and federal regulations, MCPs generally have the authority to limit out-of-network services when in-network providers are available to provide the covered benefit. Out-of-network services are often costlier. Under 42 Code of Federal Regulations section 438.210, MCPs must provide services that are sufficient in amount, duration, and scope to achieve their intended purpose. DHCS proposes to exempt MCPs from Knox Keene-licensed health care service plan requirements as it pertains to COVID-19 services (Health and Safety Code section 1342.2(h)(6)) to conform COVID-19 services requirements with existing Medi-Cal coverage policies and apply existing standards to place appropriate limits on out-of-network COVID-19 services based on medical necessity or for utilization control (proposed W&I Code section 14132.994). This update to the law reflects the end of the PHE by permitting MCPs to return to using standard MCP service delivery practices for out-of-network services and conform with Medi-Cal coverage policies.