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ALL PLAN LETTER

DATE: January 15, 2026

TO: All Full-Service Health Plans¹

FROM: Sarah Ream
Chief Counsel

SUBJECT: APL 26-002 – Delegation of risk for COVID-19 testing or immunizations.
Applicability of SB 510 (Pan, 2021) to Medi-Cal Managed Care plans

I. Delegation of risk for COVID-19 testing or vaccinations

Senate Bill 510 (Pan, 2021), codified in Health and Safety Code section 1342.2, requires health plans to cover, without prior authorization or utilization management, COVID-19 testing and immunizations. Section 1342.2 further provides that a health plan may not delegate the financial risk for COVID-19 testing or immunizations to a provider unless the “parties have negotiated and agreed upon a new provision of the parties’ contract pursuant to [Health and Safety Code] Section 1375.7.”

The DMHC is aware that some health plans may be attempting to include delegation of risk for COVID-19 testing and immunizations in more limited risk shifting arrangements, including but not limited to single case agreements, case rate agreements, and payment arrangements based on diagnosis related groups (DRG). The plans may be attempting to effectuate this delegation without first negotiating and obtaining the providers’ agreement to accept the risk for COVID-19 testing and immunizations.

The DMHC considers any type of risk shifting for health care services from a plan to a provider to be a form of risk delegation. As such, if a plan intends a risk shifting arrangement (e.g., case rate, DRG, capitation payment, bundled payment, per diem payment) to include the delegation of risk for COVID-19 testing and immunizations from the plan to the provider, the plan must first negotiate with the provider regarding shifting the risk for COVID-19 testing and immunizations and the provider must agree to accept such risk.

¹ The APL applies to all full-service commercial plans. It does not apply to Medicare Advantage plans or specialized health plans. It does not apply to Medi-Cal managed care plans for dates of service on or after June 30, 2025.

II. Applicability of SB 510 to Medi-Cal managed care plans

As originally enacted, SB 510 applied to commercial and Medi-Cal managed care plans. However, earlier this year, with the enactment of Assembly Bill 116, the Legislature clarified that section 1342.2 does not apply to Medi-Cal managed care plans that contract with the California Department of Health Care Services. Instead, Medi-Cal managed care plans “shall cover COVID-19 screening, testing, immunizations, and therapeutics in accordance with applicable statutes, regulations, all plan letters, the Medi-Cal provider manual, Medi-Cal managed care plan contracts with [DHCS] and other guidance.”²

The Medi-Cal exemption added by AB 116, codified in paragraph (h)(6) of section 1342.2, however, is not retroactive. (Health & Safety Code § 1342.2(d).) AB 116 was signed into law on June 30, 2025. As such, the exemption for Medi-Cal managed plans applies to dates of service starting on or after June 30, 2025.

For any COVID-19 services described in section 1342.2 with dates of service prior to June 30, 2025, Medi-Cal managed care plans must comply with all terms of section 1342.2 as amended by SB 1473 (Stats. 2022, ch. 545). This includes the prohibition on delegation of financial risk to a contracted provider for the cost of enrollee services provided under this section unless the parties have negotiated and agreed upon a new provision of the parties’ contract pursuant to Section 1375.7. (Health & Safety Code § 1342.2(a)(6) & (b)(6).)

If you have questions regarding this APL, please contact your health plan’s assigned reviewer in the DMHC’s Office of Plan Licensing.

² Welfare and Institutions Code section 14132.994.