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ALL PLAN LETTER

DATE: March 10, 2025

TO: All Commercial Full-Service Health Care Service Plans[1]

FROM: Jenny Phillips
Deputy Director
Office of Plan Licensing

SUBJECT: APL 25-004 – AB 118: Part 1 - Compliance with Large Group Standardized Evidence of Coverage/Disclosure Form

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Assembly Bill (AB) 118 (Ting, Chapter 42, Statutes of 2023) added Health and Safety Code section 1363.3[2] and revised Sections 1352.1, 1363, 1367.041, and 1367.24, effective January 1, 2025. These statutory changes apply to all commercial full-service health care service plans (plans), and require the Department of Managed Health Care (DMHC) to develop standardized templates for various documents describing health plan member benefits, such as the Evidence of Coverage (EOC), Disclosure Form (DF), Schedule of Benefits (SOB), Explanation of Benefits (EOB), and Cost-Share Summary (CSS).

The DMHC's work to implement AB 118's requirement to develop standardized templates will be an iterative process. The first part of the standardized EOC/DF will be the following template components: (1) Exclusions and Limitations, (2) Members' Rights and Responsibilities, and (3) Definitions, for use in large group health care service plan contracts issued, amended, or renewed on or after January 1, 2026.[3] This All Plan Letter (APL) and its accompanying attachments set out the filing requirements needed to demonstrate compliance with each template component.[4]

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[1] This All Plan Letter does not apply to Medicare Advantage plans, Medi-Cal managed care plans, or Medicare Supplement products.
[2] References herein to "Section" are to sections of the California Health and Safety Code.
[3] A large group health care service plan contract means a group health care service plan contract other than a contract issued to a "small employer," as defined in Sections 1357, 1357.500, and 1357.600. This includes In-Home Supportive Services products and excludes specialized health care service plan contracts.
[4] An APL will issue with each rollout of subsequent template components. Forthcoming template components include Exclusions and Limitations, Members' Rights and

I. Statutory Authority

AB 118 provides explicit statutory authority for the DMHC to require plans to use DMHC-developed templates for documents that are required to be provided by law to members that describe the benefits and terms of their health care coverage.

Section 1352.1(c) was revised to require plans[5] to utilize the standardized templates developed by the DMHC pursuant to Section 1363 for any EOC/DF. Section 1363(a) was revised to add Section 1363(a)(2), which provides that the DMHC will develop standardized templates for the EOC/DF. Section 1363.3(a) and (b) provides that the DMHC may develop and require plans to utilize standard templates for a SOB, EOB, CSS, or any similar document.

Sections 1363(a)(2) and 1363.3(a) provide that standardized templates may include standard definitions, notice and explanatory language, benefit and limitation descriptions, and any other information or formatting in the standardized templates that the Director determines are consistent with the goals of Section 1363 and provide the public and members with a full and fair disclosure of the plan's provisions in readily understood language and in a clearly organized manner.

II. General Overview of Templates

Part 1 of the standardized EOC/DF applies to commercial full-service health care service plans offering large group coverage, and includes: (1) Exclusions and Limitations, (2) Members' Rights and Responsibilities, and (3) Definitions sections.[6] (See Attachments 1, 2, and 3.)

Plans must follow the instructions in each attachment and adopt the standardized language as applicable. Plans must also submit a filing to demonstrate compliance as set out in the "Compliance and Filing Requirements" section of this APL. Specifically, plans must submit a template EOC/DF as a representative sample for the plan's large group products, incorporating the revisions described in this APL. Plans must adhere to the template language included in these Attachments verbatim, unless otherwise permitted. No additional changes, updates, or deviations should be made to the EOC/DF in this filing, other than those described in this APL and Attachments.

Responsibilities, and Definitions, as applicable, to commercial full-service plans offering individual and small group coverage. Also forthcoming is Part 2 template components for Large Group Standardized EOC/DF. Later, the DMHC will develop standard template components for the SOB, EOB, CSS, and other similar documents.

[5] The DMHC-developed templates do not apply to Medi-Cal managed care plan contracts entered into with the Department of Health Care Services. *See* Sections 1352.1(c), 1363(k), and 1363.3(c).

[6] The DMHC will develop the other parts of the standardized EOC/DF at a later date.

A. Exclusions and Limitations (Attachment 1)

Plans must adopt the template Exclusions and Limitations by mirroring verbatim the language used in the templates. Plans must remove all prior plan exclusions and limitations from their large group EOC/DF. Even if an existing limitation or exclusion is similar to one listed in the template, plans must make conforming edits.

The template Exclusions and Limitations do not apply to medically necessary basic health care services required to be covered under California or federal law, including but not limited to medically necessary treatment of a mental health or substance use disorder as defined in Section 1374.72(a)(3)(A). In addition, the template Exclusions and Limitations do not apply when covered by plans/products or required by law.

B. Members' Rights and Responsibilities (Attachment 2)

Plans must adopt the template Members' Rights and Responsibilities language into their EOC/DF verbatim and are not permitted to deviate from the template language. Plans must remove all conflicting language from their EOC/DF.

C. Definitions (Attachment 3)

Plans must adopt the standardized definitions in their EOC/DF verbatim. When a term is defined in the standardized template documents, plans must: (1) include the definition of the term throughout the plan's document (including in its own definitions section), (2) mirror the template definition, and (3) mirror any formatting such as capitalization.

For example, plans will need to adopt the term "Member" when referring to an individual who has enrolled in the plan and for whom coverage is active or live, and use it throughout the EOC/DF rather than the terms "enrollee," "subscriber," "enrolled employee," "dependent of a subscriber or an enrolled employee," or other like terms.

The definitions included in Attachment 3 are not an exhaustive list of definitions for the EOC/DF; rather, they are incorporated from key terms referenced in Attachments 1 and 2. As the DMHC releases other portions of the standardized EOC/DF, additional definitions will be incorporated and required. Until the full list of definitions has been issued, plans may utilize additional definitions so long as the template definitions required by DMHC are included and the plan's definitions are not contrary to those the DMHC has standardized.

III. Compliance and Filing Requirements

A. Amendment Filing: "Part 1: AB 118 - Compliance with Large Group Standardized EOC/DF"

Submit by April 10, 2025, an Amendment filing to demonstrate compliance with the AB 118 requirements discussed in this APL. Submit the filing via eFiling as an Amendment titled, "**Part 1: AB 118 - Compliance with Large Group Standardized EOC/DF**." This Amendment filing should include the following:

1. Exhibit E-1: Summary of Filing Information

At a minimum, plans must provide the following information in their Exhibit E-1:

a) General Affirmations and Explanations

- Explain whether the plan utilizes a combined EOC/DF (Exhibit U-1) or separate EOC (Exhibit T-1) and DF (Exhibit S-1).
- Explain whether the changes required in this APL will be made as an Addendum to the existing EOC/DF, or if the plan will implement the changes in its EOC/DF for next plan year.
- Provide a timeline for the implementation of the changes described in this APL, and state if any member notices will be sent.
- Provide the filing number for the last DMHC-approved large group EOC/DF that will serve as the plan's representative EOC/DF template.
- Affirm the redline changes are made to the last DMHC-approved large group EOC/DF and limited to changes discussed in this APL.
- Affirm by the effective date prescribed in the Attachments (i.e., January 1, 2026) that the plan will utilize the template Exclusions and Limitations, Member's Rights and Responsibilities, and Definitions for all large group health care service plan contracts.
- State either:
  The plan reviewed its policies and procedures, subscriber agreements, Administrative Services Agreements (ASAs), plan-to-plan contracts, and SOBs, and those documents are consistent with the requirements of this APL and Attachments.

  OR

  The plan reviewed its policies and procedures, subscriber agreements, ASAs, plan-to-plan contracts, and SOBs, and those documents are not consistent with the requirements of this APL and Attachments. The plan will amend these documents to comply with this APL and file the documents per the Knox-Keene Act's applicable timeframes and provide a date by which the plan's documents will be in compliance.

b) Exclusions and Limitations

- Affirm the plan has implemented the language of this section verbatim.
- Explain whether the plan has included all template Exclusions and Limitations.
- If applicable, include any request to modify the Exclusions and Limitations to expand coverage in the Exhibit E-1. The request must include a basis for approval of the modification, including how the modification expands coverage.
- For prescription drug exclusions, plans must make conforming edits to any existing prescription drug exclusions that are similar to the ones listed in the template, following the template prescription drug exclusions verbatim. For any additional prescription drug exclusions, plans must demonstrate compliance with Section 1342.7. Please see the separate compliance filing requirements described in section III.B of this APL.
- Affirm the EOC/DF filed will serve as the template EOC/DF for all large group products. Plans must describe in the Exhibit E-1 any variations and any expected impact those variations may have on plan documents.

c) Members' Rights and Responsibilities

- Affirm the plan has implemented the language of the Members' Rights and Responsibilities section verbatim.

d) Definitions

- Affirm the plan has implemented the language of the Definitions section verbatim.
- Affirm all applicable terms referenced in the standardized forms definitions have been incorporated throughout the EOC/DF, including in the plan's definitions section.
- Affirm the plan has incorporated the definitions from the EOC/DF in other plan documents where applicable.

2. Exhibits S and T, or U

Plans must submit their representative template EOC as an Exhibit T-1, their DF as an Exhibit S-1, or their Combined EOC/DF as an Exhibit U-1, and include any amendments, errata, or endorsements needed to comply with the requirements set out in this APL.

B. Notice of Material Modification Filing: "AB 118 - Compliance Filing for Large Group Prescription Drug Exclusions"

If the plan would like to request prescription drug exclusions that are not verbatim to those included in the template, including any prescription drug exclusions that have previously been approved by the DMHC in a Notice of Material Modification filing consistent with Section 1342.7 and Rule 1300.67.24, the plan must submit a Notice of Material Modification via eFiling, titled "**AB 118 - Compliance Filing for Large Group**

Prescription Drug Exclusions," no later than April 4, 2025. Any requests to deviate or add prescription drug exclusions must be filed in this Notice of Material Modification and plans may not utilize deviations or additional prescription drug exclusions, unless they are approved in this Notice of Material Modification. This Notice of Material Modification filing should include the following:

1. Exhibit E-1: Summary of Filing Information

At a minimum, plans must provide the following information in their Exhibit E-1:

a) General Affirmations and Explanations

- The language of the requested prescription drug exclusions that do not conform with the template language.
- If the prescription drug exclusions have previously been approved by the DMHC, provide the filing numbers for the last DMHC-approved Notice of Material Modification where the prescription drug exclusions were approved or the filing numbers for the reports filed pursuant to Rule 1300.67.24(g)(2).
- Provide a detailed rationale for why the plan is requesting the new or previously approved prescription drug exclusions beyond the template language.
- Provide information regarding the different factors the DMHC may consider when approving prescription drug exclusions as listed in Rule 1300.67.24(b)(5).

If you have questions regarding this APL, please contact your plan's assigned Office of Plan Licensing reviewer.