

Draft APL Raises Concerns Regarding Retroactive Rate Payment Appeals With MCPs

Insights

03.23.26

The California Department of Health Care Services (DHCS) has recently issued an important draft policy update regarding Medi-Cal managed care payments that warrants close attention. The draft [All Plan Letter \(APL\)](#) proposes new requirements governing the Provider Dispute Resolution (PDR) mechanism and related reporting obligations, including the imposition of a fixed 365-day deadline for submitting certain provider disputes.

DHCS released the draft APL on March 11, 2026, and is soliciting public comment before finalizing the policy.

Key Concerns with the Draft APL

This draft APL would impose a 365-day deadline for provider disputes submitted to managed care plans regarding several payment dispute issues, including service authorizations or denials, payment processing, or timeliness of reimbursement or interest. A significant concern for providers is the draft APL's proposal to impose the same deadline for submitting disputes related to retroactive rate or payment adjustments, which would be measured from the date the managed care plan was required to make the adjustment. In practice, this would require providers to identify, track, and affirmatively dispute failures by managed care plans to make retroactive payments that the plans are otherwise obligated to process automatically.

This is a significant operational challenge which shifts responsibility away from the State and managed care plans and onto providers. Previously, DHCS and plans have been required to automatically reprocess and pay claims following retroactive rate changes, without provider action. The draft APL, however, purports to place the burden on providers to monitor plan compliance and initiate disputes within a defined window, even where the underlying obligation is ministerial and mandated by law or contract. This is particularly concerning given the systemic delays that often occur in retroactive rate revisions by DHCS. Imposing a rigid dispute deadline under these circumstances risks cutting off otherwise valid payment claims through no fault of the provider. Moreover, this will likely increase litigation costs as retroactive rate payments are often delayed beyond 365 days, meaning providers will have no choice but to initiate dispute resolution processes to protect their rights.

Questions Regarding Authority and Fairness

PROFESSIONAL



MARK A. JOHNSON
Partner
San Diego



SCOTT J. KIEPEN
Partner
Boston
San Francisco



MARK E. REAGAN
Managing Shareholder
Boston
San Francisco
Washington, D.C.



STANTON J. STOCK
Partner
San Diego



MAYDHA VINSON
Associate
San Francisco

There is also a question whether DHCS has clear statutory or regulatory authority to impose this type of timeliness bar through an APL. The legal authorities cited by DHCS in the draft APL require managed care plans to maintain a fast, fair, and cost effective dispute resolution mechanism and prohibit plans from imposing dispute deadlines *shorter* than 365 days. They *do not* expressly authorize DHCS to impose a hard deadline that functions as a statute of limitations on provider payment disputes, particularly in the context of retroactive rate adjustments mandated by law.

More broadly, the proposal raises fairness concerns. Where the State requires retroactive payment and places responsibility for payment on managed care plans, it is not clear why providers should bear the risk and cost of enforcing those obligations through time-limited disputes.

Practical Considerations and Next Steps

Notwithstanding these concerns, if DHCS proceeds with the draft APL as written, providers will want to avoid arguments that valid claims should be denied on timeliness grounds. From a risk management perspective, this underscores the importance of tracking retroactive rate changes and payment activity and preserving dispute rights within any applicable deadlines, even while the legality of those deadlines is being challenged.

Comments on the draft APL are due to DHCS by **March 26, 2026**. We are monitoring this development closely and are available to assist providers in evaluating the impact of the proposed requirements, preparing comments, and developing compliance strategies should the APL be finalized.

RELATED CAPABILITIES

[Administrative Law](#)

[Litigation, Mediation, Arbitration](#)

[Managed Care](#)

[Medicare and Medicaid Audits, Appeals, and Reimbursement Litigation](#)

[Medicare, Medicaid, Other Governmental Reimbursement and Payment](#)

[Payor-Provider Disputes](#)

[Public Agency Law](#)

[Assisted Living, Independent Living and Adult Day Health](#)

[Skilled Nursing Facilities \(SNFs\) and Long-Term Care Providers](#)

[Trade Associations](#)