

# DEPARTMENT OF HEALTH CARE SERVICES PROPOSED TRAILER BILL LEGISLATION

## Skilled Nursing Facility Financing Reauthorization FACT SHEET

**Issue Title: Skilled Nursing Facility Financing Reauthorization.** The Department of Health Care Services (DHCS) proposes to extend the Skilled Nursing Facility (SNF) Quality Assurance Fee (QAF) and Long-Term Care (LTC) Reimbursement Act from December 31, 2026, to December 31, 2027.

**Background:** The SNF QAF and Medi-Cal LTC Reimbursement Act, originally established by AB 1629 (Frommer, Chapter 875, Statutes of 2004) and last extended by AB 186 (Committee on Budget, Chapter 46, Statutes of 2022) govern the financing of Freestanding SNFs and Subacute units in the Medi-Cal Program. Currently both statutes sunset on December 31, 2026.

The 2025 Budget Act included \$3,000,000 (\$1,500,000 SNF QAF; \$1,500,000 Federal Fund) in each of 2025-26 and 2026-27 to facilitate a stakeholder advisory workgroup and develop a SNF Value Strategy to inform the reauthorization of the Medi-Cal LTC Reimbursement Act over a multi-year horizon in alignment with the Medi-Cal program's access and quality goals. DHCS has selected a vendor to support the SNF Value Strategy work and is convening the stakeholder advisory workgroup in January 2026.

AB 186 also authorized the SNF Workforce & Quality Incentive Program as part of the Medi-Cal LTC Reimbursement Act. The 2025 Budget Act sunsets the SNF WQIP effective December 31, 2025, to address a state budget shortfall.

**Justification for the Change:** The proposed changes are necessary to provide continued state statutory authority for the SNF QAF and Medi-Cal LTC Reimbursement Act on and after January 1, 2027. This extension is critical to preserving federal funding and uninterrupted Medi-Cal payments to facilities.

DHCS proposes a one-year extension of currently authorized methodologies in order to provide sufficient time for the development of the SNF Value Strategy in consultation with the stakeholder advisory workgroup to inform a further multi-year reauthorization effective January 1, 2028. The SNF Value Strategy will include a landscape analysis of payment methodologies utilized by Medi-Cal, Medicare, and other payers and a multi-year roadmap to drive system transformation and integration over a five-year horizon. DHCS aims to publish the initial draft of the SNF Value Strategy in early 2027. Subject to legislative approval of necessary statutory changes through the annual budget process,



the SNF Value Strategy will guide the further reauthorization of these methodologies effective on or after January 1, 2028.

DHCS has proposed the following guiding principles for the SNF Value Strategy, subject to further refinement in consultation with stakeholders:

- Coordinating and integrating care through the Medi-Cal managed care delivery system to provide whole-person care to members with institutional level-of-care needs and support the development of comprehensive Managed Long-Term Services and Supports.
- Holding SNFs accountable for providing high quality patient care and incentivizing quality improvement while reducing health disparities in alignment with and furtherance of the department's Comprehensive Quality Strategy.
- Creating financial incentives for the delivery of care in the right setting, including appropriate transitions between hospital, SNF, and home and community-based settings.
- Emphasizing the critical role of workforce as a key driver of quality patient care, and holding facilities accountable for using Medi-Cal funds to provide fair compensation and benefits to workers.
- Provisioning services economically and efficiently to support the financial sustainability and affordability of California's health care system and securing federal financial participation for Medi-Cal SNF services.
- Supporting equitable access to SNF care, including in rural areas, and removing perverse incentives in resident admissions, transfers, and discharges.

**Summary of Arguments in support:**

- Maintains continuity of Medi-Cal payments to SNFs and preserves federal financial participation in Calendar Year 2027.
- Provides timeline for DHCS to develop SNF Value Strategy, in consultation with stakeholders, to guide a multi-year reauthorization effective no sooner than January 1, 2028, subject to legislative approval.

**BCP or Estimate Issue # and Title:**

FRN 1784 LTC QAF

FRN 2181 Nursing Facility Rate Adjustments.