CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES
Michelle Baass | Director

DATE: October 30, 2026

LTC RATES POLICY LETTER 27-006

TO: ALL MEDI-CAL INTERMEDIATE CARE FACILITIES, DEVELOPMENTALLY DISABLED (ICF/DD), HABILITATIVE (ICF/DD-H), AND NURSING (ICF/DD-N)

SUBJECT: INTERMEDIATE CARE FACILITIES, DEVELOPMENTALLY DISABLED (ICF/DD) FACILITY CY 2027 RATES

PURPOSE:

This Long-Term Care (LTC) Rates Policy Letter adopts the Medi-Cal Calendar Year (CY) 2027 rate study for Intermediate Care Facilities, Developmentally Disabled (ICF/DD), Habilitative (ICF/DD-H), and Nursing (ICF/DD-N).

BACKGROUND:

Reimbursement rates for Intermediate Care Facilities for the Developmentally Disabled (ICF/DD), Habilitative (ICF/DD-H), and Nursing (ICF/DD-N) are updated annually using an unfrozen, peer-grouped, cost-based rate methodology in accordance with Attachment 4.19-D of the California Medicaid State Plan. Facilities are classified into peer groups by level of care and bed size. WIC section 14126.027 authorizes the Department of Health Care Services (DHCS) to implement the Medi-Cal Long-Term Care Reimbursement Act by means of provider letters or other similar instructions, without taking regulatory action, notwithstanding the rulemaking provisions of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

As part of the California Advancing and Innovating Medi-Cal (CalAIM) initiative, Medi-Cal institutional Long-Term Care (LTC) services were fully carved into the managed care delivery system effective January 1, 2024. Requirements applicable to Managed Care Plans, including payment rates, are described in All Plan Letter (APL) 26-012[1].

POLICY:

I. Rate Setting Calculations

[1] https://www.dhcs.ca.gov/file/apl26-012-pdf/

DHCS hereby adopts the rate setting calculations described in the CY 2027 ICF/DD Rate Study Workbook, which is incorporated by reference, to effectuate the methodologies specified Medi-Cal Long Term Care Reimbursement Act and State Plan. All necessary peer group percentile caps, adjustment factors, growth factors, and weighted average rates are calculated prospectively at the time of the initial rate study as specified in 2027 CY Calculations tab of this Rate Study Workbook and will not be recalculated on the basis of any future facility-specific rate re-computations.

The reimbursement rates for each peer group are established at the 65th percentile of the peer group's projected costs based on the most recent reported and audited cost data adjusted for inflation, plus the projected cost of complying with any new state or federal mandates (such as statewide minimum wage increases) and the Quality Assurance Fee (QAF).

In accordance with Welfare and Institutions Code (WIC) section 14105.075 and Attachment 4.19-D of the California Medicaid State Plan, for dates of service after the last day of the COVID-19 Public Health Emergency (PHE), the reimbursement rate for ICF/DD, ICF/DD-H, and ICF/DD-N facilities will be the greater of: (1) the unfrozen, cost-based rate as described above, or (2) the reimbursement rate in effect for the facility on the last day of the COVID-19 PHE, inclusive of the COVID-19 PHE temporary rate increase.

Assembly Bill (AB) 118 (Chapter 42, Statutes of 2023) amended WIC section 14105.075 to shift reimbursement for ICF/DD, ICF/DD-H, and ICF/DD-N facilities from an August to July 31 rate year basis to a calendar rate year basis (January 1 to December 31), effective January 1, 2024. Changes to the California Medicaid State Plan necessary to effectuate the changes made by AB 118 are approved in State Plan Amendment 23-0032. Reimbursement rates will be established pursuant to the methodology described above for the August 1, 2023, through December 31, 2023, rate period; for the January 1, 2024, through December 31, 2024, rate period; and each calendar rate year thereafter.

Pursuant to the State Plan, payment to facilities for members who are on bed hold for acute hospitalization or who are on an approved leave of absence shall be at the appropriate facility daily rate less a bed hold adjustment for raw food costs. Pursuant to the State Plan, payment for hospice room and board is 95 percent of the Medi-Cal facility-specific rate where the patient resides.

A. Respiratory Care Add-On

Section 1399.365 of Title 16 of the California Code of Regulations amended the

respiratory care activities that may be performed by Licensed Vocational Nurses (LVNs) in Intermediate Care Facilities for the Developmentally Disabled, Habilitative, and Nursing. DHCS included a temporary add-on of $0.20 per day through CY 2029 until those costs are captured in audited cost reports and incorporated into future rate calculations.

II. Policy Letter Adoption

This Policy Letter supersedes all prior guidance, bulletins, instructions, and regulations issued by DHCS on the matters described herein. DHCS reserves the right to modify, waive, or rescind any provision of this Policy Letter. This Policy Letter is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its agencies, departments, entities, officers, employees, or any other person.

A copy of this Policy Letter is posted on the Medi-Cal Long-Term Care Reimbursement website at https://www.dhcs.ca.gov/services/medi-cal/Pages/LTCRU.ICF_DD.aspx. If you have any questions regarding this Policy Letter, please contact the Medi-Cal Long-Term Care Reimbursement Inbox at LTCReimbursement@dhcs.ca.gov for rate issues.

Sincerely,
ORIGINAL SIGNED BY ADITYA VOLETI

Aditya Voleti, Division Chief
Provider Rates Division