



# NOTICE OF GENERAL PUBLIC INTEREST

RELEASE DATE: June 30, 2026

## PROPOSED STATE PLAN AMENDMENT TO UPDATE THE MEDI-CAL REIMBURSEMENT METHODOLOGY FOR STATE FISCAL YEAR (SFY) 2026-27 DIAGNOSIS RELATED GROUP (DRG) PAYMENTS

This notice is to provide information of public interest about a proposed State Plan Amendment (SPA) by the Department of Health Care Services (DHCS). The proposed SPA 26-0020 will make changes to the DRG program for general acute care inpatient hospital services provided by:

1. Private hospitals and non-designated public hospitals in California,
2. Out-of-state (border and non-border) hospitals, and
3. Medicare-designated critical access hospitals (See Cal. Welf. & Inst. Code §14105.28).

DHCS requests input from beneficiaries, providers, and other interested stakeholders concerning proposed SPA 26-0020, which is attached.

DHCS estimates that the annual aggregate Medi-Cal expenditures for SFY 2026-27 will increase DRG payments by \$474,421 in total funds. and implement both annual changes to cost-to-charge ratios (CCR) and federal wage area definitions. These modifications include:

- Updating the 3M™ All-Patient Refined Diagnosis Related Groups (APR-DRG) grouping software to Version 43.0.
- Updating the 3M software version of the Healthcare Acquired Conditions utility to Version 43.1.



- Increasing the statewide APR-DRG Base Price from \$8,783 to \$9,584 (9.12 percent).
- Increasing the Remote Rural APR-DRG Base Price from \$24,860 to \$27,160 (9.25 percent).
- Increasing the MCC Neonate Designated adjustor value for SOI 1 - 3 from 1.75 to 1.85.
- Increasing the MCC Neonate Standard policy adjustor value for SOI 1 - 3 from 1.25 to 1.35.
- Increasing the MCC Normal Newborn policy adjustor value for SOI 1 - 4 from 1.10 to 1.15.
- Making required changes to the California and border hospital wage area index values, as provided by the Centers for Medicare and Medicaid Services (CMS) and adjusted by the California Wage Area Neutrality Adjustment, which increased from 0.9002 to 0.9199.

The effective date of the proposed SPA is July 1, 2026. All proposed SPAs are subject to approval by the Federal Centers for Medicare and Medicaid Services (CMS).

## **Public Review and Comments**

The proposed changes included in draft SPA 26-0020 are enclosed in this notice for public comment. DHCS is requesting stakeholder input on the impact, if any, on access to services as a result of the proposed action.

Upon submission to CMS, a copy of proposed SPA 26-0020 will be published at the following internet address:

<https://www.dhcs.ca.gov/formsandpubs/laws/Pages/PendingStatePlanAmendments.aspx>  
[x](#).

If you would like to view the SPA in person once it becomes available, please visit your local county welfare department. You may also request a copy of proposed SPA 26-0020 or a copy of submitted public comments related to SPA 26-0020 by requesting it in

writing to the mailing or email address listed below. Please indicate SPA 26-0020 in the subject line or message.

Written comments may be sent to the following address:

Department of Health Care Services  
Safety Net Financing Division  
Attn: Diana Lawson  
P.O. Box 997413, MS 4504  
Sacramento, California 95899-7417

Comments may also be emailed to [PublicInput@dhcs.ca.gov](mailto:PublicInput@dhcs.ca.gov). Please indicate SPA 26-0020 in the subject line or message.

To be assured consideration prior to submission of the SPA to CMS, comments must be received no later than July 30, 2026. Please note that comments will continue to be accepted after July 30, 2026, but DHCS may not be able to consider those comments prior to the initial submission of SPA 26-0020 to CMS.