CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES
Michelle Baass | Director

DATE: October 30, 2026

LTC RATES POLICY LETTER 27-001

TO: ALL MEDI-CAL FREESTANDING SKILLED NURSING FACILITIES

SUBJECT: FREESTANDING SKILLED NURSING FACILITY CY 2027 RATES

PURPOSE:

This Long-Term Care (LTC) Rates Policy Letter adopts the Medi-Cal Calendar Year (CY) 2027 rate study for Freestanding Nursing Facility Level-B (FS/NF-B) and Freestanding Adult Subacute (FS/SA) rates.

BACKGROUND:

The Medi-Cal Long-Term Care Reimbursement Act (Article 3.8 of Chapter 7 of Part 3 of Division 9 of the Welfare and Institutions Code (WIC), beginning with section 14126) and the California Medicaid State Plan (Supplements 4 and 6 of Attachment 4.19-D) establish a cost-based, facility-specific reimbursement rate methodology for FS/NF-Bs and FS/SAs. Assembly Bill (AB) 186 (Chapter 42, Statutes of 2022) amended the Medi-Cal Long-Term Care Reimbursement Act. SB 165 (Statutes of 2026) includes an extension of the Medi-Cal LTC Reimbursement Act through December 31, 2027. The Act governs the overall Medi-Cal financing framework for freestanding SNFs subacute units and has historically been reauthorized for multiple-year periods

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 Chapter 3.5 (commencing with section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

AB 186 and State Plan Amendment (SPA) 24-0004[1] authorized the Workforce Standards Program (WSP) for Freestanding Skilled Nursing Facilities (SNF) Level-B and Adult Freestanding Subacute Facilities Level-B effective for calendar years (CY) 2024 through 2026. The WSP provides an enhanced Medi-Cal per diem rate, including a workforce rate adjustment, to facilities that maintain a collective bargaining agreement, participate in a statewide multi-employer labor management committee (LMC), or meet basic wages and benefit standards

[1] https://www.dhcs.ca.gov/SPA/Documents/CA-24-0004-Approval.pdf

established by DHCS. DHCS launched the WSP Opt-in process for CY 2024 and CY 2025 on October 1, 2024 as described in LTC Rates Policy Letter 24-0001.[2]

DHCS published the CY 2027 opt-in process on the WSP Website on June 2, 2026 and notified facilities subscribed to the AB 186 Email List.[3] Currently, the 2027 WSP remains pending CMS approval of SPA 26-0010. Facilities that elect to participate in the WSP will receive an enhanced per diem rate that includes a Workforce Rate Adjustment in 2027, pending CMS approval, while facilities that do not participate will receive a basic per diem rate.

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) 26-010[4] and 26-011.[5]

POLICY:

I. Ratesetting Calculations

DHCS hereby adopts the ratesetting calculations described in the CY 2027 FS/NF-B and CY 2027 FS/SA Rate Study Workbooks, which are 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 Appendix Tables 1 through 4 of each Rate Study Workbook and will not be recalculated based on any future facility-specific rate recomputations.

AB 186 requires a split aggregate growth limit for labor and non-labor rate components and provides for an enhanced per diem rate for facilities participating in the WSP for the CY 2027 rate year. In CY 2027, the maximum facility-specific annual increase for the basic per diem rate for the labor rate component is 5 percent, and the maximum aggregate annual increase for the

---

[2] https://www.dhcs.ca.gov/services/medical/Documents/AB186%20Workforce%20Standards/LTC-Rates-PL-24-001-SNF-CY2024-Rates-and-WSP.pdf
[3] https://www.dhcs.ca.gov/services/medi-cal/Pages/FFSRDD-LTC/SNFWSP.aspx
[4] https://www.dhcs.ca.gov/wp-content/uploads/2026/06/APL26-010.pdf
[5] https://www.dhcs.ca.gov/wp-content/uploads/2026/06/APL26-011.pdf

non-labor rate component is 1 percent. The aggregate annual increase of the non-labor rate component is demonstrated in Appendix Table 4 of each Rate Study Workbook. Additionally, the maximum annual growth limit is increased for the projected cost of complying with new state or federal mandates as described below.

The Rate Study Workbooks calculate the basic per diem rate for each facility, as well as the enhanced per diem inclusive of the workforce rate adjustment that will apply to facilities that opt-into the WSP. The workforce rate adjustment is facility-specific and based on the difference between the facility's pre-growth limit labor rate component and final labor rate component in CY 2026, increased by up to 5 percent per year. Furthermore, the sum of the workforce rate adjustment and the final labor rate component cannot exceed the facility's pre-growth limit labor in the present rate year. Facilities with newly established rates have a workforce rate adjustment calculated based on the facility's pre-growth limit labor and the peer group weighted average ratio of the workforce rate adjustment.

The California Medicaid State Plan provides for the reimbursement of specified facilities at the peer group weighted average rate. Out-of-state facilities are reimbursed at the statewide average rate.

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.

Special Treatment Programs (STPs) are distinct part units of FS/SNFs that are approved by DHCS to provide mental health services for patients who have been diagnosed with chronic psychiatric impairment and whose adaptive functioning is moderately impaired.

Pursuant to the State Plan and California Code of Regulations, Title 22, Section 51511.1, the supplemental payment is $5.72 per day. Pursuant to subdivision (b) of WIC section 14126.02, facilities that are designated as institutions for mental diseases, as defined in Section 1396d(i) of Title 42 of the United States Code, are excluded from the Medi-Cal Long-Term Care Reimbursement Act methodology.

B. 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 freestanding nursing facilities (FS/NF-B) and freestanding subacute

facilities (FS/SA). 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.

C. Changes in Ownership

As initially described in LTC Rates Policy Letter 23-002[6] rates for facilities with a pending or recently completed change of ownership or licensed operator (CHOW) are calculated using the regular ratesetting methodology utilizing the latest available audited cost report with the required minimum number of months of cost data. Pursuant to the State Plan and WIC section 14126.023(c)(4), the required minimum number of months of audited Medi-Cal cost data is 12 months for FS/SA units and 6 months for all other FS/NF-Bs. Once a CHOW is completed, DHCS will consider a facility's rate to be "newly established" for the application of the ratesetting calculation once the prospective rate is established using an audited cost report for a reporting period beginning after completion of the CHOW and with the required minimum number of months.

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.aspx. If you have any questions regarding this Policy Letter, please contact the Medi-Cal Long-Term Care Reimbursement Inbox at AB1629@dhcs.ca.gov for rate issues and the SNF WSP Inbox at SNFWSP@dhcs.ca.gov for WSP issues.

Sincerely,

ORIGINAL SIGNED BY ADITYA VOLETI
Aditya Voleti, Division Chief

[6] https://www.dhcs.ca.gov/formsandpubs/Documents/MMCDAPLsandPolicyLetters/APL2023/APL23-002.pdf

Provider Rates Division