DHCS
CALIFORNIA DEPARTMENT OF
HEALTH CARE SERVICES
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TO: FREESTANDING SKILLED NURSING FACILITIES

SNF ASP POLICY LETTER 26-002

SUBJECT: Skilled Nursing Facility Accountability and Sanctions Program (SNF ASP), Overview for Measurement Year (MY) 2027

PURPOSE:

This Policy Letter provides guidance to Freestanding Skilled Nursing Facilities (FS/SNFs) about SNF ASP requirements under Welfare and Institutions (W&I) Code section 14126.026.

BACKGROUND:

Assembly Bill 186 (Chapter 46, Statutes of 2022)[1] amended the Medi-Cal Long-Term Care Reimbursement Act to reform the financing methodology applicable to Freestanding Skilled Nursing Facilities Level B and Adult Freestanding Subacute Facilities Level B.

W&I Section 14126.026 authorizes the Department of Health Care Services (DHCS) to impose monetary sanctions on FS/SNFs that fail to meet or exceed the minimum performance benchmark for one or more quality measures established by DHCS.

For each measure, DHCS may assess a sanction of up to five dollars ($5) for each Medi-Cal bed day (MCBD) within the rating period. The aggregate sanction for each measure assessed shall not exceed one hundred fifty thousand dollars ($150,000) in a single rating period.

[1] W&I Section 14126.026.

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POLICY:

Quality Measures

For MY 2027 (January 1, 2027 - December 31, 2027), DHCS has established the following quality measures:

- Percent of Residents Experiencing One or More Falls with Major Injury, Long Stay (MDS) [2]
- Percent of Residents Who Lose Too Much Weight, Long Stay (MDS) [2]

Given the unique populations served by Freestanding Pediatric Subacute Facilities (FS/PS), as defined in 22 California Code of Regulations section 51215.8, and Institutions of Mental Disease (IMDs), as defined in 42 Code of Federal Regulations section 435.1010, they are not subject to SNF ASP monetary sanctions for MY27.

Data Collection and Analysis

Centers for Medicare and Medicaid Services (CMS) Minimum Data Set (MDS) 3.0 Data
DHCS will use data from the MDS 3.0 national database to calculate FS/SNFs performance on the measures. More information on the MDS 3.0 Data can be found at MDS 3.0 Quality Measures USER'S MANUAL (v18.0) (cms.gov).

Care Compare Metrics Data
As a part of the Care Compare tool, CMS calculates a set of quality ratings and staffing rates for nursing homes. These data were used to determine national minimum performance benchmarks for Quality Measures. More information on the Care Compare tool can be found at Nursing Home Compare Technical Users' Guide (cms.gov).

Sanction Determination Methodology

For MY 2027, FS/SNFs performance in quality measures will be assessed against minimum performance benchmarks in calendar year 2025 (Q1 2025-Q4 2025), shown below. Each facility that does not meet or exceed minimum performance benchmarks

[2] Centers for Medicare and Medicaid Services (CMS): MDS 3.0 Quality Measures USER'S MANUAL (v18.0) (cms.gov).

will be placed in a sanction tier based on how their measure rate compares to these benchmarks. Each sanction tier has a base tier sanction amount, which is the minimum sanction amount per MCBD for facilities within that sanction tier.

DHCS will determine sanctions based on the following percentiles:

Percent of Residents Experiencing One or More Falls with Major Injury, Long Stay (MDS)

Minimum Performance Benchmark	15th Percentile	10th Percentile	5th Percentile
National Benchmark Percentage (CY 2025)	**5.52%**	**6.33%**	**7.69%**
Base Tier Sanction (per MCBD)	$1.00	$3.00	$5.00

Percent of Residents Who Lose Too Much Weight, Long Stay (MDS)

Minimum Performance Benchmark	10th Percentile	7.5th Percentile	5th Percentile
National Benchmark Percentage (CY 2025)	**9.75%**	**10.57%**	**11.59%**
Base Tier Sanction (per MCBD)	$1.00	$3.00	$5.00

Calculation of Sanction Amounts

DHCS will use a continuous model, which factors in the specific level of facility measure performance, to calculate the sanction amount, based on the following formula:

$$\text{Sanction Amount} = \left(\text{Base Tier Sanction} + \left(\frac{\text{Facility Performance Rate-Upper Benchmark Rate}}{\text{Lower Benchmark Rate-Upper Benchmark Rate}}\right) \times (\text{Upper Tier Sanction-Lower Tier Sanction})\right) \times \text{MCBD}$$

For the purposes of the sanction calculations, each facility's final sanction tier will be the highest tier for which the facility qualifies. Within each sanction tier, an upper and lower benchmark rate is established based on the thresholds of the current sanction tier and the next higher sanction tier, respectively.

Pursuant to W&I Code section 14126.026(b), DHCS reserves the right to sanction a FS/SNF up to five dollars ($5) per Medi-Cal bed day per DHCS measure. For each measure a FS/SNF fails to meet or exceed, DHCS will not assess an aggregate sanction

that exceeds one hundred fifty thousand dollars ($150,000.00) per measure in a single rating period. For example, if a FS/SNF has a percentage greater than 11.59% for the measure of Percent of Resident Who Lose Too Much Weight, Long Stay, that FS/SNF would be subject to sanction of $5 per MCBD up to $150,000 per measurement year. Accordingly, the maximum sanction that DHCS may sanction a FS/SNF for these two quality measures for MY 2027 will not exceed three hundred thousand dollars ($300,000.00).

DHCS reserves the right to modify the methodologies used for sanctions as a part of SNF ASP with prior notice to the FS/SNFs.

Sanction Payments

If DHCS determines that a FS/SNF is subject to monetary sanctions under SNF ASP, DHCS will provide a written Notice to the FS/SNF. The FS/SNF must respond to DHCS in accordance with the instructions and deadlines specified in the Notice.

Under W&I Code section 14126.026(d), with prior written notice, DHCS may deduct the amount of the assessed sanction for a FS/SNF from any Medi-Cal payments to that FS/SNF until the sanction is paid in full. DHCS may account the financial condition of the FS/SNF and may apply that deduction over time.

If there is a merger, acquisition, or change of ownership involving a FS/SNF that has an outstanding sanction under ASP, the successor FS/SNF must be responsible for paying DHCS the full amount of the outstanding sanction attributable to the FS/SNF for which it was assessed, upon the effective date of that transaction.[3]

Appeal Process

Under W&I Section 14126.026(h), if a FS/SNF disputes any sanction assessed under SNF ASP, the FS/SNF must submit a request for appeal to DHCS within 30 calendar days of the FS/SNF's receipt of the Notice. The request must include a detailed statement describing the reason for appeal and include all supporting documents the FS/SNF will present at the hearing.

Within 30 calendar days of DHCS' receipt of the FS/SNF's request for appeal, DHCS will provide to the FS/SNF all responsive arguments and supporting documents that DHCS will present at the hearing.

[3] W&I 14126.026(e)

DHCS will hear a timely appeal and issue a decision as follows:

(1) The hearing shall commence within 60 calendar days from the date of receipt by DHCS of the facility's timely request for appeal.
(2) DHCS shall issue a decision within 120 calendar days from the date of receipt by DHCS of the facility's timely request for appeal.
(3) The decision of DHCS' hearing officer, when issued, shall be the final decision of DHCS.

If the decision is in favor of DHCS, the FS/SNF must pay the sanctions to DHCS within 30 calendar days of the FS/SNF's receipt of the decision.

Waivers

Under W&I Code section 14126.026 (f), DHCS may waive all or a portion of a FS/SNF's assessed sanction if the facility petitions for a waiver and DHCS determines, in its sole discretion, that the petitioning facility meets both of the following:

(1) The facility has demonstrated to DHCS' satisfaction that sufficient corrective action has been taken to remediate the underlying deficiency.

(2) The facility has demonstrated to DHCS' satisfaction that imposing the full amount of the sanction under ASP has a high likelihood of creating an undue financial hardship for that facility or creates a significant difficulty in providing services to Medi-Cal beneficiaries.

Please refer to SNF ASP Policy Letter 25-001 for more detailed policies and procedures on the SNF ASP sanction appeals and waivers processes.

If you have any questions regarding this Policy Letter, please contact us at SNFASP@dhcs.ca.gov.

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