

The Department of Health Care Services (DHCS) is releasing the draft Transitional Rent schedule of reimbursable maximum payments (“reimbursable ceilings”) and administrative fees for public comment.¹

Transitional Rent is the newest Community Support and covers up to six months of rental assistance for permanent or temporary housing to Medi-Cal Members who are experiencing or at risk of homelessness and meet eligibility criteria. Transitional Rent will be optional for Medi-Cal managed care plans (MCPs) to offer beginning on July 1, 2025. Beginning on January 1, 2026, however, MCPs must cover Transitional Rent for qualifying Members.² DHCS will make non-risk payments to MCPs for Transitional Rent, which are separate from, and in addition to, usual capitation payments. These separate payments are intended to cover the cost of rental assistance or temporary housing as well as MCP administration of the new Transitional Rent service.

This document presents the draft payment rates and reimbursable ceilings for the provision of Transitional Rent, along with the draft administrative fees associated with providing this benefit, that will be applicable between DHCS and MCPs. The draft payment rates and reimbursable ceilings are designed to reflect fair and reasonable payment levels that align with current California-specific housing market and other data. This alignment furthers DHCS’ vision of Transitional Rent to provide qualifying Members with time-limited housing assistance to facilitate their entry into a permanent housing setting, and thereby realize the improvements in physical and behavioral health and

¹ This is in accordance with the special terms and conditions (STCs) of the Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) waiver. The CMS-approved HRSN Payment Methodology and BH-CONNECT STCs are available at <https://www.dhcs.ca.gov/CalAIM/Pages/BH-CONNECT-Resources.aspx>.

² For detailed information and policies for the Transitional Rent benefit, refer to the [Community Supports Policy Guide Volume 2](#).

functioning that have been shown to result from long-term housing stability.³ All draft payment rates and reimbursable ceilings are subject to change based on the public comment and review.⁴ DHCS will provide additional guidance to MCPs on technical reporting standards and specifications at a later date.

Public Review and Comments

DHCS invites public comment on this draft payment schedule, specifically on the draft payment rates and reimbursable ceilings. Comments are due by 5 p.m. PT, June 29, 2025

Comments may be emailed to CalAIMECMILOS@dhcs.ca.gov. Please indicate Comments on Transitional Rent Payment Schedule in the subject line or message.

Written comments may also be sent to the following address:

Department of Health Care Services
Capitated Rates Development Division
Attn: Brian Lewis, Section Chief
P.O. Box 997413, MS 4413
Sacramento, California 95899-7417

If you would like to view the draft payment schedule in person, please visit your local county welfare department. You may also request a copy of the draft payment schedule or a copy of submitted public comments related to it by requesting it in writing to the mailing or email address listed above. Please indicate Transitional Rent Payment Model in the subject line or message.

³ Hanson D. & Gillespie S. (2024). [*'Housing First' Increased Psychiatric Care Office Visits And Prescriptions While Reducing Emergency Visits*](#). Health Affairs; [*Chart Book: Housing and Health Problems Are Intertwined. So Are Their Solutions*](#). (June 29, 2022). Center on Budget and Policy Priorities; Miller-Archie S.A., et al. (2019). [*Impact of supportive housing on substance use-related health care utilization among homeless persons who are active substance users*](#). Annals of Epidemiology; Raven M.C., Niedzwiecki M.J. & Kushel M. (2020). [*A randomized trial of permanent supportive housing for chronically homeless persons with high use of publicly funded services*](#). Health Services Research.

⁴ DHCS will review the payment schedule at least annually and may revise the schedule based on additional considerations such as, but not limited to, more current or alternative data sources.

Projected Fiscal Impact

DHCS estimates that the annual aggregate Medi-Cal expenditures for Transitional Rent will be \$31.3 million in state fiscal year 2025-26, over \$100 million in state fiscal year 2026-27, and over \$200 million in state fiscal year 2027-28 and beyond.

Background on Payment Structure

As detailed in the Community Supports Policy Guide Volume 2, DHCS will make non-risk payments to MCPs for Transitional Rent. These payments will be made to MCPs separately from, and in addition to, usual capitation payments. DHCS payments to MCPs will consist of two separate components:

- (1) Cost of rental assistance or temporary housing.** DHCS will reimburse MCPs the actual cost of rental assistance or temporary housing paid to the landlords or property owners, not to exceed amounts set by DHCS in the schedule of reimbursable ceilings.⁵
- (2) Administrative fee.** DHCS will pay MCPs administrative fees that provide for the reasonable cost of arranging for the provision of Transitional Rent. The administrative fees account for administrative costs for both the MCP and the Transitional Rent Provider. The administrative fee will vary based on region. DHCS is not directing MCPs how to specifically allocate the administrative fee but expects MCPs will allocate the fee reasonably relative to the overall division of administrative responsibilities between the MCP and the Transitional Rent Provider.⁶

The Transitional Rent payment is designed to cover the full cost of rental assistance or temporary housing for the Member for up to six months. MCPs and Transitional Rent Providers must not require Members receiving Transitional Rent to cover a share of the cost of rent or housing. MCPs and Transitional Rent Providers should place Members in

⁵ DHCS will provide MCPs with provisional reimbursement for rental assistance/temporary housing provided by the MCP. No sooner than 12 months after the end of the rate year, DHCS will then reconcile the sum of the provisional payments provided to the MCP to the lesser of the aggregated cost of rental assistance/temporary housing provided by the MCP and the aggregated applicable reimbursable ceilings for the rental assistance/temporary housing provided by the MCP.

⁶ DHCS will not reconcile these administrative fees to the actual costs incurred by MCPs and Transitional Rent Providers.

settings where the payment provided by the Transitional Rent Provider to the landlord or property owner is sufficient to cover the full cost of rent.

Draft Payment Schedule

Payment for Cost of Rental Assistance or Temporary Housing

Table 1 below details the payment rate and reimbursable ceiling by setting type. As noted in the previous section, DHCS will reimburse MCPs the actual cost of rental assistance or temporary housing paid to the landlords or property owners up to a specified reimbursable ceiling, to be operationalized through an annual reconciliation process comparing aggregate costs to the aggregate total of the applicable reimbursable ceilings.

Each setting's reimbursable ceiling is tied to a percentage of the U.S. Housing and Urban Development (HUD) Fair Market Rents (FMR).⁷ HUD FMRs are used to help administer HUD's Housing Choice Voucher program. HUD establishes FMRs at multiple units of geography—counties, metropolitan areas, and zip codes. Zip code-level FMRs, known as Small Area FMR (SAFMR), can capture locally specific rental cost differences.⁸ FMRs vary by unit size—efficiency,⁹ one-bedroom, two-bedroom, three-bedroom, and four-bedroom. HUD updates FMR annually.

In Table 1, the reimbursable ceilings are tied to a percentage of the SAFMR for all but one of the settings. This means that the reimbursable ceiling varies depending on the zip code where the Member is housed. The one exception is the hotels/motels setting, in which the methodology for the reimbursable ceiling is tied to a percentage of the county-level FMR.¹⁰ Therefore, the hotel/motel reimbursable ceiling will vary by county but will be the same for all hotels/motels within a given county.

The reimbursable ceilings are **not** the fixed, "default" rates of payment for each setting. DHCS expects that actual rental assistance or temporary housing costs will vary from

⁷ See HUD's Fair Market Rents available here: <https://www.huduser.gov/portal/datasets/fmr.html>.

⁸ See HUD's SAFMR available here: https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2025_code/select_Geography_sa.odn.

⁹ Efficiency unit is also referred to as a zero-bedroom unit (see 24 CFR section 982.604).

¹⁰ Differences in costs of hotels and motels within counties do not track to the variation reflected in the SAFMR, making county-level FMR a more appropriate and more administrable benchmark.

case to case, and will typically be below the reimbursable ceilings.¹¹ DHCS encourages MCPs and Transitional Rent Providers to negotiate rental assistance or temporary housing costs that align with those used by public housing authorities and county behavioral health delivery systems, subject to the reimbursable ceilings.

Administrative Fee

Table 2 below details administrative fees that DHCS will pay to MCPs. The administrative fees account for administrative costs for **both** the MCP and the Transitional Rent Provider, and were developed to capture a variety of MCP and Transitional Rent Provider arrangements. As noted above, DHCS is not directing MCPs as to how to specifically allocate the administrative fee but expects MCPs to allocate the fee reasonably relative to the overall division of administrative responsibilities between the MCP and the Transitional Rent Provider.

Administrative fees (i.e., for activities such as the review, negotiation and signing of a lease agreement and the coordination of move-in date) are paid on a monthly or per-diem basis. In alignment with DHCS' goal to prioritize placements of Members in permanent settings—and to account for the higher administrative costs associated with these placements—the administrative fee for the month in which a Member is placed in a permanent setting is higher than the standard Transitional Rent administrative fee.

The administrative fees vary based on region to account for differences in wages and other costs, and for challenges in rural environments, including travel of field-based providers and scarcity. Each county is assigned to a region.

¹¹ FMR and SAFMR are estimates of combined rent and utility expenses in an area. This increases the effective rate of the reimbursable ceiling for the large swath of the rental market without landlord-paid utilities. Moreover, all of the reimbursable ceilings exceed 100 percent of FMR or SAFMR, or the applicable HUD payment standard, providing an adequate rate for placement across the state, including in units with landlord-paid utilities.

Table 1. Draft Payment Rate and Reimbursable Ceiling for Rental Assistance or Temporary Housing

Table 1 displays the draft payment rates and reimbursable ceilings for a per-month (monthly) unit of service; however, payments can be made on a per-diem (daily) basis. The per-diem reimbursable ceiling for a given setting is equal to the monthly rate divided by 28.¹² DHCS defines “permanent” settings as those with a renewable lease agreement with a term of at least one month. A setting that can be permanent or interim (as indicated by an asterisk in Table 1) is considered permanent if the Member has a renewable lease agreement. Where there is no lease agreement, or the lease term is not renewable, the setting is considered interim.

Setting	Payment Rate	Reimbursable Ceiling for <u>Monthly Rate</u>
Permanent Settings		
Single-family and multi-family homes (e.g., duplexes)	Actual cost, up to the reimbursable ceiling for the unit size occupied (i.e., efficiency, one-bedroom, two-bedroom, three-bedroom, or four-bedroom)	110% of SAFMR for the applicable unit size
Apartments	Actual cost, up to the reimbursable ceiling for the unit size occupied	110% of SAFMR for the applicable unit size

¹² DHCS recognizes that the current Transitional Rent HCPCS Codes, as established in the Community Supports Policy Guide Volume 2, only support per-month encounter data submissions for permanent settings and per-diem encounter data submissions for interim settings. DHCS may establish additional codes and code modifiers to enable MCPs to submit per-diem encounter data for permanent settings (to allow for instances in which a Member moves into a permanent setting mid-month) and per-month encounter data for interim settings, or will provide additional guidance on supplemental reporting standards and specifications until then. Per-diem codes will be reserved for stays of less than a full month. Month-long stays will be required to be coded on a per-month basis.

Setting	Payment Rate	Reimbursable Ceiling for <u>Monthly Rate</u>
Housing in mobile home communities	Actual cost, up to the reimbursable ceiling for the unit size occupied	110% of SAFMR for the applicable unit size
Accessory dwelling units (ADUs)	Actual cost, up to the reimbursable ceiling for the unit size occupied	110% of SAFMR for the applicable unit size
Project-based or scattered site permanent supportive housing	Actual cost, up to the reimbursable ceiling for the unit size occupied	110% of SAFMR for the applicable unit size
Shared housing—where two or more people live in one rental unit	Actual cost, up to the reimbursable ceiling based on the number of bedrooms occupied and the total unit size	Prorated share of 110% of SAFMR for the applicable unit size, with the share determined by the number of bedrooms occupied by the Member's household relative to the total bedrooms in the unit ¹³
Single room occupancy (SRO) units*	Actual cost, up to reimbursable ceiling	82.5% of SAFMR for an efficiency unit ¹⁴
Tiny homes*	<i>When resembling an SRO:</i> ¹⁵ Actual cost, up to reimbursable ceiling	82.5% of SAFMR for an efficiency unit

¹³ For example, if a Member's household is placed in a four-bedroom rental unit in which the Member's household occupies two of the bedrooms, then the reimbursable ceiling is 110% of SAFMR for a four-bedroom unit divided by four and multiplied by two. This is consistent with HUD's methodology for shared housing (see CFR 24 section 982.617).

¹⁴ HUD defines SROs as a "special housing type" and sets the payment standard at 75% of the efficiency unit payment standard (see CFR 24 section 982.604). The reimbursable ceiling of 82.5% of SAFMR reflects the application to HUD's SRO methodology (i.e., 75% x 110% = 82.5%).

¹⁵ This setting resembles an SRO when the setting has a public kitchen area or public bathrooms.

Setting	Payment Rate	Reimbursable Ceiling for <u>Monthly Rate</u>
	<i>In all other instances:</i> Actual cost, up to the reimbursable ceiling for the unit size occupied	110% of SAFMR for the applicable unit size
Recovery housing*	<i>When resembling an SRO:</i> Actual cost, up to reimbursable ceiling	82.5% of SAFMR for an efficiency unit
	<i>In all other instances:</i> Actual cost, up to the reimbursable ceiling for the unit size occupied	110% of SAFMR for the applicable unit size
License-exempt room and board*	<i>When resembling an SRO:</i> Actual cost, up to reimbursable ceiling	82.5% of SAFMR for an efficiency unit
	<i>In all other instances:</i> Actual cost, up to the reimbursable ceiling for the unit size occupied	110% of SAFMR for the applicable unit size
Interim Settings		
Single room occupancy (SRO) units*	Actual cost, up to reimbursable ceiling	82.5% of SAFMR for an efficiency unit
Interim settings with a small number of individuals per room	Actual cost, up to reimbursable ceiling	Prorated share of 82.5% of SAFMR for an efficiency unit, with the share determined by the number of beds in the room occupied by the Member's household relative to the total number of beds in the room
Hotels/motels when serving as the Member's primary residence	Actual cost, up to reimbursable ceiling	150% of county FMR for an efficiency unit

Setting	Payment Rate	Reimbursable Ceiling for <u>Monthly Rate</u>
Tiny homes*	<i>When resembling an SRO:</i> Actual cost, up to reimbursable ceiling	82.5% of SAFMR for an efficiency unit
	<i>In all other instances:</i> Actual cost, up to the reimbursable ceiling for the unit size occupied	110% of SAFMR for the applicable unit size
Transitional and recovery housing* with no lease agreement, including: » Bridge, site-based, population-specific, and community living programs that may or may not offer supportive services and programming » License-exempt room and board* » Peer respite	<i>When resembling an SRO:</i> Actual cost, up to reimbursable ceiling	82.5% of SAFMR for an efficiency unit
	<i>In all other instances:</i> Actual cost, up to the reimbursable ceiling for the unit size occupied	110% of SAFMR for the applicable unit size

Table 2. Draft Administrative Fee

Table 2 displays the draft administrative fee for a per-month (monthly) unit of service.

Administrative Fee	Fee by Region								
	Region A	Region B	Region C	Region D	Region E	Region F	Region G	Region H	Region I
Standard administrative fee, per month	\$167.86	\$175.31	\$205.40	\$209.08	\$224.04	\$229.21	\$243.55	\$266.60	\$279.25
Administrative fee for the <u>first month</u> of Member placement in a permanent setting¹⁶	\$1,153.22	\$1,225.71	\$1,443.61	\$1,471.00	\$1,587.44	\$1,657.57	\$1,749.51	\$1,969.76	\$2,042.48

Region A: Colusa, Del Norte, Glenn, Lake, Lassen, Modoc, Plumas, Siskiyou, Tehama, Trinity, Calaveras, Imperial, Kern, and Tulare

Region B: Butte, Humboldt, Mendocino, Nevada, Shasta, Sierra, Sutter, Yuba, Alpine, Amador, Fresno, Inyo, Kings, Madera, Mariposa, Merced, Mono, San Joaquin, Stanislaus, and Tuolumne

¹⁶ The administrative fee will apply to the first month a Member receives Transitional Rent in a permanent setting, regardless of whether they previously received Transitional Rent in an interim setting. This higher administrative fee can only be claimed once per Member.

Region C: El Dorado, Placer, Sacramento, San Luis Obispo, Sonoma, and Yolo

Region D: San Benito, Solano, Riverside, and San Bernardino

Region E: Los Angeles

Region F: Napa, Alameda, Contra Costa, and Ventura

Region G: Orange, San Diego, Monterey, and Santa Barbara

Region H: Marin, San Francisco, and San Mateo

Region I: Santa Clara and Santa Cruz