



State Demonstrations Group

November 4, 2025

Tyler Sadwith
State Medicaid Director
California Department of Health Care Services
1501 Capital Avenue, 6th Floor, MS 0000
Sacramento, CA 95814

Dear Director Sadwith:

The Centers for Medicare & Medicaid Services (CMS) is approving California's health related social needs (HRSN) and designated state health program (DSHP) related *Provider Payment Rate Increase Attestation Table*, submitted per section 12 of the special terms and conditions (STCs) of the demonstration entitled, "California Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) " (Project Number 11-W-00472/9 and 21-W-00080/9). CMS published guidance under the current administration discussing specific demonstration proposals for DSHP that the agency does not anticipate approving, renewing, or extending in the future, and rescinded the November 2023 and December 2024 CMCS Center Information Bulletins (CIB) related to coverage of certain services and supports to address "health-related social needs" while CMS evaluates policy options consistent with Medicaid and CHIP program requirements and objectives. Additional information is available on Medicaid.gov.

On April 1, 2025, California provided CMS documentation of the methodology used to calculate the average ratio of Medicaid to Medicare provider payment rates for the primary care, obstetric care, and behavioral health service categories across both the fee-for-service and managed care delivery systems.

CMS accepts the state's submitted documentation indicating that its average provider payment levels in the three service categories exceed 80 percent of Medicare rates. CMS expects that the state must, at a minimum, sustain rates for the three service categories at existing levels for the remainder of the demonstration period. The state's attestation table is included in the enclosure and will be incorporated into the STCs as Attachment K.

If you have any questions, please contact your CMS project officer, Diona Kristian, at Diona.Kristian@cms.hhs.gov.

Sincerely,

A solid black rectangular box redacting the signature of Angela D. Garner.

Angela D. Garner
Director

Division of System Reform Demonstrations
State Demonstrations Group

Enclosure

cc: Nikki Lemmon, State Monitoring Lead, Medicaid and CHIP Operations Group

California DSHP and HRSN Related Provider Payment Increase Assessment – Attestation Table

The reported data and attestations pertain to DSHP and HRSN related provider payment increase requirements for the demonstration period of performance DY 1 through DY 5.

Category of Service	Medicaid Fee-for-Service to Medicare Fee-for-service Ratio	Medicaid Managed Care to Medicare Fee-for-service Ratio
Primary Care Services	96.2%	98.3%
	Ratio derived under STC 12.5(b) utilizing Q4 2024 rates and SFY 22–23 (July 1, 2022 to June 30, 2023) claims utilization for all Targeted Rate Increase fee schedule procedure codes for Primary Care Services as defined in CA Welfare & Institutions Code section 14105.201. Effective January 1, 2024, California law requires Medi-Cal rates for such services to be at least 87.5% of the Medicare rate. This requirement was proposed and approved in State Plan Amendment (SPA) 23-0035.	Ratio derived under STC 12.6(b) utilizing SFY 22–23 (July 1, 2022 to June 30, 2023) encounter utilization for all Targeted Rate Increase fee schedule procedure codes for Primary Care Services as defined in CA Welfare & Institutions Code section 14105.201. Effective January 1, 2024, California law requires Medi-Cal rates for such services to be at least 87.5% of the Medicare rate. The 2024 rate certifications incorporate this minimum fee schedule consistent with SPA 23-0035 and align managed care payment rates to the SPA-based rates.
Obstetric Care Services	88.5%	93.8.%
	Ratio derived under STC 12.5(b) utilizing Q4 2024 rates and SFY 22–23 (July 1, 2022 to June 30, 2023) claims utilization for all Targeted Rate Increase fee schedule procedure codes for Obstetric Care Services as defined in CA Welfare & Institutions Code section 14105.201. Effective January 1, 2024, California law requires Medi-Cal rates for such services to be at least 87.5% of the Medicare rate. This requirement was proposed and approved in State Plan Amendment (SPA) 23-0035.	Ratio derived under STC 12.6(b) utilizing SFY 22–23 (July 1, 2022 to June 30, 2023) encounter utilization for all Targeted Rate Increase fee schedule procedure codes for Obstetric Care Services as defined in CA Welfare & Institutions Code section 14105.201. Effective January 1, 2024, California law requires Medi-Cal rates for such services to be at least 87.5% of the Medicare rate. The 2024 rate certifications incorporate this minimum fee schedule consistent with SPA 23-0035 and align managed care payment rates to the SPA-based rates.

Behavioral Health Care Services	89.4%	96.5%
	Ratio derived under STC 12.5(b) utilizing Q4 2024 rates and SFY 22–23 (July 1, 2022 to June 30, 2023) claims utilization for all Targeted Rate Increase fee schedule procedure codes for Behavioral Health Services as defined in CA Welfare & Institutions Code Section 14105.201. Effective January 1, 2024, California law requires Medi-Cal rates for such services to be at least 87.5% of the Medicare rate. This requirement was proposed and approved in State Plan Amendment (SPA) 23-0035.	Ratio derived under STC 12.6(b) utilizing SFY 22–23 (July 1, 2022 to June 30, 2023) encounter utilization for all Targeted Rate Increase fee schedule procedure codes for Behavioral Health Services as defined in Welfare & Institutions Code Section 14105.201. Effective January 1, 2024, California law requires Medi-Cal rates for such services to be at least 87.5% of the Medicare rate. The 2024 rate certifications incorporate this minimum fee schedule consistent with SPA 23-0035 and align managed care payment rates to the SPA-based rates.
In accordance with STCs 12.1 through 12.12, including that the Medicaid provider payment rates used to establish the ratios do not reflect fee-for-service supplemental payments or Medicaid managed care pass-through payments under 42 CFR 438.6(a) and 438.6(d), I attest that at least a two percentage point payment rate increase will be applied to each of the services in each of the three categories with a ratio below 80 percent in both fee-for-service and managed care delivery systems as applicable to the state’s Medicaid or demonstration service delivery model. Such provider payment increases for each service will be effective beginning on <i>[insert date]</i> and will not be lower than the highest rate for that service code in DY 1 plus a two-percentage point increase relative to the rate for the same or similar Medicare billing code through at least <i>[insert date]</i>. For the purpose of deriving the Medicaid to Medicare provider payment rate ratio, and to apply the rate increase as may be required under a fee-for-service delivery system or under managed care delivery system, as applicable, the state agrees to define primary care, behavioral health and obstetric care, and to identify applicable service codes and providers types for each of these service categories in a manner consistent with other state and federal Medicaid program requirements, except that inpatient behavioral health services may be excluded from the state’s definition. The services that comprise each service category to which the rate increase must be applied will include all service codes that fit under the state’s definition of the category, except the behavioral health codes do not have to include inpatient care services. For provider payment rates paid under managed care delivery system, the data and methodology for any one of the service categories as provided in STC 12.4 will be based on Medicaid managed care provider payment rate and utilization data. <i>[Select the applicable effective date, must check either a., b., or c. below]</i> ☒ a. California is not subject to the provider payment rate increase because the Medicaid to Medicare provider payment rate ratio in each service category and delivery system is equal to or greater than 80		

percent prior to the first day of DY 3 (January 1, 2027). California will sustain these rates, if not increase them, through DY 5 (December 31, 2029).

☐ b. The effective date of the rate increases is the first day of DY 3 (January 1, 2027) and will be at least sustained, if not higher, through DY 5 (December 31, 2029).

☐ c. California has a biennial legislative session that requires provider payment approval and the timing of that session precludes the state from implementing the payment increase on the first day of DY 3 (January 1, 2027). California will effectuate the rate increases no later than the CMS approved date of January 1, 2027, and will sustain these rates, if not made higher, through DY 5 (December 31, 2029).

California does make Medicaid state plan fee-for-service payments for the following categories of service for at least some populations: primary care, behavioral health, and obstetric care.

[Select the applicable requirement, must check either a. or b. below]

☐ a. For any such payments, as necessary to comply with the DSHP and HRSN STCs, I agree to submit by no later than *[insert date]* for CMS review and approval the Medicaid state plan fee-for-service payment increase methodology, including the Medicaid code set to which the payment rate increases are to be applied, code level Medicaid utilization, Medicaid and Medicare rates for the same or similar Medicare billing codes, and other data used to calculate the ratio, and the methodology, as well as other documents and supporting information (e.g., state responses to Medicaid financing questions) as required by applicable statutes, regulations and CMS policy, through the submission of a new state plan amendment, following the normal SPA process including publishing timely tribal and public notice and submitting to CMS all required SPA forms (e.g., SPA transmittal letter, CMS-179, Attachment 4.19-B pages from the state), by no later than *[insert date]*.

☒ b. California is not subject to the provider payment rate increase.

California does include the following service categories within a Medicaid managed care delivery system for which the managed care plans make payments to applicable providers for at least some populations: primary care, behavioral health, and obstetric care.

[Select the applicable requirement, must check either a. or b. below]

☐ a. For any such payments, as necessary to comply with the DSHP and HRSN STCs, I agree to submit the Medicaid managed care plans' provider payment increase methodology, including the information listed in STC 12.11 through the state directed payments submission process and in accordance with 42 CFR 438.6(c), as applicable, by no later than *[insert date]*.

☒ b. California is not subject to the provider payment rate increase.

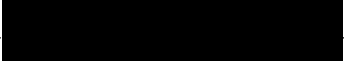
[Select the applicable requirement, must check either a. or b. below]

☐ a. If the state utilizes a managed care delivery system for the applicable service categories, then in accordance with STC 12.10, I attest that necessary arrangements will be made to assure that 100 percent of the two percentage point managed care plans' provider payment increase will be paid to the providers of those service categories and none of this payment rate increase is retained by the managed care plans.

☒ b. California is not subject to the provider payment rate increase.

California further agrees not to decrease provider payment rates for other Medicaid- or demonstration-covered services to make state funds available to finance provider rate increases required under this STC Section 12.

I, Tyler Sadwith, State Medicaid Director, attest that the above information is complete and accurate.

[Provide signature]  *[Provide date 07.18.25]*

Tyler Sadwith