CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES
Michelle Baass | Director

ALW PL: 26-002

DATE: 09/25/2026

TO: Assisted Living Waiver Providers, including Assisted Living Facilities and Home Health Agencies, and Care Coordination Agencies

SUBJECT: Assisted Living Waiver (ALW) Claiming

PURPOSE

The purpose of this Policy Letter is to clarify policies pertaining to the submission and payment of ALW related claims from ALW Providers and Care Coordination Agencies (CCAs). This Policy Letter is to remind ALW Providers and CCAs that ALW services must be billed appropriately, provided only to ALW participants, and in compliance with federal and state requirements and the terms of the ALW. [1]

BACKGROUND

ALW Providers and CCAs must comply with applicable state and federal laws and regulations and the terms of the ALW.[2] DHCS oversees the ALW and is authorized to take enforcement actions against ALW Providers and CCAs that violate applicable state or federal laws or regulations or the terms of the ALW. DHCS is also authorized to recover overpayments for services that do not meet the requirements of state or federal laws or regulations or the terms of the ALW.

DHCS prioritizes its program's compliance with state and federal laws, regulations, and policies by implementing comprehensive protocols to prevent, detect, and address fraud, waste, and abuse. Program integrity refers to activities to prevent fraud, waste and abuse and services are delivered and administered in accordance with program rules and requirements. Program integrity initiatives encompass Provider screening and

[1] Application for 1915(c) HCBS Waiver_CA.0431.R04.01 - Mar 01 2025
[2] See Assisted Living Waiver Program Provider Agreement, Medi-Cal Provider Agreement, DHCS Form 6208 (para. 2) or DHCS Form 9098 (para. 2).

enrollment requirements, audits, investigations, third-party liability and recovery procedures, as well as oversight and monitoring of program partners, including ALW Providers and CCAs, to ensure adherence to established standards.

ALW PROVIDER AND CCA CLAIMING REQUIREMENTS

ALW Providers and CCAs agree to be bound by the terms of the ALW when enrolling as a Medi-Cal provider.[3] The ALW requires ALW Providers and CCAs to comply with fiscal accountability and integrity requirements, including, but not limited to, the following:

- Ensuring claims are for services provided to enrolled ALW participants and complying with all applicable federal requirements.
- Ensuring claims are for ALW services that have been approved as indicated in the ALW.
- Conducting internal audits to ensure that all ALW claims are for enrolled ALW participants and approved services.

DHCS may suspend ALW Providers and CCAs that fail to comply with these requirements. DHCS may also recover payments made for non-compliant claims.

ALW PROVIDER AND CCA POLICIES TO ENSURE COMPLIANCE

ALW Providers and CCAs must establish and maintain internal controls to ensure the accuracy, validity, and compliance of all claims submitted. These controls include, but are not limited to, the following:

1. Validation of ALW participant eligibility.
2. Provider and Facility compliance standards.
3. Accurate use of Healthcare Common Procedure Coding System (HCPCS) codes.
4. Ongoing audits and reviews of internal processes.

Providers are encouraged to adopt additional measures as appropriate to their operations to further strengthen claim integrity and compliance.

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[3] See Assisted Living Waiver Program Provider Agreement.

1. Participant Eligibility Verification

Providers and CCAs must confirm a participant's enrollment in the ALW prior to rendering services.

Specifically, CCAs must verify Medi-Cal eligibility as well as ALW eligibility at the time a participant is enrolled[4] and provide timely updates to ALW Providers.[5] Both CCAs and ALW Providers must maintain accurate documentation regarding any changes in participants' status. **Moreover, ALW Providers and CCAs must ensure claims submitted to DHCS are for participants enrolled in the ALW.** CCAs must verify each participant's ALW enrollment status in MedCompass. Upon confirming enrollment, the CCA will send an Informing Notice to the Assisted Living Facility or Home Health Agency.[6] ALW Providers will use the provided Informing Notice to verify the participant's ALW enrollment status.

2. Provider and Facility Compliance Standards

ALW Providers and CCAs must remain compliant with ALW program standards, Provider qualifications, and contractual requirements. Key compliance standards for ALW Providers include, but are not limited to, the following:

- Obtaining and maintaining licensure, as well as the appropriate DHCS Provider category/type.
- Providing nursing-level care within a community environment.
- Adhering to federal and state Home and Community Based Services (HCBS) Settings Rule and regulatory requirements.[7]
- Complying with DHCS reporting and procedural requirements.

Essential compliance standards for CCAs include, but are not limited to, the following:

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[4] Application for 1915(c) HCBS Waiver, App. C, C-1/C-3, (page 47); Appendix I, I-2, d. Billing Validation Process, Page 135.
[5] Application for 1915(c) HCBS Waiver, App. D, D-2, a., (page 84).
[6] Assisted Living Waiver Informing Notice
[7] Medi-Cal Provider Agreement, DHCS Form 6208 (para. 2) or DHCS Form 9098 (para.2); Waiver, Appendix C-5; 42 CFR § 441.301(c)(4)

- Ensuring that the participant continues to meet the Level of Care required to be eligible for the ALW.
- Establishing and periodically updating a person-centered ALW Individual Service Plan.[8]
- Establishing and maintaining agency eligibility and organizational requirements.[9]
- Developing and implementing waiver service provision.
- Complying with DHCS and federal reporting and procedural requirements.
- Conducting organizational oversight and monitoring activities.

3. Application of HCPCS Codes

DHCS specifies procedure codes (using HCPCS codes and modifiers) ALW Providers and CCAs must use for accurate documentation and billing under the ALW program. These standardized billing procedures facilitate consistent data collection statewide and uphold compliance with both state and federal billing regulations. All ALW claims must include correct procedure codes and modifiers in accordance with DHCS billing protocols and program integrity requirements. Claims submitted without the necessary information or not meeting ALW standards will be denied reimbursement.[10]

4. Reviewing Internal Processes

ALW Providers and CCAs must regularly audit their claims and review internal procedures and system controls to ensure all submissions are accurate, properly documented, and compliant with state and federal requirements. These audits should identify errors or inconsistencies, prompt corrective actions, and support continuous improvement in documentation and billing practices. Maintaining thorough records of audit activities and outcomes is essential for demonstrating compliance and accountability. DHCS may request findings of such audits at any time.

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[8] Application for 1915(c) HCBS Waiver, Appendix C, C-1/C-3 (page 47); Appendix D, D-1 (pages 78-80)

[9] Appendix C, C-1/C-3: Provider Specifications for Service (pages 64-65).

[10] ALW Rate Sheet 2026

DHCS PROGRM INTEGRITY PROCEDURES

DHCS may take any one or a combination of the following actions against an ALW Provider or CCA that fails to comply with applicable state or federal laws or regulations or fails to comply with the terms of the ALW.

1. Payment Recoupments

DHCS is authorized to recoup overpayments made to ALW Providers and/or CCAs. DHCS may establish repayment agreements with ALW Providers and/or CCAs or offset overpayments against future payments.[11]

2. Monetary Penalties

DHCS may impose civil money penalties of up to 3 times the amount claimed if it finds that an ALW Provider and/or CCA submitted a claim for a service that the ALW Provider and/or CCA "knows or had reason to know" was "not provided as claimed."[12] DHCS may also impose civil money penalties for claims that "are not reimbursable under the Medi-Cal program" and demonstrate a "pattern of abusive overbilling."[13]

3. Provider Reprimand, Probation or Suspension

DHCS may reprimand, place on probation or suspend from participation in Medi-Cal an ALW Provider or CCA that violates "any Medi-Cal statute, rule or regulation relating to the provision of health care services…."[14].

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[11] Welf. & Inst. Code, §§ 14171.5 (a), (b), (c); 14171.6 (b), (c), (d)(1), 14176, 14177; 22 CCR 51047(a), 51458.1(a)(1)). See also 42 CFR § 433.312.
[12] Welf. & Inst. Code, § 14123.2; 22 CCR § 51485.1(a)(1), (f).
[13] Welf. & Inst. Code, § 14123.2; 22 CCR § 51485.1(a)(2), (d)(4). (See also Welf. & Inst. Code, §§ 14171.5, 14171.6.
[14] Welf. & Inst. Code, § 14123(a)(1); 22 CCR § 51452; Medi-Cal Provider Agreement (paragraph 28 of DHCS Form 6208; paragraph 25 of DHCS Form 9098).

As this policy is a clarification of existing ALW program participation and Medi-Cal Provider requirements, this Policy Letter is considered immediately effective. For further information about this Policy Letter or ALW claims requirements, please send an email to ALWClaimsSupport@dhcs.ca.gov, and include the facility name and National Provider Identifier (NPI) in all communications.

Sincerely,

ORIGINAL SIGNED BY

Jake Johnson, Division Chief

Integrated Systems of Care

Department of Health Care Services