Medi-Cal Skilled Nursing Facility Value Strategy

All-Comer Meeting #1

DHCS

CALIFORNIA DEPARTMENT OF
HEALTH CARE SERVICES

February 20, 2026

Meeting Purpose and Agenda

Purpose: Provide an update on the Medi-Cal Skilled Nursing Facility (SNF) Value Strategy Project, including relevant policy background, a project overview, timeline, and next steps

» Today's agenda:

Time Allocated	Topic
9:30am-9:35am	Meeting purpose and agenda
9:35am-9:45am	Overview of Medi-Cal SNF policy and value-based care
9:45am-10:00am	Project overview and stakeholder engagement approach
10:00am-10:30am	SNF Value Strategy initial areas of interest
10:30am-11:00am	Questions & comments

» *Note: These materials are pre-decisional and subject to change pending State budget and policy considerations*

Welcome and Introductions

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SNF Value Strategy Overview

» DHCS is developing a SNF Value Strategy to inform the reauthorization of the Medi-Cal Long-Term Care (LTC) Reimbursement Act

» This upcoming renewal provides a historic opportunity to continue building on the [CalAIM LTC Carve-in](#), [AB 186 Nursing Facility Financing Reform programs](#), and Medi-Cal's Managed Long-Term Services and Supports efforts

» The 2025 Budget Act included resources to support the development of the SNF Value Strategy and to convene a dedicated stakeholder workgroup

» The SNF Value Strategy is a pillar of Medi-Cal's comprehensive purchasing strategy that aims to incentivize plans and providers to *deliver the right care, at the right time, in the right place, at the right cost*

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Updates from 2026 Governor's Budget

» The 2026 Governor's Budget proposes a one-year extension of the current Medi-Cal SNF Financing framework effective January 1, 2027, through December 31, 2027

» DHCS is developing the SNF Value Strategy, in consultation with stakeholders, over the course of calendar year 2026 and aims to release a proposed version of the Multi-Year Roadmap in early 2027

» The Multi-Year Roadmap will outline the recommended future state for the Medi-Cal SNF Financing framework for dates of service on or after January 1, 2028

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Guiding Principles

DHCS has articulated the following guiding principles, subject to further refinement with stakeholders:

1. **Whole-Person Care and Care Coordination**: Coordinating and integrating care through the Medi-Cal managed care delivery system to provide whole-person care to members with institutional level-of-care needs and support the development of comprehensive Managed Long-Term Services and Supports (MLTSS)

2. **Quality Accountability and Incentives**: Holding SNFs accountable for providing high quality resident care and incentivizing quality improvement while reducing health disparities in alignment with and furtherance of DHCS's Comprehensive Quality Strategy

3. **Care Transitions and Financial Alignment**: Creating financial incentives for the delivery of care in the right setting, including appropriate transitions between hospital, SNFs, and HCBS settings

4. **Workforce Investment and Accountability**: Emphasizing the critical role of workforce as a key driver of quality resident care, and holding facilities accountable for using Medi-Cal funds to provide fair compensation and benefits to workers

5. **Financial Sustainability and Efficiency**: Provisioning services economically and efficiently to support the financial sustainability and affordability of California's health care system and securing federal financial participation for Medi-Cal skilled nursing facility services

6. **Access and System Integrity**: Supporting equitable access to skilled nursing facility care, including in rural areas, and removing perverse incentives in resident admissions, transfers, and discharges

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Overview of Medi-Cal SNF Policy and Value-Based Care

Background: Medi-Cal SNF Policy

» The Medi-Cal Long-Term Care Reimbursement Act governs the overall Medi-Cal financing framework for freestanding skilled nursing facilities (SNFs) and subacute units, including:

- o Cost-based per-diem rate framework
- o Quality Assurance Fee (QAF)
- o Workforce & Quality Incentive Program (WQIP)*
- o Workforce Standards Program (WSP)
- o Accountability Sanctions Program (ASP)

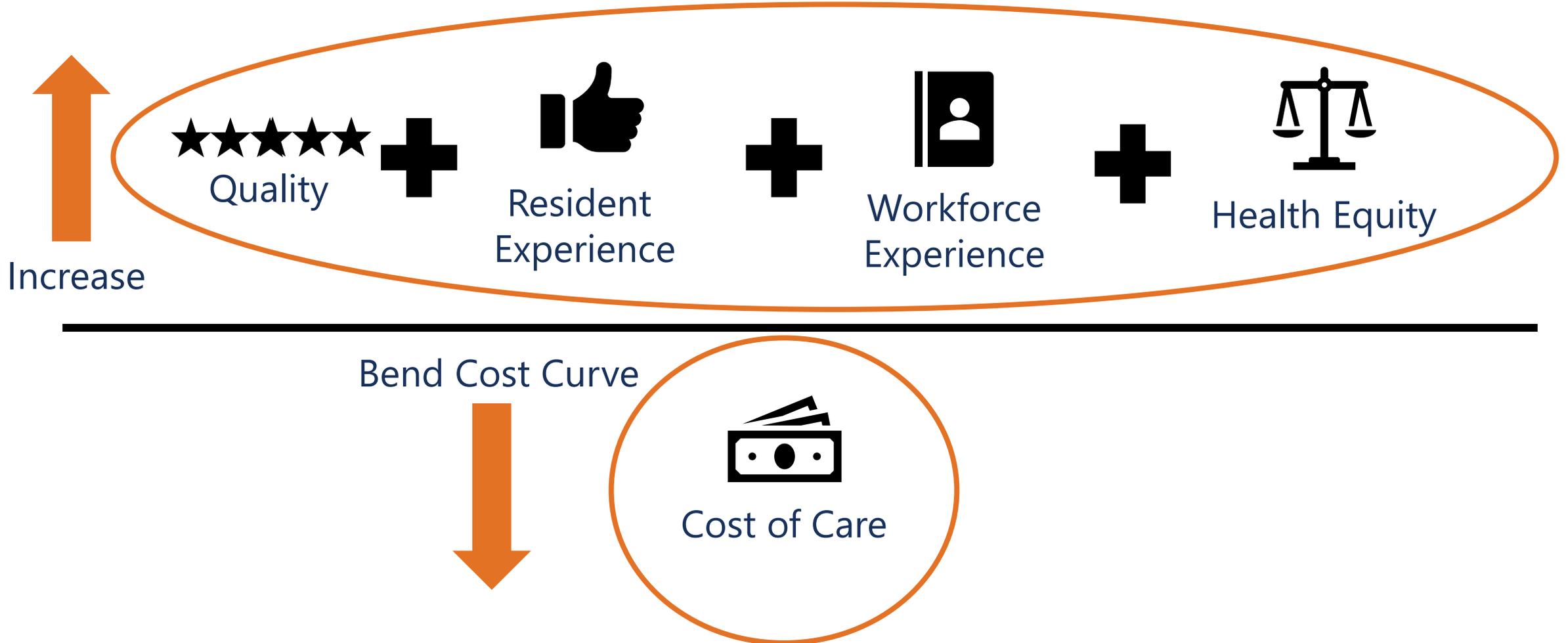* WQIP sunset on December 31, 2025, pursuant to the 2025 Budget Act

Overview of SNF Services

» In California, there are approximately 1,000 freestanding SNFs and several dozen distinct part SNFs

» In 2025, Medi-Cal paid for approximately 61% of residents, and Medicare paid for an additional 20%

» Medi-Cal generally pays for long-term "custodial" stays, while Medicare generally covers up to the first 100 days

» In 2024, over 120,000 Medi-Cal members had SNF stays

» Total industry revenues in California in 2024 were over $16.1 billion across all payers and over $7.5 billion from Medi-Cal

» SNF and subacute services are also provided by hospital distinct part units, which are reimbursed using a separate methodology

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Value in Health Care

» Value-based care means delivering health care in a way that is designed to focus on quality of care, the patient experience, workforce experience, and reducing health disparities

» Value-based care puts greater emphasis on integrated care, meaning health care providers work together to address a person's physical, mental, behavioral and social needs

- In this way, providers treat an individual as a whole person, rather than focusing on a specific health issue or disease

» Value-based payments are health care delivery and payment structures designed to increase value across the system. It is not a single model of payment

Conceptual Value Equation

Increase

Quality + Resident Experience + Workforce Experience + Health Equity

Bend Cost Curve

Cost of Care

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Project Overview

Major Project Deliverables

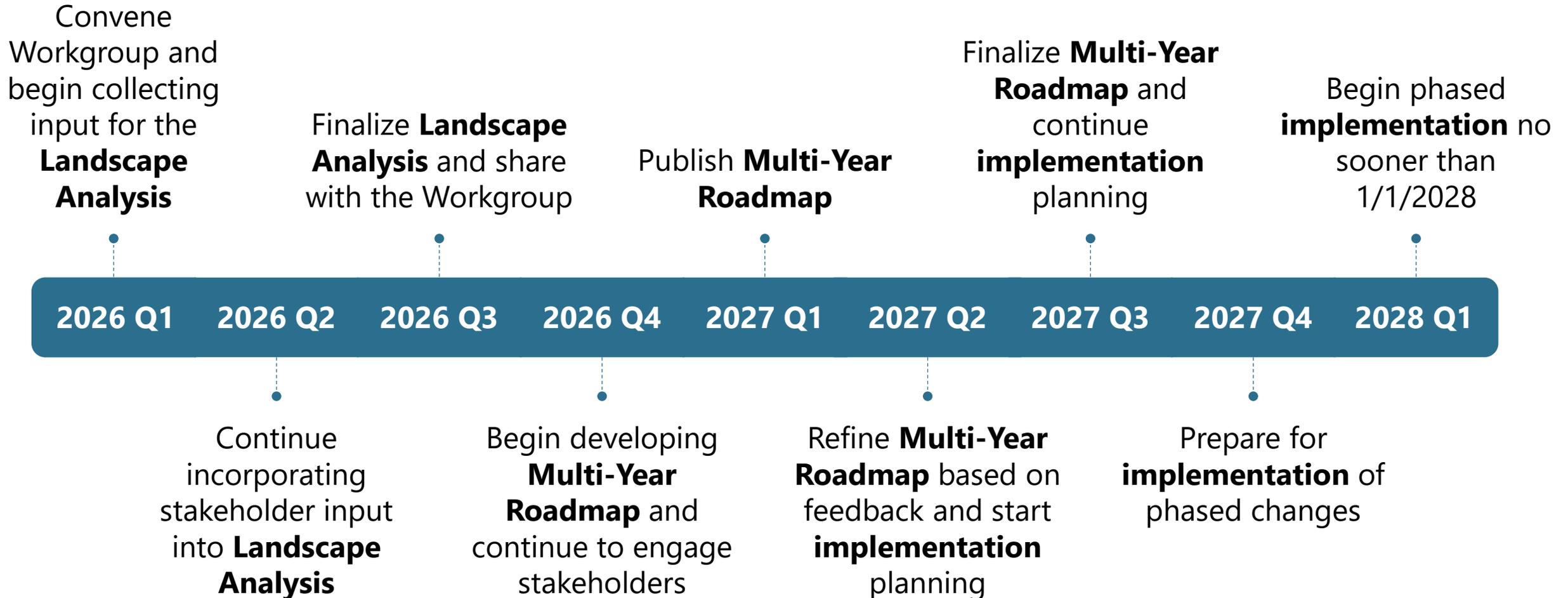| Landscape Analysis	Multi-Year Roadmap
• Overview and analysis of Medi-Cal's current and historical SNF payment and incentive policies; relevant policy and clinical literature; and existing payment models, workforce initiatives, and quality incentive programs used by Medicare, other state Medicaid programs, and other payors	• The strategy will include a recommended future state vision for calendar year (CY) 2032 and a Roadmap for incremental implementation and system change between CY 2028 and CY 2032

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Landscape Analysis

» The Landscape Analysis will cover topics including

  o The current state of Medi-Cal reimbursement and rate methodology

  o A scan of national SNF payment methodologies

  o Review of policy and clinical literature

  o Workforce capacity, staffing, and sustainability

  o Quality measurement, oversight, and performance

  o Care transitions, access, and whole-person care

  o Analysis of rate and financial data

» Stakeholder feedback on these topics will be embedded throughout the analysis

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Multi-Year Roadmap

» The Multi-Year Roadmap will outline the phased implementation and recommended future state for Medi-Cal's SNF payment system and incentive policies from CY 2028 through CY 2032

» The Multi-Year Roadmap will include the rationale and intended outcomes of the proposed future state, informed by the Landscape Analysis and stakeholder feedback

» The Multi-Year Roadmap will describe the iterative changes necessary, including required changes to policy and guidance, necessary federal approvals, and system changes

» The Multi-Year Roadmap will be used to facilitate discussions with stakeholders about operational planning and will be released publicly

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SNF Value Strategy Timeline

Convene Workgroup and begin collecting input for the Landscape Analysis

Finalize Landscape Analysis and share with the Workgroup

Publish Multi-Year Roadmap

Finalize Multi-Year Roadmap and continue implementation planning

Begin phased implementation no sooner than 1/1/2028

| 2026 Q1 | 2026 Q2 | 2026 Q3 | 2026 Q4 | 2027 Q1 | 2027 Q2 | 2027 Q3 | 2027 Q4 | 2028 Q1 |

Continue incorporating stakeholder input into Landscape Analysis

Begin developing Multi-Year Roadmap and continue to engage stakeholders

Refine Multi-Year Roadmap based on feedback and start implementation planning

Prepare for implementation of phased changes

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Stakeholder Engagement Approach

» DHCS convened a dedicated stakeholder workgroup in January 2026 to gather feedback to inform the development of the Landscape Analysis and Multi-Year Roadmap

» The workgroup is comprised of 26 members including both organizational representatives as well as subject matter experts and individuals with lived experience identified through a public call for nominations

» DHCS will share out information and gather feedback from the broader stakeholder community through periodic all-comer webinars and existing forums

- All-Plan Meetings
- Other relevant workgroups across DHCS
- Stakeholder-organized conferences and events

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Workgroup Composition

Organizational Reps	Member Composition
• California Association of Health Facilities • LeadingAge • California Association of Health Plans • Local Health Plans of California • SEIU California State Council & SEIU 2015 • California Association of LTC Medicine • Geriatric Circle • California Advocates for Nursing Home Reform • California Long-Term Care Ombudsman Association • California Hospital Association • AARP	• Managed care plan (MCP) representatives • Facility operators and administrators • Facility workers and labor representatives • Ombudsmen and consumer advocates • Clinical policy experts and researchers • Medi-Cal members/facility residents, family members and caregivers • Other cross-system stakeholders (a hospital representative and a Home and Community Based Services [HCBS] provider)

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Initial Areas of Interest

DHCS has identified four initial areas of interest to evaluate as part of developing the Multi-Year Roadmap:

1. Consider adopting a system that includes **resident-specific acuity-based rates** to tie reimbursement with individual patient needs and create better financial incentives for appropriate care transitions

2. Allow managed care plans and SNFs more **flexibility to negotiate rates** outside of the minimum/maximum fee schedule to better reflect local needs and allow for innovation

3. Establish a streamlined **value-based payment** framework to incentivize quality outcomes incorporating lessons learned from SNF WQIP, SNF ASP, and SNF WSP

4. Continue a **workforce program** to provide fair wages and benefits to workers, and incorporate insights from workforce policies used by other states

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Per-Diem Rates

» Under California's current model, there are over 1,000 facility-specific rates based on the facility's average audited daily costs subject to various formulas

» Rates within a single facility do not vary based on patients' acuity except if the facility has a distinct subacute unit or behavioral health special treatment program

» Since 1998, Medicare has reimbursed SNFs through acuity, based on each resident's clinical characteristics and care needs. In 2019, Medicare adopted the Patient Driven Payment Model (PDPM) as the next version of their acuity-based system

» Currently, over 30 other state Medicaid programs have announced adaptions of PDPM or PDPM components, with several others currently in the evaluation process

» California's current cost-based methodology is administratively burdensome to audit and develop and is vulnerable to misreported or misclassified cost. It is unclear if the current system always creates financial incentives for quality, efficiency, and timely transitions of care to the most appropriate settings

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Relationship Between Medi-Cal Base Per Diem Rate and Share of Medi-Cal Residents

CY 2023 Share of Medi-Cal Residents and Base Per Diem Rate
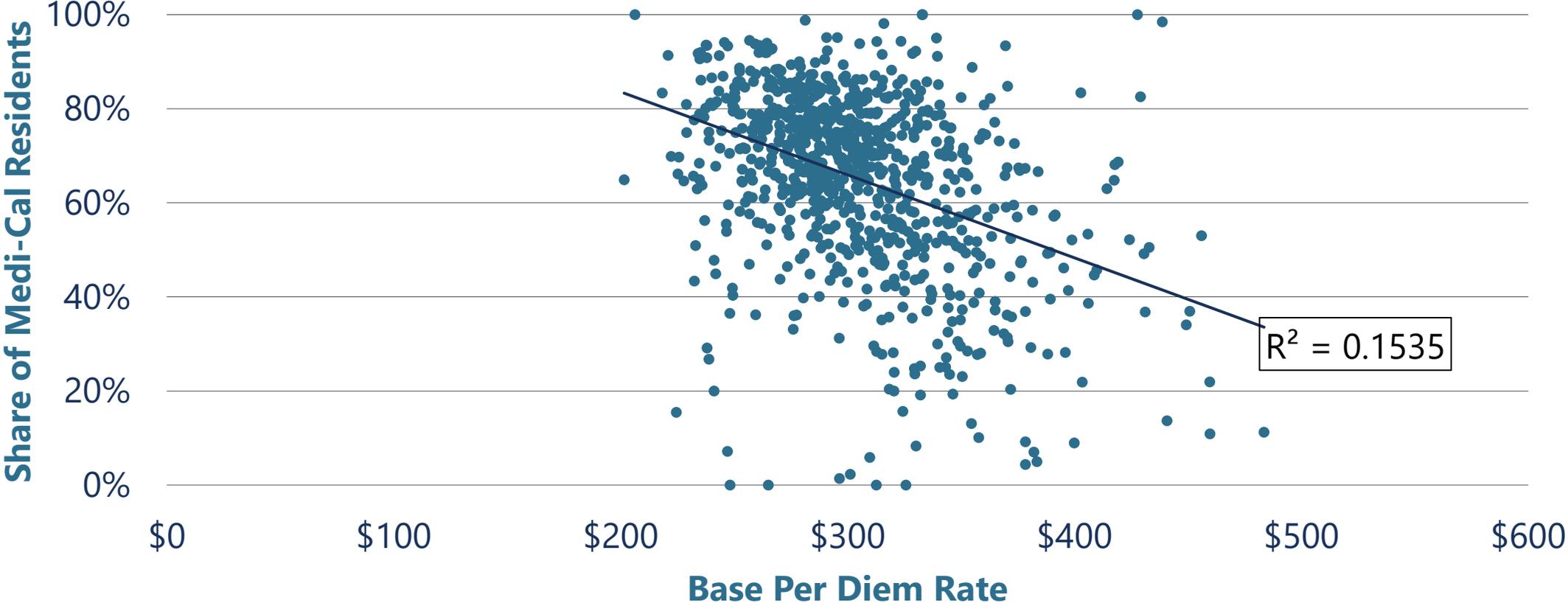
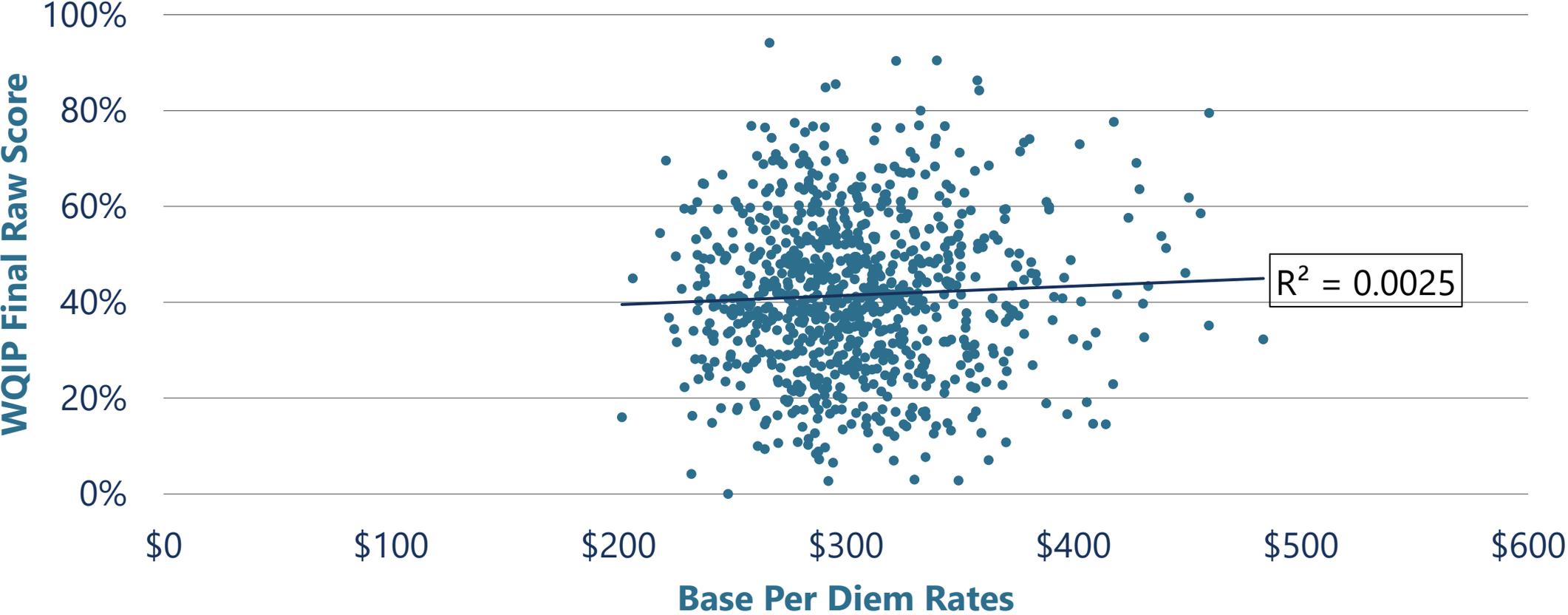$R^2 = 0.1535$

Share of Medi-Cal Residents

Base Per Diem Rate

Note: The R^2 value indicates the strength of the relationship between the two values.

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Relationship Between Medi-Cal Base Per Diem Rate and Facility WQIP Score

CY 2023 WQIP Final Raw Score and Base Per Diem Rates

Note: The R^2 value indicates the strength of the relationship between the two values.

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Flexible Rate Negotiation

» As part of the CalAIM long-term care (LTC) carve-in, DHCS established minimum or minimum/maximum fee schedule requirements for MCPs depending on whether extended LTC services were previously covered by MCPs in the county

  • DHCS is extending these requirements through at least CY 2026

» While the fee schedule requirements have supported the transition as MCP-SNF contracting relationships mature, they may limit the negotiation of efficient reimbursements based on local needs and the implementation of alternative payment models

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Fee Schedule Requirement by County

Minimum fee schedule only
Minimum/maximum fee schedule
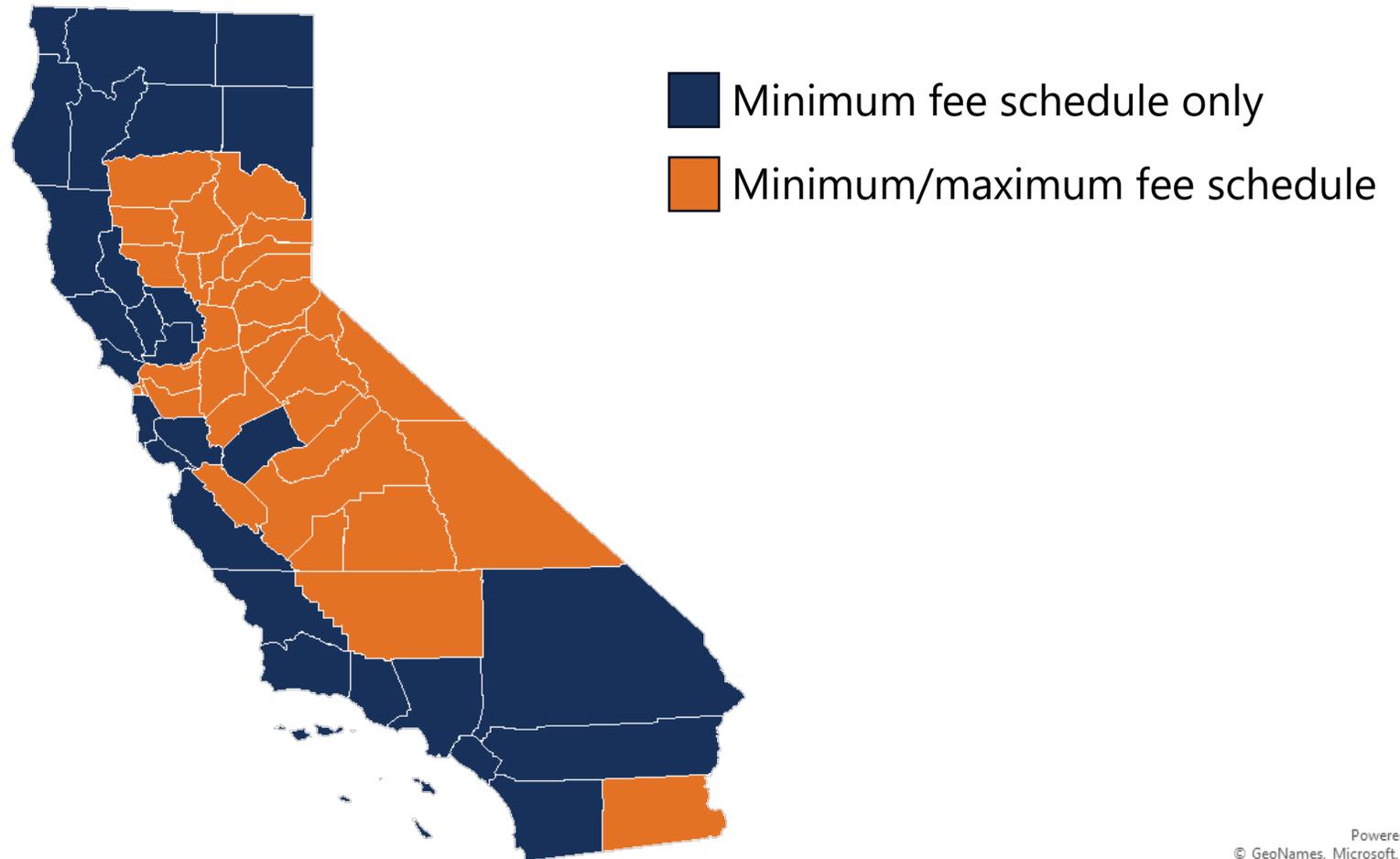
Source: https://www.dhcs.ca.gov/formsandpubs/Documents/MMCDAPLsandPolicyLetters/APL 2024/APL24-009.pdf

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Value-Based Payments

» Assembly Bill (AB) 186 (Committee on Budget, Chapter 46, Statutes of 2022) authorized three separate Value Based Payment-like programs for SNFs:

- WQIP – focused on nurse/patient ratios and clinical outcome metrics
- WSP – focused on worker pay and benefits
- ASP – sanctions facilities that do not meet minimum metrics established by DHCS

» While SNF WQIP was discontinued as of December 31, 2025, pursuant to AB 116 (Committee on Budget, Chapter 21, Statutes of 2025), DHCS remains interested in models that incentivize SNF workforce and quality improvement in future payment models

» Operating three separate programs has been administratively burdensome for DHCS, MCPs, and facilities and has the potential to produce discordant incentives across programs

» In a future state, these programs could be integrated into a streamlined Value Based Payment framework including quality withholds and incentive payments better aligned with SNF QAF revenues

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Staffing and Workforce Initiatives

» Medi-Cal's current WSP provides a facility-specific per diem workforce rate adjustment to facilities that maintain a Collective Bargaining Agreement (CBA), participate in a statewide multi-employer labor management committee (LMC), or meet basic wages and benefit standards established by DHCS

» Medi-Cal's former SNF WQIP considered staffing hours and turnover for RNs, LVNs, and CNAs using Payroll-Based Journal data. Medi-Cal also contracts with California Department of Public Health to audit staffing hours

» Centers for Medicare and Medicaid Services' 2024 *LTC Final Rule* requires states to report on the percentage of Medicaid revenue used to support workforce beginning in 2028, but does not establish a minimum percentage

» Several states have adopted other types of workforce initiatives for SNFs, to ensure that Medicaid revenue is used to incentivize staffing levels and wages and benefits for direct care and support staff, such as minimum spending requirements and worker tenure and promotion programs

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Questions?

Stay Connected!

» Please send any questions or feedback to SNFValueStrategy@dhcs.ca.gov

» Visit our [Skilled Nursing Facility Value Strategy webpage](#) for updates

Appendix

Medi-Cal SNF Financing Framework

Framework component	Description
Cost-based per-diem rate framework	Prospective, facility-specific per diem (daily) rates which are calculated based on the costs incurred by each facility, using facility-submitted cost reports
Quality Assurance Fee (QAF)	A fee imposed on certain skilled nursing facilities, which is used as the state's share to draw down federal Medicaid matching funds and enhance Medi-Cal provider reimbursements and quality
Workforce & Quality Incentive Program (WQIP)*	Provided directed payments to facilities to incentivize workforce and quality. Payments were determined based on facility performance on metrics such as nurse/patient ratios and clinical outcomes. This program succeeded the former Quality and Accountability Supplemental Payment (QASP) program
Workforce Standards Program (WSP)	Provides an enhancement to the Medi-Cal per diem rate, including a workforce rate adjustment, to facilities that maintain a Collective Bargaining Agreement (CBA), participate in a statewide multi-employer labor management committee (LMC), or meet basic wages and benefit standards established by DHCS
Accountability Sanctions Program (ASP)	Authorizes DHCS to sanction facilities that do not meet quality standards established by DHCS

* WQIP is sunsetting December 31, 2025, pursuant to the 2025 Budget Act