

DATE: October 30, 2026

LTC RATES POLICY LETTER 27-003

TO: ALL MEDI-CAL DISTINCT PART PEDIATRICS SUBACUTE (DP/PSA)

SUBJECT: DISTINCT PART PEDIATRICS SUBACUTE (DP/PSA) FACILITY CY 2027
RATES

PURPOSE:

This Long-Term Care (LTC) Rates Policy Letter adopts the Medi-Cal Calendar Year (CY) 2027 rate study for Distinct Part Pediatrics Subacute (DP/PSA).

BACKGROUND:

Reimbursement rates for Distinct Part Pediatrics Subacute (DP/PSA) are updated annually using a cost-based rate methodology in accordance with Attachment 4.19-D of the California Medicaid State Plan. Facilities are classified into Ventilator and Non-Ventilator patient categories. Welfare and Institutions Code (WIC) section 14126.027 authorizes the Department of Health Care Services (DHCS) to implement the Medi-Cal Long-Term Care Reimbursement Act by means of provider letters or other similar instructions, without taking regulatory action, notwithstanding the rulemaking provisions of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

As part of the California Advancing and Innovating Medi-Cal (CalAIM) initiative, Medi-Cal institutional Long-Term Care (LTC) services were fully carved into the managed care delivery system effective January 1, 2024. Requirements applicable to Managed Care Plans, including payment rates, are described in All Plan Letter (APL) 26-010¹ and 26-011².

POLICY:

I. Rate Setting Calculations

DHCS hereby adopts the rate setting calculations described in the CY 2027 DP/PSA Rate Study Workbook, which are incorporated by reference, to effectuate the methodologies specified Medi-Cal Long Term Care Reimbursement Act and State Plan. All necessary peer group percentile caps, adjustment factors, growth

¹ <https://www.dhcs.ca.gov/wp-content/uploads/2026/06/APL26-010.pdf>

² <https://www.dhcs.ca.gov/wp-content/uploads/2026/06/APL26-011.pdf>

factors, and weighted average rates are calculated prospectively at the time of the initial rate study as specified in Appendix Tabs A and B of this Rate Study Workbook and will not be recalculated on the basis of any subsequent facility-specific rate re-computations that may occur.

The reimbursement rates for DP/PSA Facilities are updated annually using a reimbursement methodology that sets payment rates to the lesser of cost projected by the Department of Health Care Services (DHCS) or the class median rate, delineated by Ventilator and Non-Ventilator.

Assembly Bill (AB) 118 (Chapter 42, Statutes of 2023) amended WIC section 14105.075 to shift reimbursement for DP/PSA facilities from an August to July 31 rate year basis to a calendar rate year basis (January 1 to December 31), effective January 1, 2024. Changes to the California Medicaid State Plan necessary to effectuate the changes made by AB 118 are approved in State Plan Amendment 23-0032. Reimbursement rates will be established pursuant to the methodology described above for each calendar rate year.

Pursuant to the State Plan, payment to facilities for members who are on bed hold for acute hospitalization or who are on an approved leave of absence shall be at the appropriate facility daily rate less a bed hold adjustment for raw food costs. Pursuant to the State Plan, payment for hospice room and board is 95 percent of the Medi-Cal facility-specific rate where the patient resides.

II. Policy Letter Adoption

This Policy Letter supersedes all prior guidance, bulletins, instructions, and regulations issued by DHCS on the matters described herein. DHCS reserves the right to modify, waive, or rescind any provision of this Policy Letter. This Policy Letter is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its agencies, departments, entities, officers, employees, or any other person.

A copy of this Policy Letter is posted on the Medi-Cal Long-Term Care Reimbursement website at <https://www.dhcs.ca.gov/services/medi-cal-resources/distinct-part-pediatric-subacute/>. If you have any questions regarding this Policy Letter, please contact the Medi-Cal Long-Term Care Reimbursement Inbox at LTCReimbursement@dhcs.ca.gov for rate issues.

Sincerely,

ORIGINAL SIGNED BY ADITYA VOLETI

Aditya Voleti, Division Chief
Provider Rates Division