

DATE: October 30, 2026

LTC RATES POLICY LETTER 27-004

TO: MEDI-CAL DISTINCT PART NURSING FACILITIES, LEVEL B (DP/NF-B),
RURAL SWING BED (RSB), AND ADMINISTRATIVE DAY

SUBJECT: DISTINCT PART NURSING FACILITIES, LEVEL B (DP/NF-B), RURAL
SWING BED (RSB), AND ADMINISTRATIVE DAY 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 Nursing Facilities, Level B (DP/NF-B), Rural Swing Bed (RSB), and Administrative Day.

BACKGROUND:

Reimbursement rates for Distinct Part Nursing Facilities, Level B (DP/NF-B), Rural Swing Bed (RSB), and Administrative Day are updated annually using a cost-based rate methodology in accordance with Attachment 4.19-D of the California Medicaid State Plan. 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

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>

DP/NF-B 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 factors, and weighted average rates are calculated prospectively at the time of the initial rate study as specified in the 2027 Calculations tab 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/NF-B are established based on the lesser of costs as projected by the Department or the prospective class median. Facilities with less than twenty percent Medi-Cal utilization are excluded from the establishment of the median projected cost. If a facility's projected cost is lower than its rate established in the prior rate year, the facility will continue to receive the prior year rate (Hold Harmless).

The Rural Swing Bed rates for hospitals located in designated rural/frontier areas with DP/NF-Bs receive the calculated class median rate as their Rural Swing Bed facility specific rates.

An acute care hospital with DP/NF-B will receive the lesser of its projected costs or the DP/NF-B median rate as their Administrative Day Rate.

Assembly Bill (AB) 118 (Chapter 42, Statutes of 2023) amended WIC section 14105.075 to shift reimbursement for DPNF-B, Rural Swing Bed, and Administrative Day 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. Additionally, 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/Pages/DPNF_B.aspx. 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