

July 13, 2026

Policy Letter 26-02

TO: Program of All Inclusive Care for the Elderly (PACE) Organizations

SUBJECT: Fiscal Year 26-27 - PACE Only - Adult Day Health Care Center, Primary Care Clinic, and Home Health Agency Fee Schedule

PURPOSE

The purpose of this policy letter (PL) is to notify PACE Organizations (POs) of the Department of Health Care Services (DHCS) Fiscal Year (FY) 2026-2027 Administrative Fee for Adult Day Health Care Centers (ADHC), Primary Care Clinics (PCC), and Home Health Agencies (HHA) Serving Only PACE Participants, as set forth in Welfare & Institutions Code (W&I Code) section 14592(c) and (n).

POLICY

Oversight and Regulation of Annual Administrative Fees

W&I Code section 14592(c) established DHCS oversight and regulation of PO ADHCs, PCCs, and HHAs serving only PACE participants or applicants, as follows:

“A primary care clinic, as defined in paragraph (1) of subdivision (b) of Section 1200 of the Health and Safety Code, an adult day health care center, as defined in subdivision (b) of Section 1570.7 of the Health and Safety Code, or a home health agency, as defined in subdivision (a) of Section 1727 of the Health and Safety Code, that exclusively serves PACE participants, as defined in Section 460.6 of Title 42 of the Code of Federal Regulations, is exempt from licensure by the State Department of Public Health. A primary care clinic, an adult day health care center, or a home health agency that exclusively serves PACE participants shall be overseen and regulated by the department.”

W&I Code section 14592(n) requires that DHCS **“establish an administrative fee to be paid by each PACE organization exempt from licensure upon enrollment as a PACE provider, and annually thereafter, . . .”** W&I Code section 14592(k) authorizes DHCS to implement, interpret, or make specific the requirements of W&I Code section 14592 through Policy Letters.

In August of each year, DHCS will send a verification page (Attachment A in invoice) to each PO that DHCS has approved to operate as an ADHC, PCC, and/or HHA under DHCS oversight and regulation, as set forth in W&I Code section 14592(c). DHCS' verification page (Attachment A in invoice) will identify the total FY fees due to DHCS.

POs operating an ADHC, PCC, and/or HHA serving only PACE participants/applicants must pay their State FY Administrative fee(s) to DHCS by no later than **September 30th** of each year.

PO Obligations

POs operating an ADHC, PCC, and/or HHA serving only PACE participants/applicants must do the following:

- Notify DHCS that the PO is operating an ADHC, PCC, and/or HHA that only serves PACE beneficiaries/applicants as described in W&I Code section 14592(c) and obtain DHCS approval to operate under W&I Code section 14592(c) (*See below for further details*);
- Timely pay DHCS the annual fee(s) required under W&I Code section 14592(n); and
- Notify the PO's DHCS-ISCD PACE contract manager if the PO does not receive an ADHC, PCC, and/or HHA verification page (Attachment A in invoice) in August of every year, to arrange for payment of the fee(s).

If the fee(s) is/are not received by DHCS by September 30th of each year, DHCS may (1) revoke its approval of the PO to operate the ADHC, PCC, and/or HHA under W&I Code section 14592(c); (2) require the PO to cease operations of the ADHC, PCC and/or HHA until the fee(s) is/are paid; or (3) take other appropriate action to collect the fee(s), including but not limited to, capitation offsets.

The annual fee(s) will be set using the fee schedule established each year by the California Department of Public Health (CDPH) for PCC, ADHC, and HHA licenses. Refer to the All Facilities Letter (AFL) Fiscal Year Health Care Facility License Fee Schedule posted on the CDPH website every July.¹

New PO Obligations

For new PO applicants and/or expansions operating an ADHC, PCC, and/or HHA that serves only PACE participants or applicants, the annual fee(s) will be set based upon what FY year their operational date begins and must be received by DHCS within 30 calendar days of the operational date. The initial fee(s) for each PO operated PCC, ADHC, or HHA serving only PACE participants/applicants will be prorated based upon the operational date. If the fee(s) is/are not received by DHCS within the specified timeframe, DHCS may (1) revoke the approved operational date of the PO; (2) require the PO to cease operations until the fee is paid; or (3) take action to collect the fee, including but not limited to, capitation offsets.

¹ The AFL Fiscal Year Health Care Facility License Fee Schedule can be found at:
<https://www.cdph.ca.gov/Programs/CHCQ/LCP/Pages/LC-Health-Care-Facility-Licensing-Fees.aspx>

Transfer from CDPH Licensing to DHCS Oversight and Regulation

When an existing PO that is operating an ADHC, PCC, and/or HHA under CDPH licensing decides to limit such services to only PACE participants/applicants, that PO must do the following:

- Inform CDPH and DHCS of the change in writing 90 days prior to the change;
- Submit a request to CDPH (with copy to DHCS) to relinquish their CDPH license 90 days prior to license expiration date;
- Submit a written request to DHCS that asks for approval to operate under DHCS oversight and regulation as specified in W&I Code section 14592(c);
- Submit to DHCS all desk review materials 90 days before the license is transferred to DHCS' authority;
- Pay any outstanding fees to CDPH;
- Withdraw any submitted REPORT OF CHANGE/INITIAL/CHOW application from CDPH; and
- Pay the initial fee(s) to DHCS as required under W&I Code section 14592(n).

DHCS will not grant final approval for the PO to operate an ADHC, PCC, and/or HHA serving only PACE participants/application until the initial fee(s) is/are received. Once a PO ADHC, PCC, and/or HHA is approved to operate under DHCS oversight and regulation under W&I Code section 14592(c), it becomes subject to the annual fee(s) under W&I Code section 14592(n).

POs that have been granted full ADHC, PCC, and/or HHA licensure exemptions by CDPH and DHCS under Health and Safety Code (H&S Code) section 100315 must pay DHCS the fee(s) collected under W&I Code section 14592(n).

Payment Submissions

POs must mail their fee(s) payment with a tracking number to the following address:

DHCS - Office of Medicare Innovation and Integration
Attention: PACE Section
1501 Capitol Avenue, MS 4502
Sacramento, CA 95814

DHCS will issue the PO's certification to post at the PACE center once the fee(s) have been cleared.

Fees Schedule Fiscal Year 2026-2027

Facility Type	2026-2027 Statewide	2026-2027 Los Angeles County Supplemental Fee
Adult Day Health Centers	\$8,830	\$0
Primary Care Clinics	\$1,646	\$556
Home Health Agencies	\$2,946	\$2,103

Complaints Process

Complaints regarding entities that are subject to DHCS' oversight and regulatory authority under W&I Code section 14592(c) are to be submitted directly to DHCS at PACEcompliance@dhcs.ca.gov.

If you have any questions regarding the requirements of this PL, please reach out to PACEContractManager@dhcs.ca.gov.

Sincerely,

[Original signed by]

Lauren Solis, Chief
Office of Medicare Innovation and Integration
Department of Health Care Services