CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES
Michelle Baass | Director

August 18, 2026

THIS LETTER SENT VIA EMAIL

Ms. Courtney Miller, Director
Division of Program Operations
Medicaid and CHIP Operations Group
Centers for Medicare & Medicaid Services
601 East 12th Street, Room 355
Kansas City, MO 64106

STATE PLAN AMENDMENT 26-0032: HIGH FIDELITY WRAPAROUND PAYMENT METHODOLOGY

Dear Ms. Miller:

The Department of Health Care Services (DHCS) is submitting State Plan Amendment (SPA) 26-0032 for your review and approval. This SPA proposes to add a payment methodology for High Fidelity Wraparound (HFW) services. DHCS seeks an effective date of July 1, 2026, for this SPA.

CMS approved SPA 24-0042 on December 19, 2024. SPA 24-0042 added Evidence-Based Practices (EBP), such as Assertive Community Treatment and Coordinated Specialty Care for First Episode Psychosis, to the Specialty Mental Health Services program and established a monthly bundled rate payment methodology for those services. Under the existing payment methodology, DHCS pays providers on a fee-for-service basis for covered services delivered to children and youth through the HFW EBP. SPA 26-0032 proposes to add a monthly bundled rate payment methodology for HFW. SPA 26-0032 amends pages 21, 22, 23, 25.4 and 25.5 and adds pages 23.1, and 25.6 to Attachment 4.19-B.

DHCS posted the public notice for SPA 26-0032 on May 14, 2026, and received comments from six individuals and organizations. DHCS disseminated the Tribal Notice on June 4, 2026. Most of the public comments pertained to parts of the State Plan pages that CMS approved previously. DHCS addressed comments that pertained to the HFW monthly bundled rate payment methodology.

Included in this submission are the following:

- CMS 179 Form
- Standard Funding Questions
- Attachment 4.19-B pages 21, 22, 23, 23.1, 25.4, 25.5 and 25.6 (redline & clean version)
- Public Notice
- Tribal Notice

If you have any questions or need additional information, please contact Charles Anders, Chief of the Local Governmental Financing Division at (916) 713-8804 or by email at Charles.Anders@dhcs.ca.gov.

Sincerely,

Tyler Sadwith
State Medicaid Director
Chief Deputy Director, Health Care Programs
California Department of Health Care Services

Enclosures

cc: See Next Page

cc: Saralyn M. Ang-Olson, JD, MPP
Chief Compliance Officer
Office of Compliance
California Department of Health Care Services
Saralyn.Ang-Olson@dhcs.ca.gov

Rafael Davtian
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Charles Anders, Chief
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DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB No. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

1. TRANSMITTAL NUMBER: 26 — 0032

2. STATE: CA

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT: (●) XIX ( ) XXI

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
July 1, 2026

5. FEDERAL STATUTE/REGULATION CITATION
42 CRR 440 and 42 CFR 447

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2027 $ 0
b. FFY 2028 $ 0

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Attachment 4.19-B Pages 21, 22, 23, 23.1 (new), 25.4, 25.5, and 25.6 (new)

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*
Attachment 4.19-B Pages 21, 22, 23, 25.4, and 25.5.

9. SUBJECT OF AMENDMENT
Adding methodology for High Fidelity Wraparound services in Attachment 4.19-B reimbursement pages.

10. GOVERNOR'S REVIEW *(Check One)*

( ) GOVERNOR'S OFFICE REPORTED NO COMMENT
( ) COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
( ) NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
(●) OTHER, AS SPECIFIED:
Please note: The Governor's Office does not wish to review the State Plan Amendment.

11. SIGNATURE OF STATE AGENCY OFFICIAL
[redacted]

12. TYPED NAME
Tyler Sadwith

13. TITLE
State Medicaid Director and Chief Deputy Director

14. DATE SUBMITTED
August 18, 2026

15. RETURN TO
Department of Health Care Services
Attn: Director's Office
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

FOR CMS USE ONLY

16. DATE RECEIVED

17. DATE APPROVED

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL

21. TITLE OF APPROVING OFFICIAL

22. REMARKS

Instructions on Back

PAYMENT FOR REHABILITATIVE MENTAL HEALTH AND TARGETED CASE MANAGEMENT SERVICES

A. GENERAL APPLICABILITY

Payment for rehabilitative mental health and targeted case management services provided by Eligible Providers will be limited to the fee schedule developed by the State.

B. Definitions

"Benefit Percentage" means the employer's cost to provide an employee insurance, retirement and savings, and other legally required benefits divided by the employee's wage as reported in table 3 of the Bureau of Labor Statistics Employer Costs for Employee Compensation published by December 30th in the calendar year prior to the beginning of the State Fiscal Year.

"County Cost of Labor Index" means a county-specific index calculated on an annual basis pursuant to Section H.

"County Metropolitan or Non-Metropolitan Area" means the metropolitan or non-metropolitan area in the BLS Occupational Employment and Wage Statistics Tables where the county is located.

"Day Services" means Day Treatment Intensive, Day Rehabilitation, Crisis Stabilization, and Clubhouse Services as those services are defined in Supplement 3 to 3.1-A.

"Eligible Provider" means a public or private provider enrolled in the Medi-Cal program and certified to provide one or more Rehabilitative Mental Health or Targeted Case Management service as those services are defined in Supplement 1 and Supplement 3 to Attachment 3.1-A of this State Plan.

"Full-Day" means a beneficiary received a face-to-face service in a Day Treatment Intensive or Day Rehabilitation program with services available for more than four hours, or received face-to-face Clubhouse Services for at least three hours in a day.

"Full Month of Service" means an Eligible Provider delivered a service in an Assertive Community Treatment (ACT) or Multisystemic Therapy (MST) program to the same beneficiary on at least six separate days in a month, delivered a service in a Coordinated Specialty Care (CSC) program to the same beneficiary on at least four separate days in a month, or delivered a service in a High Fidelity Wraparound (HFW)

program to the same beneficiary on at least one day in a month. At least four of the services delivered in an ACT or MST program must have been face-to-face with the beneficiary, and at least three of the services delivered in a CSC program must have been face-to-face with the beneficiary. Other services may be collateral contacts. If an Eligible Provider delivered a face-to-face service and a collateral contact on the same day, it is counted as two separate days.

"Half-Day" means a beneficiary received face-to-face service in a Day Treatment Intensive or Day Rehabilitation program with services available from three to four hours.

"High Fidelity Wraparound (HFW)" means a bundle of rehabilitative mental health services and Targeted Case Management services provided to youth beneficiaries by a multidisciplinary high fidelity wraparound team of providers. The bundle of services includes Targeted Case Management Services as those services are defined in Supplement 1 to Attachment 3.1-A and the following rehabilitative mental health services as those services are defined in Supplement 3 to Attachment 3.1-A: Peer Support Services, Psychosocial Rehabilitation Services, and Crisis Intervention Services.

"HFW Team Annual Salaries and Wages" means the sum of the Licensed Psychologists Annual 75th Percentile Team Wage, the Other Qualified Provider Annual 75th Percentile Team Wage and the Peer Support Specialist Annual 75th Percentile Team Wage.

"Home Health Agency Market Basket Index" means the IHS Global Inc. CMS Market Basket Index Levels for Home Health Agencies.

"Hourly 75th Percentile Wage" means the hourly 75th percentile wage for California in the Bureau of Labor Statistics Occupational Employment and Wage Statistics published by May 31st in the calendar year prior to the beginning of the State Fiscal Year.

"Licensed Mental Health Professional (LMHP)" means Licensed Physicians, Licensed Psychologists (includes waivered psychologists); Licensed Clinical Social Worker (LCSW) (includes Waivered/Registered clinical social workers), Licensed Professional Clinical Counselor (LPCC) (includes Waivered/Registered professional clinical counselors), Licensed Marriage and Family therapist (LMFT) (includes Waivered/Registered marriage and family therapists); Registered Nurses (includes certified nurse specialists and nurse practitioners); Licensed Vocational nurses;

Licensed Psychiatric Technicians; and Licensed Occupational Therapists as those terms are defined in Supplement 3 to Attachment 3.1-A.

"Licensed Psychologists Annual 75th Percentile Team Wage" means the Hourly 75th Percentile Wage for Clinical and Counseling Psychologists with Standard Occupational Classification (SOC) code 19-3033 multiplied by 2,080 hours.

"Monthly Service" means Assertive Community Treatment (ACT) and Coordinated Specialty Care (CSC), as those services are defined in Supplement 3 to Attachment 3.1-A of this State Plan; and Multisystemic Therapy (MST) and HFW.

"Multisystemic Therapy" (MST) means a bundle of rehabilitative mental health services provided to youth beneficiaries and their families. The bundle of rehabilitative mental health services includes Assessment, Treatment Planning, Therapy, Crisis intervention, and Referral and Linkages, as defined in Supplement 3 to Attachment 3.1-A of this State Plan.

"Other Qualified Provider Annual 75th Percentile Team Wage" means the Other Qualified Provider Hourly 75th Percentile Wage multiplied by 2,080 hours and by 20 team members.

"Other Qualified Provider Hourly 75th Percentile Wage" means the Hourly 75th Percentile Wage for Substance Abuse, Behavioral Disorder, and Mental Health Counselors with SOC code 21-1018.

"Outpatient Services" means Mental Health Services, Medication Support Services, Crisis Intervention Services, and Targeted Case Management Services as those services are defined in Supplement 3 and Supplement 1 to Attachment 3.1-A.

"Partial Month of Service" means an Eligible Provider delivered a service in an ACT or MST program to the same beneficiary on four or five separate days in a month or delivered a service in a CSC program to the same beneficiary on two or three separate days in a month. At least three of the services delivered in an ACT or MST program must have been face-to-face with the beneficiary, and at least one of the services delivered in a CSC program must have been face-to-face with the beneficiary. Other services may be collateral contacts. If an eligible provider delivered a face-to-face service and a collateral contact on the same day, it is counted as two separate days.

"Peer Support Specialist Annual 75th Percentile Team Wage" means the Peer Support Specialist Hourly 75th Percentile Wage multiplied by 2080 hours and by 7 team members.

"Peer Support Specialist Hourly 75th Percentile Wage" means the Other Qualified Provider Hourly 75th Percentile Wage increased by five percent.

"Provider Type" means Clinical Trainee, Licensed Mental Health Professional, Mental Health Rehabilitative Specialist (MHRS), Medical Assistant, Physician Assistant (PA), Pharmacist, Peer Support Specialists, Alcohol and Drug (AOD) Counselor, and Other Qualified Provider as those terms are defined in Supplement 3 to Attachment 3.1-A of this State Plan.

"Rehabilitative Mental Health and Targeted Case Management Services" means Outpatient Services, Day Services, and Twenty-Four Hour Services as those services are defined in Supplement 3 to Attachment 3.1-A of this State Plan.

"Services Provided in a Treatment Foster Home" means a bundle of rehabilitative mental health services provided to children and youth up to 21 years of age who have been placed in a Residential Treatment Foster Home and who meet medical necessity criteria for this service as established by the State. The bundle of rehabilitative mental health services includes Treatment Planning, Psychosocial Rehabilitation, and Crisis Intervention, as those services are defined in Supplement 3 to Attachment 3.1-A of this State Plan.

"Swing Shift Annual 75th Percentile Team Wage" means the Other Qualified Provider Hourly 75th Percentile Wage multiplied by 2,080 plus the Peer Support Specialist Hourly 75th Percentile Wage multiplied by 2,080.

"Twenty-Four Hour Services" means Adult Residential Treatment, Crisis Residential Treatment, and Psychiatric Health Facility Services as those services are defined in Supplement 3 to Attachment 3.1-A; and Services Provided in a Treatment Foster Home.

G. Monthly Services Rate Methodology

1. The State establishes a county-based bundled rate for a Full Month of Service and a county-based bundled rate for a Partial Month of Service for each Monthly Service, except the State does not establish a county-based bundled rate for a Partial Month of Service for HFW. Except as otherwise noted in the State Plan, State-developed fee-schedule rates are the same for both governmental and private providers. The county-based bundled rates effective for services provided on or after January 1, 2025, July 1, 2025, and annually thereafter are posted to the following webpage: https://www.dhcs.ca.gov/services/MH/Pages/medi-cal-behavioral-health-fee-schedules.aspx.
2. The State pays all Eligible Providers the county-based bundled rate for each Full Month of Service and Partial Month of Service based upon the county where the provider is located.
3. The county-based bundled rate for ACT is paid for the following service components as those components are defined in Supplement 3 to Attachment 3.1-A of this State Plan.
    - Assessment
    - Crisis Intervention
    - Employment and Education Support Services
    - Medication Support Services
    - Psychosocial Rehabilitation
    - Referral and Linkages
    - Therapy
    - Treatment Planning
4. The county-based bundled rate for CSC is paid for the following service components as defined in Supplement 3 to Attachment 3.1-A of this State Plan.
    - Assessment
    - Crisis Intervention
    - Employment and Education Support Services
    - Medication Support Services
    - Psychosocial Rehabilitation
    - Referral and Linkages
    - Therapy
    - Treatment Planning
5. The county-based bundled rate for MST is paid for the following service components as defined in Supplement 3 to Attachment 3.1-A of this State Plan
    - Assessment

- Crisis Intervention
- Referral and Linkages
- Therapy
- Treatment Planning

6. Any provider delivering services through a bundle will be paid through that bundled payment rate and cannot bill services provided through the bundle separately. Providers delivering separate services outside of the bundle may bill for those separate services in accordance with the State's Medicaid billing procedures.
7. The July 1, 2025 rate for all monthly services, except for HFW, will be equal to the January 1, 2025 rate increased by the percentage change in the Home Health Agency Market Basket Index from Q1 of 2025 to Q3 of 2025. Beginning on July 1, 2025, the State will annually increase the county-based bundled rates for a Full Month of Service, except for HFW, and a Partial Month of Services by the percentage change in the four-quarter average Home Health Agency Market Basket Index.
8. The State will periodically monitor the actual provision of services paid under a bundled rate to ensure that beneficiaries receive the types, quantity, and intensity of services required to meet their medical needs and to ensure that the rates remain economic and efficient based on the services that are actually provided as part of the bundle.
9. The State will establish a county-based bundled rate for HFW on an annual basis pursuant to the formula in G.9.a below:
    a. ((HFW Team Annual Salaries and Wages + Cost of Labor Adjustment + Benefit Adjustment + Swing Shift Adjustment + Inflation Adjustment) ÷ 960) × Overhead Adjustment
    b. The state will calculate each component in G.9.a. above pursuant to the following methodology:
        i. Cost of Labor Adjustment is equal to the HFW Team Annual Salaries and Wages, multiplied by the County Cost of Labor Index minus 1.
        ii. Benefit Adjustment is equal to the sum of the HFW Team Annual Salaries and Wages and Cost of Labor Adjustment multiplied by the Benefit Percentage.
        iii. Swing Shift Adjustment is equal to the Swing Shift Annual 75th Percentile Team Wage, multiplied by the County Cost of Labor Index, multiplied by one plus the Benefit Percentage, and multiplied by 5.8%.
        iv. Inflation Adjustment is equal to the HFW Team Annual Salaries and Wages plus the Swing Shift Adjustment, multiplied by the percentage change in the Home Health Agency Market Basket Index from the quarter in which the Bureau of Labor Statistics Occupational and

Employment Wage Statistics were published to the first quarter of the rate fiscal year.

v. Overhead Adjustment is equal to 1.67.

H. County Cost of Labor Index Calculation

1. For each county and SOC codes 21-0000 and 29-0000, divide the County Metropolitan or Non Metropolitan Area estimated 75th percentile hourly wage by the Hourly 75th Percentile Wage.
2. Multiply the result in Step 1 for SOC code 21-0000 by 90% and the result in Step 1 for SOC code 29-0000 by 10%.
3. The County Cost of Labor Index is equal to the sum of the result in Step 2 for SOC codes 21-0000 and 29-0000.