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State/Territory Name: CA

State Plan Amendment (SPA) #: 22-0058

This file contains the following documents in the order

- listed:
- 1) Approval Letter
 - 2) CMS 179 Form/Summary Form (with 179-like data)
 - 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services
Center for Medicaid & CHIP Services
233 North Michigan Ave., Suite 600
Chicago, Illinois 60601



Financial Management Group

December 7, 2022

Jacey Cooper
Chief Deputy Director, Health Care Programs
California Department of Health Care Services
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

RE: TN 22-0058

Dear Ms. Cooper:

We have reviewed the proposed California State Plan Amendment (SPA) to Attachment 4.19-B, CA-22-0058, which was submitted to the Centers for Medicare & Medicaid Services (CMS) on September 21, 2022. This SPA increases the rates for specified 1915i services.

Based upon the information provided by the State, we have approved the amendment with an effective date of January 1, 2023. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

If you have any additional questions or need further assistance, please contact Blake Holt at 303-844-6218 or blake.holt@cms.hhs.gov.

Sincerely,

A solid black rectangular box redacting the signature of Todd McMillion.

Todd McMillion
Director
Division of Reimbursement Review

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER

2. STATE

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

5. FEDERAL STATUTE/REGULATION CITATION

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)

a. FFY _____ \$ _____
b. FFY _____ \$ _____

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)

9. SUBJECT OF AMENDMENT

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

12. TYPED NAME

13. TITLE

14. DATE SUBMITTED

September 21, 2022

15. RETURN TO

FOR CMS USE ONLY

16. DATE RECEIVED

September 21, 2022

17. DATE APPROVED

December 7, 2022

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL

January 1, 2023

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL

Todd McMillion

21. TITLE OF APPROVING OFFICIAL

Director, Division of Reimbursement Review

22. REMARKS

HCBS Dental Services

DESCRIPTION OF RATE METHODOLOGIES

The following rate methodologies are utilized by multiple providers of the services contained in this SPA. The methodologies are described in this section and are referenced under the applicable individual services. Consistent with Attachment 3.1-i, pages 2-3, qualified providers of 1915i SPA services submit claims to the regional center for services delivered to the beneficiary, pursuant to the individual program plan. The regional center reviews the claim (units of service, rate, etc.), pays legitimate claims, and submits the claim of payment to Department of Developmental Services.

Department of Developmental Services 2019 Rate Study

In March 2019, pursuant to Welfare and Institutions Code Section 4519.8, the Department of Developmental Services (DDS) submitted a rate study addressing the sustainability, quality, and transparency of community-based services for individuals with developmental disabilities to the California Legislature. The rate study included an assessment of the effectiveness of the methods used to pay each category of community service provider and included stakeholder meetings and surveys of the provider and recipient community. As a part of the study, rate models were developed for specified services that include specific assumptions related to the various costs associated with delivering each service, including direct care worker wages, benefits, and 'productivity' (i.e., billable time); staffing ratios; mileage; facility expenses; and agency program support and administration. Separate models were established for each regional center to account for costs differences related to wages, travel, and nonresidential real estate.

The California Budget Acts of 2021 and 2022 (SB154) provided funding to begin implementation of the rate models as described in the 2019 Rate Study:

- The first stage, effective April 1, 2022, includes an increase equal to 25 percent of the difference between a provider's rate that was effective on March 31, 2022, and the rate models that would apply to their service. This was previously approved.
- The second stage, effective January 1, 2023, will include an increase equal to 50 percent of the difference between a provider's rate that was effective on March 31, 2022, and the rate models that would apply to their service. For example, if a provider has a rate on 3/31/2022 of \$40 per hour and the rate identified in the rate model of this service is \$44 per hour, the provider's rate will be increased to \$42 (the \$2 increase being equal to 50 percent of the \$4 difference between the current rate and the applicable rate model).

No reductions will occur for provider rates already above the rate recommended by the rate study.

The rate study covered services with rates established under the median rate, cost statement, the Alternative Residential Model, as well as rates set in statute or regulation. Please see each corresponding rate methodology section below for the specific provider types included in the above-described increases. More information on the 2019 Rate Study can be found at:

<https://www.dds.ca.gov/rc/vendor-provider/rate-study/>

Rates Set pursuant to a Cost Statement Methodology – Rates for providers who began providing services prior to July 1, 2004, were established based on twelve consecutive months of actual allowable costs divided by the actual total consumer utilization (days or hours) for the same period. The permanent cost based rate must be within the applicable upper and lower rate limits established by the Department of Developmental Services and found in the link below. Subsequent to July 1, 2004, rates for these providers and lower and upper rate limits are only adjusted when there is a change in statute.

Pursuant to state law, providers who began providing services on or after July 1, 2004, are reimbursed at the fixed new vendor rate under the cost statement methodology. The rates are developed based on the service category, staff ratio, and are calculated as the mean of permanent cost-based rates for like providers established using the permanent costs-based rate methodology described above.

Health and Safety Rate Exception

Regardless of when a provider began providing services or their rate was originally established, if a regional center demonstrates an increase in an individual provider's rate is necessary to protect a beneficiary's health and safety needs, the Department of Developmental Services may authorize reimbursement at a rate up to the actual cost of providing the service, for as long as the need exists. In the process of establishing a rate under this exception, the regional center and department will utilize current cost data. Participant's on-going health and safety needs are reviewed no less than quarterly.

The following allowable costs used to calculate the permanent cost based rate:

- Direct costs for covered services: Includes unallocated payroll costs and other unallocated cost that can be directly charged to covered medical services. Direct payroll costs include total compensation (i.e., salaries and benefits and contract compensation) of direct care staff. Other direct costs include costs directly related to the delivery of covered services, such as supervision, materials and supplies, professional and contracted services, capital outlay, and travel. For providers/facilities that are used for multiple purposes, the allowable costs are only those that are directly attributable to the provision of the medical services.
- Indirect costs: Determined by applying the cognizant agency specific approved indirect cost rate to its net direct costs or derived from provider's approved cost allocation plan. If a facility does

not have a cognizant agency approved indirect cost rate or approved cost allocation plan, the costs and related basis used to determine the allocated indirect costs must be in accordance with 2 CFR 200 as implemented by HHS at 45 C.F.R., part 75, (if applicable), Medicare Cost Principle (42 CFR 413 and Medicare Provider Reimbursement Manual Part 1 and Part 2) and in compliance with Medicaid non-institutional reimbursement policy. For providers/facilities that are used for multiple purposes, the allowable costs are only those that are “directly attributable” to the professional component of providing the medical services. For those costs incurred that “benefit” multiple purposes but would be incurred at the same level if the medical services did not occur are not allowed.

Chapter 28, Statutes of 2019 (SB 81, Committee on Budget and Fiscal Review), authorized funding for rate increases. Rates in effect as of October 1, 2021 include rate increases of 8.2% (unless noted otherwise) for the provider types listed below.

Habilitation-Day Services:

- Adult Development Center
- Behavior Management Program

Respite Care:

- In-Home Respite Agencies

Additionally, Chapter 11, Statutes of 2020, Assembly Bill 79 of the 2020 Enacted Budget authorized DDS an 8.2% rate increase for Independent Living Program in effect as of October 1, 2021.

The applicable rate schedules are included in the descriptions of services below.

The California Budget Acts of 2021 (SB 129) and 2022 (SB154) provided funding to begin implementation of the rate models as described in the 2019 Rate Study:

- Effective April 1, 2022: the provider types listed below received an increase equal to 25 percent of the difference between the rate that was effective on March 31, 2022, and that of the regional center specific rate model for the corresponding service.
- Effective January 1, 2023: the provider types listed below will receive an increase equal to 50 percent of the difference between the rate that was effective on March 31, 2022, and that of the regional center specific rate model for the corresponding service.

No reductions will occur for provider rates already above the rate recommended by the rate study. The updated rates, listed by regional center, can be found at: <https://www.dds.ca.gov/rc/vendor-provider/rate-study-implementation/rates-by-regional-center/>

- Transportation Company

The California Budget Acts of 2021 (SB 129) and 2022 (SB154) provided funding to begin implementation of the rate models as described in the 2019 Rate Study:

- Effective April 1, 2022: the provider types listed below received an increase equal to 25 percent of the difference between the rate that was effective on March 31, 2022 and that of the regional center specific rate model for the corresponding service.
- Effective January 1, 2023: the provider types listed below will receive an increase equal to 50 percent of the difference between the rate that was effective on March 31, 2022, and that of the regional center specific rate model for the corresponding service.

Rate models for each corresponding service can be found at: <https://www.dds.ca.gov/rc/vendor-provider/rate-study/rate-models/>.

No reductions will occur for provider rates already above the rate recommended by the rate study.

Behavior Intervention Services

- Behavior Analysts
- Associate Behavior Analysts
- Behavior Management Assistants
- Behavior Management Consultant
- Client/Parent Support-Behavioral Intervention Training
- Crisis Team-Evaluation and Behavioral Intervention
- Parent Support Services
- Behavior Technician

Community Living Arrangement Services (Licensed/Certified Residential Services)

- Adult Residential Facility
- Adult Residential Facility for Persons with Special Health Care Needs
- In Home Day Program
- Residential Care Facility for the Elderly

Community Living Arrangement Services (Supported Living Services Provided in a Consumer's Own Home (Non-Licensed/Non-Certified))

- Supported Living Provider

Family/Consumer Training:

- Dentist
- Dental Hygienist
- Marriage and Family Therapist
- Social Worker
- Speech Therapist
- Occupational Therapist
- Occupational Therapy Assistant
- Physical Therapist
- Physical Therapy Assistant
- Registered Nurse
- Licensed Vocational Nurse

Habilitation – Day Services (Community-Based Day Services):

- Creative Art Program
- Community Integration Training Program
- Community Activities Support Services
- Adaptive Skills Trainer
- Socialization Training Program
- Personal Assistance
- Independent Living Specialist

Habilitation – Day Services (Therapeutic/Activity-Based Day Services):

- Specialized Recreational Therapy

Habilitation – Day Services (Mobility-Related Day Services):

- Mobility Training Services Agency
- Mobility Training Services Specialist

Homemaker Services:

- Homemaker

Non-Medical Transportation:

- Transportation-Additional Component
- Transportation Assistant

payroll costs include total compensation (i.e., salaries and benefits and contract compensation) of direct care staff. Other direct costs include costs directly related to the delivery of covered services, such as supervision, materials and supplies, professional and contracted services, capital outlay, and travel. For providers/facilities that are used for multiple purposes, the allowable costs are only those that are directly attributable to the provision of the medical services.

- **Indirect costs:** Determined by applying the cognizant agency specific approved indirect cost rate to its net direct costs or derived from provider's approved cost allocation plan. If a facility does not have a cognizant agency approved indirect cost rate or approved cost allocation plan, the costs and related basis used to determine the allocated indirect costs must be in accordance with 2 CFR 200 as implemented by HHS at 45 C.F.R., part 75, Medicare Cost Principle (42 CFR 413 and Medicare Provider Reimbursement Manual Part 1 and Part 2) and in compliance with Medicaid non-institutional reimbursement policy. For facilities that are used for multiple purposes, the allowable costs are only those that are "directly attributable" to the professional component of providing the medical services. For those costs incurred that "benefit" multiple purposes but would be incurred at the same level if the medical services did not occur are not allowed.

Chapter 28, Statutes of 2019 (SB 81, Committee on Budget and Fiscal Review), authorized funding for rate increases. Rates in effect as of October 1, 2021 include rate increases of 8.2% (unless noted otherwise) for the provider types listed below.

Habilitation-Community Living Arrangement Services (Licensed/Certified Residential Services):

- Adult Residential Facility
- Family Home Agency
- Group Home
- Residential Care Facility for the Elderly

The California Budget Act of 2021 (SB 129) provided funding to begin implementation of the rate models as described in the 2019 Rate Study. The California Budget Act of 2022 (SB 154) continues the phased implementation of these rate models:

- Effective April 1, 2022: the provider types listed below with six or fewer beds received an increase equal to 25 percent of the difference between the rate as of 3/31/22 and that of the regional center specific rate model for the corresponding service.
- Effective January 1, 2023: the provider types listed below will receive an increase equal to 50 percent of the difference between the rate as of 3/31/22 and that of the regional center specific rate model for the corresponding service.

No reductions will occur for provider rates already above the rate recommended by the rate study. The ARM rates, listed by regional center, can be found at:

<https://www.dds.ca.gov/rc/vendor-provider/rate-study-implementation/rates-by-regional-center/>

There are five rate setting methodologies for Respite Services. The applicable methodology is based on whether the service is provided by an agency, individual provider or facility, type of facility, and service design.

1) Rates Set pursuant to a Cost Statement Methodology – As described on pages 70a-71a, above. This methodology is used to determine the hourly rate for In-home Respite Agencies.

2) Rates set in State Regulation – This rate applies to individual respite providers. The rate for this service is \$19.18 per hour. This rate is based on the current California minimum wage, effective January 1, 2022, plus a differential (retention incentive), mandated employer costs, and the SB 81 increase.

Chapter 28, Statutes of 2019 (SB 81, Committee on Budget and Fiscal Review), authorized funding for rate increases. Rates in effect as of October 1, 2021 for Individual Respite Providers includes an increase of 8.2%.

The California Budget Acts of 2021 (SB 129) and 2022 (SB154) provided funding to begin implementation of the rate models as described in the 2019 Rate Study:

- Effective as of April 1, 2022: individual respite providers with rates set in statute received an increase equal to 25 percent of the difference between the rate that was effective on March 31, 2022, and that of the regional center specific rate model for the corresponding service.
- Effective as of January 1, 2023: individual respite providers with rates set in statute will receive an increase equal to 50 percent of the difference between the rate that was effective on March 31, 2022, and that of the regional center specific rate model for the corresponding service.

No reductions will occur for provider rates already above the rate recommended by the rate study. The updated rates, listed by regional center, can be found at: <https://www.dds.ca.gov/rc/vendor-provider/rate-study-implementation/rates-by-regional-center/>

3) ARM Methodology - As described on pages 73-74a above. This methodology is applicable to respite facilities that also have rates established with this methodology for “Habilitation-Community Living Arrangement Services.” The daily respite rate is calculated as 1/21 of the established monthly ARM rate. This methodology applies to Foster Family Agency/Certified Family Home, Foster Family Home, Small Family Home, Group Home, Adult Residential Facility, Residential Care Facility for the Elderly, Adult Residential Facility for Persons with Special Health Care Needs and Family Home Agency. If the facility does not have rate for “Habilitation-Community Living Arrangement Services” using the ARM methodology, then rates are set using #5 below.

- 4) **Usual and Customary Rate Methodology** - As described on page 71a, above. This methodology is applicable for the following providers (unit of service in parentheses); Adult Day Care Facility (daily), Camping Services (daily) providers. If the provider does not have a usual and customary rate, then rates are set using #5 below.
- 5) **Median Rate Methodology** - As described on pages 71a-73, above, with the exception that the 2022 Rate Study Implementation increase does not apply.

**REIMBURSEMENT METHODOLOGY FOR ENHANCED HABILITATION – SUPPORTED EMPLOYMENT
(INDIVIDUAL)**

There are two rate setting methodologies for this service:

- 1) Supported employment rates for all providers were set in State statute, prior to April 1, 2022.

Chapter 28, Statutes of 2019 (SB 81, Committee on Budget and Fiscal Review), authorized funding for rate increases. Rates in effect as of October 1, 2021 for Supported Employment Programs includes an increase of 7.60%.

The California Budget Acts of 2021 (SB 129) and 2022 (SB154) provided funding to begin implementation the rate models as described in the 2019 Rate Study:

- Effective as of April 1, 2022: Supported Employment (Individual) providers with rates set in statute received an increase equal to 25 percent of the difference between the rate that was effective on March 31, 2022, and that of the regional center specific rate model for the corresponding service.
- Effective as of January 1, 2023: Supported Employment (Individual) providers with rates set in statute will receive an increase equal to 50 percent of the difference between the rate that was effective on March 31, 2022, and that of the regional center specific rate model for the corresponding service.

No reductions will occur for provider rates already above the rate recommended by the rate study. The updated rates, listed by regional center, can be found at:

<https://www.dds.ca.gov/rc/vendor-provider/rate-study-implementation/rates-by-regional-center/>.

2) Incentive payments will be paid to service providers. Incentive payments include 1) A one-time payment of \$1,000 made to a provider when an individual obtains competitive integrated employment and is still employed after 30 consecutive days. 2) An additional one-time payment of \$1,250 made to a provider when an individual obtains competitive integrated employment and is still employed after six consecutive months. 3) An additional one-time payment of \$1,500 made to a provider when an individual has been employed consecutively for one year.

Effective as of October 1, 2021, until June 30, 2025, incentive payments will be paid to service providers. Incentive payments include 1) A one-time payment of \$2,000 made to a provider when an individual obtains competitive integrated employment and is still employed after 30 consecutive days. 2) An additional one-time payment of \$2,500 made to a provider when an individual obtains competitive integrated employment and is still employed after six consecutive months. 3) An additional one-time payment of \$3,000 made to a provider when an individual has been employed consecutively for one year.

REIMBURSEMENT METHODOLOGY FOR ENHANCED HABILITATION – PREVOCAATIONAL SERVICES

There are three rate setting methodologies for this service:

- 1) Daily rates for Work Activity Program providers are set using the cost statement methodology, as described on pages 70a-71a, with the exception that the SB 81 rate increase do not apply. The Work Activity Program rate schedule can be found at the following link. The rate schedule is effective April 1, 2022.
<https://www.dds.ca.gov/rc/vendor-provider/rate-study-implementation/rates-by-regional-center/>
- 2) Rates for Supported Employment Group providers were set in State statute, prior to April 1, 2022.

The California Budget Acts of 2021 (SB 129) and 2022 (SB154) provided funding to begin implementation of the rate models as described in the 2019 Rate Study:

- Effective as of April 1, 2022: Supported Employment Group providers received an increase equal to 25 percent of the difference between the rate that was effective on March 31, 2022 and that of the regional center specific rate model for the corresponding service.
- Effective January 1, 2023: Supported Employment Group providers will receive an increase equal to 50 percent of the difference between the rate that was effective on March 31, 2022, and that of the regional center specific rate model for the corresponding service.

No reductions will occur for provider rates already above the rate recommended by the rate study. The updated rates, listed by regional center, can be found at: <https://www.dds.ca.gov/rc/vendor-provider/rate-study-implementation/rates-by-regional-center/>.

- 3) Incentive payments will be paid to service providers. Incentive payments include 1) A one-time payment of \$1,000 made to a provider when an individual obtains competitive integrated employment and is still employed after 30 consecutive days. 2) An additional one-time payment of \$1,250 made to a provider when an individual obtains competitive integrated employment and is still employed after six consecutive months. 3) An additional one-time payment of \$1,500 made to a provider when an individual has been employed consecutively for one year.

Effective as of October 1, 2021, until June 30, 2025, incentive payments will be paid to service providers. Incentive payments include 1) A one-time payment of \$2,000 made to a provider when an individual obtains competitive integrated employment and is still employed after 30 consecutive days. 2) An additional one-time payment of \$2,500 made to a provider when an individual obtains

REIMBURSEMENT METHODOLOGY FOR SPECIALIZED MEDICAL EQUIPMENT AND SUPPLIES

DHCS Fee Schedules - As described on page 71a, above. The fee schedule, effective October 1, 2021 can be found at the following link: <https://files.medi-cal.ca.gov/rates/rateshome.aspx> as well as <https://www.dhcs.ca.gov/services/ltc/Pages/DD.aspx>

REIMBURSEMENT METHODOLOGY FOR TRANSITION/SET-UP EXPENSES

Usual and Customary Rate Methodology - As described on page 71a, above.

REIMBURSEMENT METHODOLOGY FOR COMMUNITY-BASED TRAINING SERVICES

The maximum rate for this service was set in State statute, prior to April 1, 2022.

Chapter 28, Statutes of 2019 (SB 81, Committee on Budget and Fiscal Review), authorized funding for rate increases. Rates in effect as of October 1, 2021 for Community-Based Training Services includes an increase of 8.2%.

The California Budget Acts of 2021 (SB 129) and 2022 (SB154) provided funding to begin implementation of the rate models as described in the 2019 Rate Study:

- Effective April 1, 2022: Community-Based Training Service providers with rates set in statute received an increase equal to 25 percent of the difference between the rate that was effective on March 31, 2022, and that of the regional center specific rate model for the corresponding service.
- Effective January 1, 2023: Community-Based Training Service providers with rates set in statute will receive an increase equal to 50 percent of the difference between the rate that was effective on March 31, 2022, and that of the regional center specific rate model for the corresponding service.

No reductions will occur for provider rates already above the rate recommended by the rate study. The updated rates, listed by regional center, can be found at: <https://www.dds.ca.gov/rc/vendor-provider/rate-study-implementation/rates-by-regional-center/>

REIMBURSEMENT METHODOLOGY FOR FINANCIAL MANAGEMENT SERVICES

Rates for FMS are set in State regulation as follows:

If the FMS functions as a fiscal/employer agent, the rate is based on the number of participant- directed services used by the consumer:

- (A) A rate not to exceed a maximum of \$45.88 per consumer per month for one participant-directed service; or
- (B) A rate not to exceed a maximum of \$71.73 per consumer per month for two or three participant-directed services; or
- (C) A rate not to exceed a maximum of \$96.86 per consumer per month for four or more participant-directed services.

If the FMS functions as a co-employer, the rate is not to exceed a maximum of \$96.86 per consumer per month.

REIMBURSEMENT METHODOLOGY FOR INTENSIVE TRANSITION SERVICES

In effect as of October 1, 2021, the permanent, single statewide rate for Intensive Transition services and supports will be established using the average cost of services rendered to Medi-Cal beneficiaries in state fiscal year 2019-20. The costs used to calculate the rate are salaries, wages, payroll taxes, and benefits of direct care staff providing Intensive Transition services and supports, in addition to direct care staff travel and operating costs (consisting of office lease, communications, equipment, office supplies, liability insurance, property insurance, training expenses, independent audit, and general administrative costs consistent with 45 CFR Section 75.414). needed to support a consumer during a transition. The costs will be drawn from actual expenditures as reported by providers of ITS services. Upon regional center approval, the