



September 19, 2024

D-2024-Rate Reform-001

TO: REGIONAL CENTER EXECUTIVE DIRECTORS

SUBJECT: RATE REFORM FULL IMPLEMENTATION OVERVIEW

The next stage in the redesign and reform of rates for many services that support individuals with intellectual and developmental disabilities (I/DD) becomes effective January 1, 2025. This letter provides some background regarding rate reform, highlights some of the steps that have occurred over the last few years, and previews some upcoming activities. Not all available services are included in the rate reform, and rates and expectations for service delivery for those services remain unaffected.

Background

Rate Study

In March of 2019, a [rate study](#) was submitted to the Legislature to address the sustainability, quality, and transparency of many services for individuals with I/DD. The rate study addressed a number of areas, including but not limited to, evaluating alternative rate setting methodologies, the number and types of service codes, and recommendations for simplifying and making service codes more reflective of the types of services provided. The rate study recommended the use of “rate models,” which identify cost factors and estimated costs for delivering various services, to establish rates for services.

Individuals receiving services should not experience differences in how their services are delivered, from where they are delivered, and with whom they work as a result of rate reform. Also, rate reform only very rarely will require new vendorizations for existing service providers. If a service is not part of rate reform, regional centers and the Department of Developmental Services (Department) will continue using existing rate setting methodology for that service as outlined in law and regulations.

Rate Reform Legislation

- **Rate Adjustments:** Welfare and Institutions (W&I) Code [Section 4519.10](#) outlines a multi-year timeline to implement rate reform, and pairs the recommendations from the rate study with a quality incentive program (QIP), with the intent of improving consumer outcomes and enabling the measurement of overall system performance. Beginning in April 2022, phased [rate adjustments](#) incrementally increased provider rates, using rate models that also were adjusted for various cost factors such as the California minimum wage. The final incremental rate adjustment to fully implement the rate models takes effect January 1, 2025.

- **Quality Incentive Program:** Since the beginning of the QIP, there have been opportunities for providers to earn one-time, lump-sum payments. Some of these opportunities will continue beyond January 1, 2025, at least temporarily. More information about the QIP can be found [here](#).
The final step in rate reform establishes two components for provider rates: (1) a base rate equal to 90 percent of the rate model and (2) a quality incentive payment of up to 10 percent of the rate model. For the period of January 1, 2025 through June 30, 2026, the quality incentive payment portion of the rate will be based solely on data collection, registration, and validation in the provider directory. Ultimately, the provider directory will make it easier for individuals and families to find service options. Provider directory information is available [here](#).
- **Hold Harmless Provisions:** Implementation of rate reform has resulted in rate increases for most, but not all, service providers. Providers' rates that exceed the rate model amounts, as well as rates that exceed the base rate of 90 percent of the rate model, are "[held harmless](#)" (e.g. not reduced) by law until June 30, 2026, after which rates are expected to be adjusted to equal the rates of other providers of the same service in the region.

Rate Reform Implementation

As recommended in the rate study, implementation of rate reform requires standardization in the use of service descriptions, billing codes, and payments. As a result, some or all of the following activities may be necessary depending on the provider and type of service:

- Alignment with updated service descriptions
 - Updated staffing or service requirements
 - Service and subcode changes
 - Rate adjustments and billing unit changes
- Coordination for individuals served
 - Individual Program Plan (IPP) or Individual Family Service Plan (IFSP) updates
 - Service authorization updates

Forthcoming directives will detail necessary steps for various service categories. Not all rate reform activities, with the exception of actual rate adjustments, will be complete for all services as of January 1, 2025, so each directive will provide a phased-in approach for completion of those activities, when necessary. Regional centers must coordinate with service providers for any changes to service descriptions, codes, rates, and billing units as described in each service category-specific directive.

Within the services included in rate reform, there are a number of unique services that do not match the updated service descriptions, such as some Community Integration/Training Programs (service code 055) and Community Activities Support Services (service code 063). Details on how to address these unique services will be addressed in an upcoming directive, as well.

Alignment with Updated Service Descriptions and Rate Models

Regional centers and service providers must work together to determine which updated service description most closely matches the services being delivered. Some service providers already have made this determination in conjunction with the rate adjustments completed in prior years, but the directives still must be reviewed to confirm alignment.

Program modifications: The directives for each service category will provide guidance regarding the requirements for each type of service, including a timeline and steps to prepare for implementation, which will be applicable to all service providers for each type of service. When necessary, program implementation will be phased in to allow service providers time to meet the requirements of each directive.

Service and subcode changes: Each service description is tied to a service code, with subcodes for associated variations. Some service codes will not change from the codes currently in use, while some services will change to use multiple service codes or subcodes to address variations within the same service, and some service codes will phase out and transition to those within the rate reform set.

Rate adjustments: Future directives will pair each service description with a rate model(s) that establishes the rate of reimbursement for that service and subcode combination and region, using uniform billing units. The rate models are also being updated to include minimum wage and federal mileage rates that will be effective as of January 2025. On January 1, 2025, rates will be adjusted to 90 percent of the rate model, with the remaining 10 percent attainable as a quality incentive payment. Providers with rates that are above 90 percent of the rate model will remain the same ("held harmless", as described above), with the remaining percentage, up to 100 percent, attainable as a quality incentive payment.

Documentation of agreement: The regional center and service provider shall complete a standardized form to acknowledge the service description, the requirements that will need to be met, subcode combination(s), and the rate(s) established by the rate model. This form and instructions will be provided with each service category-specific directive.

Updates to Individual Program Plans or Individual Family Service Plans

The Individual Program Plan (IPP) or Individual Family Service Plan (IFSP) is required to identify the types and amount of all services agreed upon for an individual and/or family. As a result of rate reform implementation, it is possible information such as the service type or the amount of service needed (e.g. if the service billing unit for a provider changes) may need to change along with service authorizations. While it is not anticipated this will impact the actual services received, the IPP/IFSP planning team must make any necessary changes to the IPP/IFSP. Any needed updates to IPPs/IFSPs and/or service authorizations can be completed over the course of 2025. Updating IPPs/IFSPs shall not interfere with services being delivered during this time.

Timeline

Activity	Responsible	Description	When
Determine applicable service description	Regional centers and service providers	Determine which updated service description most closely describes the services currently being delivered	<i>Beginning upon release of directives for each service category</i>
Program modifications	Service providers	Programmatic modifications as needed to meet any new requirements for the service	<i>Beginning January 1, 2025, timeline varies by service category</i>
Service code changes	Regional centers	Change to service code and subcode combinations within the rate reform set, updating vendorizations as needed	<i>Beginning January 1, 2025, timeline varies by service category</i>
Rate adjustments and billing unit changes	Regional centers	Service providers with rates less than 90% of the rate model adjust rates to 90% of the rate model, with the remaining 10% attainable as a quality incentive payment	<i>Effective January 1, 2025</i>
		Service providers with rates that are above 90% and less than 100% of the rate model remain the same (held harmless), with the remaining percentage attainable as a quality incentive payment	<i>Effective January 1, 2025 through June 30, 2026</i>
		Rates that are above 90% of the rate model and have been held harmless will be adjusted to equal the rates of other providers of the same service in the region	<i>Beginning July 1, 2026</i>
IPPs or IFSPs and Service Authorizations	Regional centers and service providers	Meetings with planning teams as needed to update the Individual Program Plan (IPP) or Individual Family Service Plan (IFSP) and service authorizations if there will be changes in service delivery or location	<i>Beginning January 1, 2025, and completed by June 30, 2026</i>

Next Steps and How to Learn More

A webinar providing some history and a brief overview of rate reform will be held on September 26, 2024 from 9:00 a.m. to 11:00 a.m. The registration link for the webinar can be found [here](#). A recording of the webinar will also be posted on the Department's [Rate Reform](#) webpage. Webinars will also be scheduled to coincide with the release of additional rate reform directives. Sign up [here](#) to receive regular updates about rate reform, including the QIP.

Rate reform represents a foundational investment and opportunity to enhance the service options and experiences for individuals served by regional centers. Thank you for sharing this information broadly with your community so that everyone stays informed.

Providers, individuals, and/or their families should contact their regional center for any questions. Questions from regional centers may be directed to ratesquestions@dds.ca.gov.

Sincerely,

Original Signed by:

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Acting Director

cc: Regional Center Administrators
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