

February 4, 2025

D-2024-Rate Reform-011 REV

TO: REGIONAL CENTER EXECUTIVE DIRECTORS

SUBJECT: RATE REFORM IMPLEMENTATION FOR RESIDENTIAL SERVICES

*The D-2024-Rate Reform-011 letter issued on December 20, 2024 hereby is revised as displayed on pages 4 and 5 below as strikethroughs and underlined italics.*

As part of continued rate reform [implementation](#), this letter provides direction regarding the following areas:

- California Department of Social Services (CDSS)-Licensed - Specialized Residential Facility (Habilitation) (service code 113)
  - Adult Residential Facility for Persons with Special Health Care Needs
- CDSS Licensed - Group Home for Children with Special Health Care Needs (service code 163)
- Residential Facility Serving Adults – Owner Operated (service code 905)
- Residential Facility Serving Children – Owner Operated (service code 910)
- Residential Facility Serving Adults – Staff Operated (service code 915)
- Residential Facility Serving Children – Staff Operated (service code 920)

Beginning January 1, 2025, the service descriptions in this directive apply to all vendors of these services, along with the associated service and subcode combinations, rate models and billing units. This directive also may pertain to vendors currently providing these services under different service codes. Providers continue to be responsible for the requirements stated in Welfare and Institutions Code (WIC) and Title 17 of the California Code of Regulations (CCR). However, this directive supersedes any conflict regarding service descriptions and rate-setting in those other sources.

Regional centers and service providers shall follow this directive to affirm which updated service description and any staffing requirements most closely match the services actually being delivered. The regional center shall verify the rate for each service and subcode combination in the rate workbook. Reimbursement for services beginning January 1, 2025, will be claimed using the provider's current service code with an updated rate, unless the form described below is completed prior to that date.

By March 31, 2025, the Rate Reform Service Acknowledgement Form shall be completed by the regional center and service provider to acknowledge the service description, requirements that will need to be met, subcode combination(s), and the rate(s) established by the rate model. Please see Attachment A for the form and instructions, which includes attaching the rate workbook to the completed form. The rates for each type of service by regional center can be found [here](#). Providers with existing rates that are above 90 percent of the rate model for the service description to which they will align will maintain their

existing rates (held harmless) until June 30, 2026. Providers with rates between 90 percent and 100 percent of the rate model will have the opportunity to earn 100 percent of the rate model through the [Quality Incentive Program](#). Otherwise, upon completion of the Rate Reform Service Acknowledgement Form, the new service and subcode combination and rate will be used.

Individuals receiving services should not experience differences in how their services are delivered, where they are delivered from, and who they work with as a result of this directive.

Individual Program Plans (IPPs) must identify the type and the amount of service needed. Therefore, some IPPs will need to be updated to properly identify the type of service being delivered. If the only change is service delivery by a different level of staff, or use of a new service and subcode combinations and their rates, the IPP does not need to be updated. These IPP updates should be done at the next scheduled IPP meeting, after which the regional center must update service authorizations. These updates must occur no later than December 31, 2025. In these cases, billing for services to individuals pending an IPP update will continue under the current service code with an updated rate. Billing for services to individuals that do not need an IPP update will use the new service and subcode combination and their rate.

Rates set using a Usual and Customary rate, as defined by Title 17, Section [57210\(a\)\(19\)](#), may continue to use that rate structure after any alignment as part of rate reform implementation.

### **CDSS Licensed - Specialized Residential Facility-Habilitation (service code 113)**

Effective January 1, 2025 this service code will only be used for Adult Residential Facility for Persons with Special Health Care Needs (ARFPSHN). All other residential services that currently are vendored under this service code will transition into one of the other service descriptions listed in this directive upon full implementation of rate reform. Current providers may continue using this service code through the 2025 transition to a new service code and do not need to request an exemption.

#### Service Description

An ARFPSHN provides 24-hour health care and intensive support services in a homelike setting that is licensed to serve up to five adults with developmental disabilities.

ARFPSHNs shall meet the requirements, standards and qualifications specified in WIC Sections [4684.5-4684.75](#) and Health and Safety Code Section [1567.50](#), as well as the new components listed below.

#### New Components

- *Services:* This code now will be used only for ARFPSHN residential facilities.
- *Billing:*
  - Providers will bill services monthly per individual using a customized rate.
  - Customized rates for each ARFPSHN will be established using a worksheet that collects the vendored capacity, administrator classification, direct service

professional hours, certified nursing assistant hours, licensed vocational nurse hours, registered nurse hours, consultant hours, lease costs, and property tax costs associated with the vendorization.

- The rate model includes assumptions for other costs, including but not limited to utilities, repairs and maintenance, mileage, overhead and insurance.
- Regional centers may continue to separately authorize supplemental services for an individual within the ARFPSHN, such as additional staff, using existing processes.

### **Group Home for Children with Special Health Care Needs (service code 163)**

#### New Service Description

A Group Home for Children with Special Health Care Needs (GHCSHN) provides 24-hour health care and intensive support services in a homelike setting that is licensed to serve up to five children or nonminor dependents with developmental disabilities.

GHCSHNs shall meet the requirements, standards and qualifications specified in WIC Sections [4684.5-4684.77](#) and Health and Safety Code Section [1567.51](#).

#### Billing

- Providers will bill services monthly per individual using a customized rate.
- Customized rates for each GHCSHN will be calculated using the capacity, administrator classification, direct service professional hours, certified nursing assistant hours, licensed vocational nurse hours, registered nurse hours, lease costs, and property tax costs associated with the vendorization.
  - The rate model includes assumptions for other costs, including but not limited to utilities, repairs and maintenance, mileage, overhead and insurance.
- Regional centers separately may authorize supplemental services for an individual within the GHCSHN, such as additional staff or consultant services.

### **Residential Facility Serving Adults – Owner Operated (service code 905)**

### **Residential Facility Serving Children – Owner Operated (service code 910)**

### **Residential Facility Serving Adults – Staff Operated (service code 915)**

### **Residential Facility Serving Children – Staff Operated (service code 920)**

#### Service Description

Homes serving adults or children are licensed for 24-hour nonmedical care of persons in need of personal services, supervision, or assistance essential for sustaining the activities of daily living or for the protection of the individual.

The home is considered owner-operated if it is the residence of the licensee or a member of the corporate board (board of directors). The licensee may perform all of the activities necessary to operate the facility, or may employ staff, which may include family members, to assist.

The home is considered staff-operated if it is not the residence of the licensee or a member of the corporate board (board of directors), and the licensee employs personnel to provide direct care and training to individuals.

Residential facilities shall meet the requirements, standards and qualifications specified in Title 17 of the CCR subchapter 4 for [Residential Services and Quality Assurance Regulations](#) and licensing provisions in Health and Safety Code Sections [1500 – 1569.87](#), as well as the new components listed below.

#### New Components

- *Services:*
  - Residential homes are being collapsed from 11 classifications (2-4i) to five classifications, plus a customizable Level 7.
  - Service Levels 2, 3, 4, 5, and 6 have been established, each with specifications for direct care staffing and consultant hours corresponding to the vendored capacity of the home. Please refer to Attachment B, Table A for Service Level designations for most existing facilities. Providers will have until December 31, 2025 to meet any additional staffing requirements.
  - To be designated as Service Level 7, the facility must meet at least one of the following criteria:
    - The facility is leased from a Department-approved Housing Developer Organization (HDO).
    - Staffing hours required based on the contractual agreement or approved program design exceed the Service Level 6 staffing requirement.
    - Consultant hours required based on the contractual agreement or approved program design exceed the Service Level 6 requirement.
    - Staff qualifications outlined in the contractual agreement or approved program design are beyond a direct service professional. This includes registered behavior technicians, certified nursing assistances, licensed vocational nurse, licensed psychiatric technicians.
  - The weekly direct care staffing hours for homes of each Service Level are shown on Attachment B, Table B. As noted above, providers will have until December 31, 2025 to meet any increased requirements.
  - Direct care staff at all service levels must be awake at all times, including throughout the night.
    - A Service Level 2 or 3 facility may be granted an exception by the vendoring regional center if all individuals' IPPs indicate awake staff is not required.
  - Up to 2 hours per individual per week of program preparation functions may be included in weekly direct care staffing hours. Functions, as defined in Title 17 of the CCR Section [56002\(a\)\(31\)](#), should be performed with the individuals to the fullest extent possible.
  - The semi-annual consultant hours per individual for each Service Level are shown on Attachment B, Table ~~DC~~. As noted above, providers will have until December 31, 2025 to meet the new or additional consultant hour requirements.

- Service Level 3 requires 8 consultant hours semi-annually per individual.
  - Service Level 4 requires 12 consultant hours semi-annually. This impacts current Level 4C.
  - Service Level 5 requires 16 consultant hours semi-annually. This impacts current Level 4F.
  - Service Level 6 requires 16 consultant hours semi-annually.
- *Billing:*
  - Providers will bill services monthly per individual using a rate based on whether the facility serves adults or children, is owner-operated or staff-operated, as well as the Service Level and vendored capacity of the facility.
    - Refer to Attachment B, Table ~~ED~~ for the subcodes for each Service Level and vendored capacity of the facility.
  - Service Level 7 will use a customized rate for each facility, calculated using the vendored capacity, direct care staffing hours, staff qualifications, consultant hours, and identified fixed costs.
  - Regional centers separately may authorize supplemental services for an individual within the facility, such as additional staff or consultant services.

### **Next Steps**

Regional centers and service providers shall follow this directive to affirm which updated service description most closely matches the services actually being delivered, and follow the procedures described in this directive. If a provider's service does not fit into any of the updated service descriptions, or a provider or its staff do not meet the requirements of any of the updated service descriptions, the regional center and service provider shall refer to the exemption process described in the Department's December 12, 2024 [letter](#).

This letter should be shared with involved regional center personnel and the provider network. If providers, individuals and/or their families have questions regarding this letter, they should contact their regional center. Questions from regional centers should be directed to [ratesquestions@dds.ca.gov](mailto:ratesquestions@dds.ca.gov).

Sincerely,

*Original Signed by:*

DANA SIMON  
Deputy Director  
Waiver and Rates Division

Attachments

cc: Regional Center Administrators  
Regional Center Directors of Consumer Services  
Regional Center Community Services Directors  
Association of Regional Center Agencies  
Pete Cervinka, Department of Developmental Services

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