RATE REFORM UPDATE: CHANGE TO PAYMENT MODEL FOR 875 - TRANSPORTATION COMPANY

February 2026

DDS Department of Developmental Services

HOUSEKEEPING

This is an Informational session only

Interpretación en español: haga clic en el globo blanco en la parte inferior de la pantalla con la etiqueta "Interpretation." Luego haga clic en “Spanish” y seleccione "Mute original audio.”

ASL interpreters have been “Spotlighted” and live closed captioning is active

This meeting is being recorded

Materials are available at: https://www.dds.ca.gov/rc/vendor-provider/rate-reform/

Questions can be directed to ratesquestions@dds.ca.gov

SUMMARY

- In response to input from Regional Centers and Transportation Companies, DDS is updating the payment methodology for 875 services
  - Primary goal is to ***equitably reimburse for both shorter and longer routes***
- Two payment components
  - A ***vehicle rate*** billed up to twice per day that covers most of the non-vehicle assumed costs of the services, including driver wages and benefits
  - A ***mileage rate*** billed for each mile driven by a vehicle during the day that covers vehicle costs
- Rates ***billed at the vehicle-level*** (not at the participant level)
- Updated payment framework and rates will be ***implemented on March 1, 2026***

CHANGES TO PAYMENT METHODOLOGY – PRE-RATE REFORM

- Historically, Regional Centers employed multiple approaches to paying Transportation Companies (service code 875)

Billing Unit*	% of Total	Considerations
Mile	49%	Accounts for vehicle-related costs; may not adequately fund staff and fixed costs on shorter or slower routes
Day/Trip	42%	Provides predictable revenue; can balance fixed and variable costs; may not adequately fund longer routes
Hour	8%	Accounts for staff-related costs; may not adequately fund fixed costs on shorter routes
Other	1%	

* Based on 2019-20 purchase of service (POS) data; excludes contract claims

CHANGES TO PAYMENT METHODOLOGY – RATE STUDY PROPOSAL

- Proposed to pay providers based on a per-person trip rate
  - Applied regional adjustment factors so somewhat longer trips assumed in less urban areas
  - Separate rates for ambulatory and non-ambulatory riders

- Rate model included standard assumptions regarding number of riders, as well as time and distance of a trip within a region
  - Providers with longer trips (in terms of time and/or distance) than assumed are disadvantaged (reverse is also true)
  - Providers with fewer riders than assumed are disadvantaged (reverse is also true)

- Payments to Transportation Companies increased from $152 million in 2020-21 to $202 million in 2024-25
  - 69 percent of vendors experienced an increase in revenues (which can be due to both rate and volume changes)

CHANGES TO PAYMENT METHODOLOGY – 2025 RATE MODEL CHANGES

- Based on feedback from vendors, a mileage rate replaced the trip rates
  - Billing includes miles to and from the 'yard' without passengers
  - Rate is allocated across riders (so payment is the same regardless of the number of riders)
  - Since billing is based on mileage, there is no regional adjustment factor for trip distance (or the time it takes to travel a mile)
- Varied rates based on vehicle size and whether they are equipped for non-ambulatory riders
  - Small (10 or fewer passengers), medium (11-18), and large (19 or more)
  - Increased wage assumption for small vehicle drivers to match assumption for larger vehicles
- Developed California-specific cost assumptions for vehicle operating costs (e.g., mileage, maintenance, insurance) based on provider survey and supplemental research
  - Rate models for services other than 875 continue to rely on the IRS' standard mileage rate
- Reduced assumed mileage per vehicle (which results in a higher rate as fixed cost assumptions are spread over fewer miles)

REVISED PAYMENT METHODOLOGY

- In response to vendor and Regional Center input, DDS is again adjusting the payment framework

- Framework divides cost assumptions across two billing rates
  - A ***vehicle rate*** billed up to twice per day that covers most of the non-vehicle assumed costs of the services, including driver wages and benefits
  - A ***mileage rate*** billed for each mile driven by a vehicle during the day that covers vehicle costs

- Purpose and goals
  - Provide a minimum level of revenue per vehicle each day that the vehicle is used for services regardless of the number of miles that vehicle is driven on that day
  - Better support vendors that operate shorter routes
  - Model recognizes that some costs are incurred regardless of mileage and do not scale up based on mileage driven

- Compared to current per-mile rates, this approach will increase total payments for shorter routes but decrease total payments for longer routes

REVISED PAYMENT METHODOLOGY – VEHICLE RATE

- Covers most of the non-vehicle assumed costs of the services, including driver wages and benefits, program operations, and majority of administrative costs (calculated as 12 percent of total costs)
  - Intended to cover expenses that are not (generally) tied to the number of miles driven
  - Rate effectively pays for about 7 hours of driver time per day

- Rate varies by Regional Center based on geographic assumptions

- Since vehicle-related costs are not included in this rate, the rate does not vary by vehicle type; that is, there is a single rate that applies to all vehicles

- Rate can be billed up to twice per day for a vehicle used to transport individual(s) during morning and afternoon periods
  - One claim for first/only route between 4:00 AM and 11:59 AM
  - One claim for first/only route after 12:00 PM

REVISED PAYMENT METHODOLOGY – MILEAGE RATE

- Covers vehicle-related expenses (e.g., purchase/lease, fuel, maintenance, and insurance and registration) and also includes 12 percent for administrative costs
  - Intended to cover expenses that are (generally) tied to the number of miles driven
  - Consistent with the guidelines introduced when the mileage rates replaced the per-trip rates, vendors bill for all miles traveled by the vehicle, including time to and from the vehicle's 'base' (but excluding miles unassociated with 875 services)

- As with the current mileage rates, there are six rates based on vehicle size (small, medium, and large) and whether the vehicle is equipped to accommodate wheelchairs

- Rate does not vary by Regional Center

REVISED PAYMENT METHODOLOGY – RATES

Vehicle Type	Vehicle Rate[1,2]	Mile Rate
Small, Standard	$174.51	$1.08
Small, Non-Ambulatory	$174.51	$1.19
Medium, Standard	$174.51	$1.93
Medium, Non-Ambulatory	$174.51	$2.05
Large, Standard	$174.51	$2.56
Large, Non-Ambulatory	$174.51	$2.67

[1] Rate can be billed up to twice per day for a vehicle: once for morning route(s) and once for afternoon route(s)

[2] Reflects rate prior to application of regional adjustment factor

- Quality Incentive Program applies to both components, so base rates will be set at 90 percent of the benchmark rate with the ability to earn the remaining 10 percent

REVISED PAYMENT METHODOLOGY – EXAMPLE

- Under the new framework, vendors are paid the same amount for each vehicle used to deliver 875 services on a given day, as well as a variable total amount based on total miles driven
- Example for a medium, standard vehicle with different daily mileage

	Vehicle 1	Vehicle 2	Vehicle 3
Total Miles Driven During Day	25	50	100
Vehicle Rate[1] - AM Trip(s)	$174.51	$174.51	$174.51
Vehicle Rate[1] - PM Trip(s)	$174.51	$174.51	$174.51
Per-Mile Revenue (at $1.93 per mile)	$48.25	$96.50	$193.00
Total Revenue[2,3]	**$397.27**	**$445.52**	**$542.02**

[1] Vehicle rates reflect rate before regional adjustment factor

[2] Assumes vendor qualifies for Quality Incentive Program

[3] Reflects total revenue for the vehicle, which would be allocated across riders

BILLING PROCESS – REGIONAL CENTER

- May have up to 6 contract authorizations for the mileage rate (one for each vehicle type) depending on vendor's approved vehicles
    - Contract authorizations will be billed for the number of miles used for transporting individuals to/from their authorized destinations

- Individuals will be designated a primary vehicle type, which will align to the designated subcodes with an individual's tracking authorization based on the vehicle type
    - This individual tracking authorization will reflect their attendance for the day in either e-billing or e-attendance

- IPPs will only authorize the "transportation to and from…."
    - Will not need to specify vehicle type or mileage

- Regional Centers will reimburse providers for the total number of miles per contract line (vehicle type)

BILLING PROCESS – PROVIDER

- Will bill for the use of each vehicle up to a maximum of two times per day
  - For the first/only route between 4:00 am and 11:59 am (morning routes)
  - For the first/only route after 12:00 pm (afternoon routes)

- Will be responsible for tracking the odometer mileage (minus non-business related miles: lunch, non-individual routes, etc.) for each type of the 6 vehicle types or any variation they operate

- Will bill total number of miles for each vehicle type (not each single vehicle within a type-for example: miles on ALL Small/Standard (SS0) vehicles on this individual's tracking authorization)

- Providers will be responsible for maintaining adequate documentation of their actual route logs detailing passengers' destinations and odometer readings for audit or review purposes

- All routes determined by the individual's needs reflected by their planning teams and subject to approval and review by the Regional Center

RESOURCES

Websites and Links

- Rate Reform Website
- Rate Reform Directives
- Training Schedule & Recordings
- FAQs
- Provider Directory
- QIP

Dedicated email: ratesquestions@dds.ca.gov