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State/Territory Name: CA

State Plan Amendment (SPA) #: 23-0036

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
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850

Financial Management Group

December 29, 2023

Michelle Baass
Director and Interim State Medicaid Director
California Department of Health Care Services
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

RE: California State Plan Amendment (SPA) CA 23-0036 §1915(i) home and community-based services (HCBS) state plan amendment (SPA)

Dear Director Baass:

We have reviewed the proposed California State Plan Amendment (SPA) to Attachment 4.19B, CA-23-0036, which was submitted to the Centers for Medicare & Medicaid Services (CMS) on October 2, 2023. This SPA authorizes reimbursement rate increases for 1915i Independent Living services, Habilitation/Community Living Arrangement services, Participant-directed Day services and Supported Employment services, and Day Services paid rates pursuant to a cost study, effective for dates of service on or after January 1, 2024.

We are enclosing the approved CMS-179 and a copy of the new state plan pages.

As agreed, upon with the state the additional pages originally submitted with SPA 23-0036 have been removed and are not included in this approval. An additional SPA must be submitted to implement the requested changes related to program and incentive payments.

If you have any questions concerning this information, you may contact Blake Holt at Blake.Holt@cms.hhs.gov or 303-844-6218.

Sincerely

Acting Director
Division of Reimbursement Review

Enclosure

cc:
Alice Hogan, CMS
Deanna Clark, CMS
Blake Holt, CMS

DEPARTMENT OF HEALTH ANDHUMAN 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: 2 3 — 0 0 3 6

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
January 1, 2024

5. FEDERAL STATUTE/REGULATION CITATION
1915i of the Social Security Act

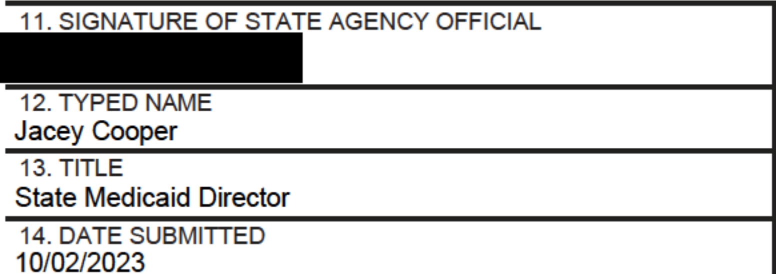
6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2023-24 $ 9,034,044
b. FFY 2024-25 $ 12,045,393

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
~~Attachment 3.1-i pages 1, 8, 9, 9a(new), 16, 57, 94, 94a(new), 94b (new), 112, 113, 114, 115~~
Attachment 4.19-B pages ~~70, 78, 78e, 78f~~
71, 74, 78

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (*If Applicable*)
~~Attachment 3.1-i: pages 1, 8, 9, 16, 57, 94, 112, 113, 114, 115~~
Attachment 4.19-B pages ~~70, 78, 78e, 78f~~
71, 74, 78

9. SUBJECT OF AMENDMENT
~~Modify provisional eligibility,~~ increase rates for independent living programs, adult residential homes and participant directed day service and supported employment. ~~Addition of participant directed goods and services, quality incentive payments for surveys and certifications.~~

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
Jacey Cooper

13. TITLE
State Medicaid Director

14. DATE SUBMITTED
10/02/2023

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

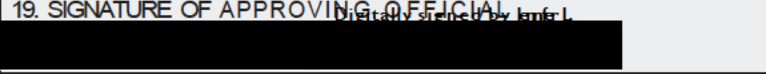
16. DATE RECEIVED
10/02/2023

17. DATE APPROVED
December 29, 2023

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
January 1, 2024

19. SIGNATURE OF APPROVING OFFICIAL



20. TYPED NAME OF APPROVING OFFICIAL
Jennifer Clark

21. TITLE OF APPROVING OFFICIAL
Acting Director, FMG DRR

22. REMARKS
Pen and ink changes authorized by the state on 12/28/2023.

Instructions on Back

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.
- Effective January 1, 2024, the rate model for Independent Living Program Providers will be increased based on updated wage assumptions which reflect more equivalent occupations and duties performed by those occupations.

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/

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.

Effective January 1, 2024, for service provided on or after January 1, 2024, ARM rate methodology will receive an increase based on the increase to California minimum wage. 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/

Computation of allowable costs and their allocation methodology for both the interim and final reconciliated rates must be determined in accordance with the Centers for Medicare and Medicaid Services (CMS) Provider Reimbursement Manual (CMS Pub. 15-1), CMS non-institutional reimbursement policies, and 2 C.F.R. Part 200 as implemented by HHS at 45 C.F.R., part 75, which establish principles and standards for determining allowable costs and the methodology for allocation an apportioning those expenses to the Medicaid program, except as expressly modified below.

New homes:
For new homes in which the facility-specific first-year costs are not available, the state will use an estimated average of costs based on similar homes as the estimate for the interim rate. After the first year of operation, the same reconciliation process is followed as described above.

B. Supported Living Services provided in a Consumer's own Home (Non-Licensed/Certified) Supported Living Services providers are in this subcategory. Maximum hourly rates for these providers are determined using the median rate methodology, as described on pages 71a-73 above.

REIMBURSEMENT METHODOLOGY FOR HABILITATION – DAY SERVICES

This service is comprised of the following three subcomponents:

A. Community-Based Day Services – There are three rate setting methodologies for providers in this subcategory.

1) Rates Set pursuant to a Cost Statement Methodology – As described on pages 70a-71a, above. This methodology is applicable to the following providers (unit of service in parentheses): Activity Center (daily), Adult Development Center (daily), Behavior Management Program (daily), Independent
Living Program (hourly), and Social Recreation Program (hourly). Regional center specific rates in effect as of January 1, 2024 are available at the following link: https://www.dds.ca.gov/rc/vendor-provider/rate-study- implementation/rates-by-regional-center/

2) Median Rate Methodology – As described on pages 71a-73, above. This methodology is used to determine the applicable daily rate for Creative Art Program, Community Integration Training Program and Community Activities Support Services providers. This methodology is also used to determine the applicable hourly rate for Adaptive Skills Trainer, Socialization Training Program, Personal Assistance and Independent Living Specialist providers, with the exception that the 2022 Rate Study Implementation increase does not apply to Creative Art Program and Socialization Training Program.

3) Individual Providers (Participant-Directed) –

a) Personal Assistance – $20.72 per hour, effective January 1, 2024.
b) Independent Living Services– $21.67 per hour, effective January 1, 2024.

B. Therapeutic/Activity-Based Day Services – The providers in this subcategory are Specialized Recreation Therapy, Special Olympics, Sports Club, Art Therapist, Dance Therapist, Music Therapist and Recreational Therapist. The units of service for all providers are daily, with the exception of Sports Club providers, who have a monthly rate. There are two rate setting methodologies for providers in this subcategory.