STATE CAPITOL
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California Legislature

November 3, 2026

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

RE: Ongoing Implementation of the Medi-Cal Private Duty Nursing Rate Increase - SB 111 (Chapter 21, Statutes of 2026)

Dear Director Baass,

We write to clarify the Legislature's intent regarding the Private Duty Nursing (PDN) provisions in SB 111, the Budget Act of 2026 trailer bill, enacted as Chapter 21, Statutes of 2026.

The legislative history surrounding the 2026-27 State Budget demonstrates the Legislature's clear intent that Section 87, Item 4260-101-0001, Provision 28, provides a permanent 40 percent increase in Medi-Cal reimbursement rates for Private Duty Nursing (PDN) services. The funding authorized through SB 111 was designed to address longstanding access and workforce shortages within the PDN program by improving the recruitment and retention of qualified nurses and expanding access to medically necessary services for Medi-Cal beneficiaries.

That can only be accomplished through an ongoing reimbursement rate increase.

We recognize that certain budget documents describe the PDN appropriations as “one time.” That description reflects only the partial-year funding needed for an increase that takes effect no sooner than January 1, 2027; it does not limit the rate increase itself to a single budget year. **Interpreting this provision as a six-month appropriation would be contrary to the legislative intent, the stated purpose of the investment, and the needs of medically fragile children and adults who rely on PDN services throughout California.** The Legislature's objective was to strengthen and stabilize the provider network over the long term, recognizing that sustainable workforce investments cannot be achieved through short-term funding.

DHCS possesses the administrative authority necessary to implement this rate adjustment through the existing Medi-Cal reimbursement process. Pursuant to the authority provided in the FY 2026-27 Budget Act, as amended by SB 111, and DHCS's authority as California's Medicaid agency to establish provider reimbursement rates through the State Plan and Medi-

Cal fee schedules, the Department may implement and maintain the PDN rate increase administratively, subject to any necessary CMS approvals.

While the state budget process appropriates funding on an annual basis, the PDN rate increase itself was not intended as an initiative specific to a single budget cycle. **Long-term reimbursement stability is essential to recruit and retain the nursing workforce required to serve California's most medically complex patients.** Today, approximately 1,000 children remain unable to access authorized nursing services due to persistent workforce shortages. Reversing the rate increase after six months or one year would exacerbate existing access challenges, interfere with providers' recruitment and retention efforts, destabilize provider operations, and undermine the very policy goals the Legislature sought to achieve through this investment.

The Legislature understood that strengthening access to PDN services would generate cost savings elsewhere in the Medi-Cal program by reducing preventable hospitalizations, avoiding extended inpatient stays for individuals awaiting discharge, and supporting community-based care in the least restrictive and most cost-effective setting. **These benefits can only be realized through a sustained commitment to adequate reimbursement rates.**

Accordingly, implementing the 40 percent PDN rate increase as an ongoing adjustment to the Medi-Cal fee schedule is consistent with the text, purpose, and legislative intent of SB 111. We respectfully ask that DHCS confirm it will implement the increase on an ongoing basis and reflect its full-year cost in the Department's 2027-2028 budget baseline.

Thank you for your continued commitment to supporting California's medically fragile children and adults.

Sincerely,

GAIL PELLERIN
Assemblymember, 28th District

CECELIA AGUIAR-CURRY
Assembly Majority Leader, 4th District

JOSE SOLACHE, JR.
Assemblymember, 62nd District

CATHERINE STEFANI
Assemblymember, 19th District



PILAR SCHIAVO
Assemblymember, 40th District



MIKE GIPSON
Assemblymember, 65th District

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