

About New "Cost-Effective" Rule and Self-Determination Budgets

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California is writing, for the first time, a statewide definition of what counts as a "cost-effective" service for people with developmental disabilities. If you're in the Self-Determination Program (SDP), the exact wording could affect how much you're allowed to pay your providers.

Nothing has changed yet. DDS is collecting public feedback through July 31, 2026, before finalizing the rule. Here's what's being proposed, why DDS wants it, what it could mean for SDP, and how to weigh in.

Why This Matters

The Lanterman Act uses the term "cost-effective" more than 20 times, but no regulation has ever defined it. A new state law requires DDS to write a clear, statewide definition by August 1, 2026.

Why DDS Wants a Clear Definition

Right now, each of California's 21 regional centers can interpret "cost-effective" its own way, so two families with similar needs can get different answers depending on where they live. The Legislative Analyst's Office flagged this gap as far back as 2011. The Department says a single, written definition will give families, providers, and regional center staff the same standard statewide, and will help ensure public dollars — including federal Medicaid matching funds — are spent in ways that clearly tie back to each person's needs and goals. The rule will apply to all regional center services, not just SDP.

What DDS Is Proposing

Under the draft, a service counts as cost-effective only if it:

- Meets the person's needs and their IPP goals
- Isn't already covered by a generic service, like public school or IHSS
- Can be paid for with Medicaid dollars
- Comes from a qualified provider
- Costs a reasonable rate

People would still choose their own providers. DDS hasn't yet defined "qualified provider," or explained exactly how "reasonable rate" will apply to SDP.

The Trade-Off for SDP Families

For most services, "reasonable rate" means the state's published 2019 rate; a regional center needs DDS approval to pay more. For SDP, the proposal may apply that same standard not just to the overall budget, but to what a participant pays their chosen provider.

Today, SDP works differently: families manage their own budget within an overall allowance, sometimes paying a higher rate for fewer hours to keep a strong provider. That flexibility is central

to how SDP operates now. A more standardized rate rule could narrow it — though the Department says individuals will still choose their own providers and hasn't finalized how the rate standard will work in practice.

A Quick Example

Imagine a child needs one-on-one swim lessons. The lowest-cost option is a group class 20 miles away that can't accommodate the child; a closer, pricier class has trained staff who help the child make real progress. Families worry a rule based only on price could rule out the option that works. The proposed criteria — that a service must also meet the person's needs and IPP goals, not just cost less — are meant to guard against exactly that outcome. How consistently will that balance be applied in practice remains an open question.

How to Share Your Feedback

DDS wants real examples, not just opinions. Consider sharing:

- Paying a provider more, for fewer hours, to keep them
- Finding a great provider without formal credentials
- Trouble getting local businesses to work within SDP's payment rules

Tie your example to your family member's IPP goals and explain how the flexible option helped.

Submit feedback here: [DDS Cost-Effective Definition Survey](#) (open through July 31, 2026).

The Bottom Line

The goal — one consistent standard applied across all 21 regional centers — addresses a real gap in a 50-year-old law. The open question is how the specific wording for "reasonable rate" and "qualified provider" plays out for SDP's budget flexibility once the rule takes effect. Families, self-advocates, and regional centers all have reason to weigh in before DDS finalizes the definition on August 1.

Sources

[Undivided — Could California's Self-Determination Program Flexibility Be at Risk?](#)

[Undivided — CA Budget, Olmstead, & 'Cost-Effective' DDS Services \(June 30, 2026\)](#)

[Legislative Analyst's Office — analysis flagging the undefined 'cost-effective' standard \(2011\)](#)

[California Welfare and Institutions Code § 4512\(b\)](#)

[California Welfare and Institutions Code § 4646](#)

[California Assembly Bill 143 \(2025 Developmental Services Budget Trailer Bill\)](#)

[DDS — Proposed Updates and Request for Community Feedback to Define 'Cost-Effective' \(webinar, June 29, 2026\)](#)

[DDS — 'Cost-Effective' Definition Presentation Slides \(June 2026\)](#)