

**Department of Health Care Services
Proposed Trailer Bill Legislation**

CalAIM 2.0: Statutory Changes to Align with Waiver Approvals

FACT SHEET

Issue Title: CalAIM 2.0: Statutory Changes to Align with Waiver Approvals. The Department of Health Care Services proposes: 1) changes to the California Advancing and Innovating Medi-Cal (CalAIM) Act to align with federal approvals from the federal Centers for Medicare and Medicaid Services (CMS); 2) authorizes DHCS to seek federal approval for an 1115 Serious Mental Illness/Serious Emotional Disturbance Waiver; and 3) delays the transition of Intermediate Care Facilities for the Developmentally Disabled (ICF-DDs) and Subacute Care Facilities into Medi-Cal managed care from January 1, 2023 to July 1, 2023.

Background: The California Advancing and Innovating Medi-Cal (also known as “[CalAIM](#)”) is a DHCS initiative to reform the Medi-Cal program and, in turn, improve the quality of life and health outcomes of Medi-Cal members. DHCS is implementing broad delivery system, program and payment reform across the Medi-Cal system, building upon the successful outcomes of various pilots.

The CalAIM Act was established along with conforming changes in state law, which provided DHCS the authority necessary to submit its demonstration and waiver requests to CMS for approval. These provisions were enacted in AB 133 (Committee on Budget, Chapter 143, Statutes of 2021). DHCS received approval on December 29, 2021 for both the CalAIM demonstration and waiver, effective through December 31, 2026.

Justification for Change: DHCS proposes to make changes to the CalAIM Act to align with federal approvals and other technical changes.

- Providing flexibility in the Behavioral Health Quality Improvement Program (Welfare and Institutions Code (WIC) Sections 5961.5 and 14184.405).
- Expands full scope benefits to all pregnant individuals with household incomes up to 213 percent, inclusive, of the federal poverty level (WIC Sections 14005.22, 14005.225, 14005.64, and 14148).
- Rename “In-Lieu of Services” to “Community Supports” (WIC Section 14184.206).
- Authorize DHCS, in consultation with counties and other affected stakeholders, to seek federal approval for an 1115 Serious Mental Illness/Serious Emotional Disturbance Waiver (WIC Section 14184.400).
- Clarify the number of days prior to release from incarceration a Medi-Cal eligible individual can receive targeted Medi-Cal services, based on the approved CalAIM Terms and Conditions (WIC Section 14184.800).
- Align state law related to Medical Loss Ratio with the CalAIM Terms and Conditions (WIC Section 14197.2).

- Delay the transition of ICF-DDs and Subacute Care Facilities into Medi-Cal managed care from January 1, 2023 to July 1, 2023 (WIC Section 14184.201 and 14186.3).

Summary of Arguments in Support:

- This proposal would align state law with CalAIM's federal approval.
- Delaying the transition of ICF-DDs into Medi-Cal managed care would provide DHCS more time to provide clear guidance to Medi-Cal managed care plans, ICF-DDs, and providers.
- DHCS will be able to seek an opportunity for California to receive federal funding for institutional services provided to populations with a SMI/SED, similar to the flexibility the state has secured for the Drug Medi-Cal Organized Delivery System.

Estimate PC: Various