

Date of Hearing: March 24, 2026

ASSEMBLY COMMITTEE ON HEALTH
Mia Bonta, Chair
AB 2081 (Stefani) – As Introduced February 18, 2026

SUBJECT: Medi-Cal: Home and Community-Based Alternatives Waiver.

SUMMARY: Requires the Department of Health Care Services (DHCS) to expand capacity in the Medi-Cal Home and Community-Based Alternatives (HCBA) Waiver. Specifically, **this bill:**

- 1) Requires DHCS to ensure that the HCBA Waiver, including any renewal or successor waiver, provides for an annual increase of not fewer than 10,000 waiver slots beginning in 2027.
- 2) Requires, by March 1, 2027, DHCS to seek any necessary amendments to the HCBA Waiver to ensure there is sufficient capacity to enroll all eligible individuals who apply and who are currently on a waiting list for the Waiver. Requires DHCS to continue to monitor capacity and to expand capacity through any necessary HCBA Waiver amendments at least 180 calendar days prior to reaching capacity, based on enrollment trends, to ensure that no individual is placed on a waiting list for the HCBA Waiver.
- 3) Requires DHCS to submit a report on the number of waiver slots available and filled, the number of individuals on the waiting list, a demographic breakdown of individuals enrolled, and a summary of efforts undertaken by DHCS to reduce the waiting list and ensure that all available waiver slots are filled.
- 4) Authorizes DHCS to seek amendments to the HCBA Waiver or take other action as necessary to implement the above changes, strikes a requirements that the waiver be cost-neutral federally, and authorizes DHCS to implement using non-regulatory authority such as letters or bulletins.

EXISTING LAW:

- 1) Establishes the Medi-Cal Program, administered by DHCS, to provide comprehensive health benefits to low-income individuals who meet specified eligibility criteria. [Welfare and Institutions Code (WIC) § 14000 *et seq.*]
- 2) Establishes a schedule of benefits under the Medi-Cal program. [WIC § 14132]
- 3) Covers, under Medi-Cal, home- and community-based services approved by the United States Department of Health and Human Services, covered to the extent that federal financial participation is available for those services under the state plan or waivers granted in accordance with federal law, as specified. Authorizes DHCS to seek waivers for any or all home- and community-based services approvable under specified federal law, and limits coverage for those services to the terms, conditions, and duration of the federal waivers. [WIC § 14132(t)]

- 4) Requires DHCS, following federal approval, to seek all necessary waivers from the United States Department of Health and Human Services in order to provide in-home and community-based care, as provided for under federal law, as specified. [WIC § 14137]
- 5) Establishes specific authority and requirements related to the Nursing Facility/Acute Hospital Transition and Diversion Waiver (predecessor of the HCBA Waiver), for purposes of providing care management services to individuals who are at risk of nursing facility or institutional placement. [WIC § 14132.991]

FISCAL EFFECT: Unknown. This bill has not been analyzed by a fiscal committee.

COMMENTS:

1) PURPOSE OF THIS BILL. According to the author, Medi-Cal's HCBA Waiver helps medically vulnerable Californians receive high quality care in their own homes and communities instead of being forced into institutional settings. It supports people with serious medical needs, including adults living with Amyotrophic Lateral Sclerosis (ALS), medically fragile children, seniors with Alzheimer's, and others with complex health conditions so they can remain with their families while receiving the care they need. The program improves quality of life and saves the state money, generating about \$110 million in annual cost savings. Yet enrollment caps have limited its impact and left more than 5,600 vulnerable Californians stuck on a waiting list without access to these critical services. The author asserts that expanding the HCBA Waiver program will ensure Medi-Cal recipients, including people with significant health needs who are experiencing homelessness, can access the care they need, live with dignity, and remain in their communities. The author concludes that California should not be forcing medically vulnerable people into institutions when safe, cost-effective care at home is within reach.

2) BACKGROUND.

a) Home and Community-Based Services (HCBS) Medicaid Waivers. Medicaid waivers are waivers of federal law that allow state Medicaid programs (Medi-Cal in California) the flexibility to provide additional services, limit services to specific geographic areas, or expand coverage. Under a waiver, states can change their Medicaid program in ways that are not allowable under traditional Medicaid rules, such as limiting enrollment or providing benefits that are normally not covered. HCBS waivers are a subset of Medicaid waivers that help people live in their own homes or in home-like settings in the community, rather than in institutional settings. According to the federal Centers for Medicare and Medicaid Services (CMS), many individuals at risk of institutionalization can be supported in their homes and communities, thereby preserving their independence and bonds to family and friends, at a cost not higher than that of institutional care.

HCBS waivers are sometimes referred to as 1915(c) waivers, given the program was established under federal law in 1981 and incorporated into the Social Security Act in Section 1915(c). States have flexibility in designing their own unique HCBS waiver programs, but they must seek federal approval through waiver applications to CMS.

b) HCBA Waiver. The HCBA Waiver is one of the 1915(c), or HCBS waivers, administered by DHCS. It provides children, adults, and seniors with disabilities who qualify for an institutional level of care to instead receive these services in the

community. Specifically, the HCBA Waiver serves Medi-Cal members who would, in the absence of the waiver, otherwise require care in an acute hospital, subacute facility, nursing facility (including a skilled nursing facility (SNF)), or an intermediate care facility.

The HCBA Waiver is the service delivery model in Medi-Cal that allows these high-acuity services to be provided outside of an institution. A renewal of the waiver was most recently approved by CMS on February 16, 2024, effective starting March 1, 2024, for a 5-year term.

DHCS administers the HCBA Waiver program through contracts with waiver agencies. To enroll in the waiver, individuals apply directly to the appropriate HCBA Waiver agency assigned to their county. However, according to the approved HCBA Waiver, the initial “level of care” eligibility determination to ensure the individual qualifies for an institutional level of care is performed by a DHCS-employed licensed nurse or physician, for all HCBA Waiver applicants.

Waiver agencies generally do not provide direct medical and waiver services, but perform assessment, care planning, and service coordination functions on behalf of DHCS. Specifically, waiver agencies coordinate Medi-Cal covered services (such as medical care, behavioral health, and In-Home Supportive Services), as well as authorize services specifically available through the HCBA Waiver (such as waiver personal care services, assistive technology, and private duty nursing).

- c) **Waiver Capacity.** One component of this bill would require DHCS to expand the capacity of the waiver to serve the current waiting list and the projected demand.
 - i) **Enrollment Caps.** The HCBA Waiver is federally approved to serve no more than a specific number of individuals. Although enrollment in the HCBA Waiver saves money and is life-changing for those with complex medical conditions, over 6,000 people are currently on the waitlist to enroll. Some of these people are in institutions when they could be receiving services at home through the HCBA Waiver at lower state cost. Anecdotally, waiver services providers report some individuals on the waitlist never get to enroll even when a slot opens up, because by the time a slot is available the individual has become too frail and sick to receive services at home. The HCBA Waiver waitlist has grown substantially over the last three years. In January 2023, there were 281 individuals on the wait list, compared to 6,091 in December 2025.

Concerns about waiver capacity are reflected in a February 2025 report commissioned by DHCS as part of the California Statewide HCBS Gap Analysis and Multi-year Roadmap (Gap Analysis Report). The Gap Analysis Report included data collection, interviews, and analysis related to various HCBS programs, including the HCBA Waiver. According to the report, most of the qualitative interviewees pointed to gaps in accessing the HCBA Waiver because of the limited number of slots and long waiting times. The report notes that despite DHCS regularly increasing the number of slots for the HCBA Waiver since 2017, demand for the service continues to be higher than available slots, and there is a consistent statewide waitlist for waiver enrollment.

DHCS has federal approval to increase the number of waiver slots by 1,800 per year through 2028. In its application, DHCS indicates it used current enrollment and attrition trends to project the number of waiver slots that would be needed for each year of the waiver. According to DHCS's November 2024 Local Assistance budget estimate, the number of federally approved HCBA Waiver slots is as follows:

(1) Waiver Year 1 (2024): 14,544

(2) Waiver Year 2 (2025): 16,344

(3) Waiver Year 3 (2026): 18,144

(4) Waiver Year 4 (2027): 19,944

(5) Waiver Year 5 (2028): 21,744

- ii) **Impact of Enrollment Caps.** Although the HCBA Waiver serves only a small number of people in the context of the Medi-Cal program, these individuals have highly complex medical conditions and many can only receive the level of services they need in a home-based setting if they are able to enroll in the waiver. However, these same services are covered with no cap on enrollment, if provided in an institution. For instance, an adult who depends on a ventilator to breathe and who needs continuous nursing care could receive these services in a costlier institutional setting like hospital or SNF, but they can only receive similar services at home if they are able to enroll in the HCBA Waiver.

In addition to the impact on individual applicants who face a years-long waiting list for waiver services, waiver agencies have indicated the inability to serve new enrollment poses a threat to financial sustainability for their programs, as they may be unable to enroll new people in their programs as others leave. Limitations on enrollment also pose challenges for potential waiver agencies to open new programs or expand capacity of their existing programs.

- d) **DHCS Pauses Plan to Integrate HCBS Waivers into Medi-Cal Managed Care.** As part of the California Advancing and Innovating Medi-Cal (CalAIM) initiative, DHCS specified a goal to integrate certain HCBS programs, including the HCBA Waiver, into its Medi-Cal managed care delivery system, where services are paid for and coordinated through managed care plans. However, consumer advocates and providers of HCBA Waiver services expressed concerns that current Medi-Cal rates are inadequate to financially sustain these high-acuity waiver services, as well as other concerns about the capacity and readiness for plans to deliver these programs and services effectively. In December 2025, DHCS announced their intent to abandon this approach and leave HCBS programs in their current form. This pivot by DHCS without an alternative proposal naturally leaves questions about how to make alternate improvements to HCBS waiver programs to address challenges faced by providers and potential new waiver participants, such as adequacy of financing, access, and timely ability to enroll in the programs.
- e) **Impact of HCBA Waiver Enrollment on Medi-Cal Program Costs.** Because individuals who meet medical eligibility criteria for the HCBA Waiver are likely receiving high-acuity medical services regardless of whether they are enrolled in the

waiver, and because waiver services are an alternative to facility-based services, increasing enrollment in the HCBA Waiver can be cost-saving to the Medi-Cal program overall.

When DHCS proposed to increase HCBA Waiver slots in 2024-25, DHCS's 2024-25 Budget Highlights estimated \$12.9 million in savings in that year associated with the increase in waiver slots. According to DHCS's November 2025 Local Assistance Estimate, enrolling more people into the HCBA Waiver has quantified, multimillion-dollar Budget Year and ongoing cost savings because of reduced costs for institutional care. The Estimate cites an annual cost of \$23,980 for waiver services versus over \$100,000 annually for SNF services, leading to cost savings for each person transitioning from skilled nursing facility to waiver services.

- 3) SUPPORT.** A number of community-based organizations; consumer, disability, and legal advocates; providers; and individuals write in support of this bill. Supporters note that the HCBA waiver is a lifeline for the most medically vulnerable individuals and that waiver capacity is an equity issue, with underserved communities of color being most impacted by a lack of capacity. Supporters also point out the significant cost savings from serving people at home instead of in institutions. Finally, supporters note the right to services that enable seniors and people with disabilities to lead full lives, on an equal basis with those living without disabilities, is recognized by the Supreme Court's decision, *Olmstead v. L.C.*, 527 U.S. 581 (1999), as well as California law.

Cardea Health, a waiver agency and co-sponsor of this bill, has received startup funding from Alameda and San Francisco Counties to partner with housing programs to arrange health care services to medically frail individuals experiencing homelessness and are Medi-Cal enrollees. Without the capacity to enroll additional individuals in the HCBA Waiver, Cardea may not be able to financially sustain the services that allow these individuals to stay safely housed. Cardea's data indicates their innovative approach leads to almost 100% housing retention and an 80% reduction in utilization of some of the most expensive forms of healthcare delivery—emergency department visits, inpatient stays, and skilled nursing facility admissions—saving an average of over \$88,000 annually per beneficiary.

A large number of individuals, including recipients of HCBA Waiver services with disabilities and severe injuries, parents and grandparents of disabled adults and children who receive HCBA Waiver services, and staff who serve individuals who receive HCBA Waiver services write of the essential nature of the services and in support of expanding the capacity of the waiver.

- 4) PREVIOUS LEGISLATION.** AB 315 (Bonta) of 2025 contained some provisions similar to this bill, including a requirement that DHCS increase waiver slots. AB 315 also included provisions that are not in this bill, including a requirement that DHCS conduct a rate study for HCBA Waiver service rates. AB 315 (Bonta) was held on Suspense in the Assembly Appropriations Committee.
- 5) AMENDMENTS.** The author and Committee have agreed to clarifying and substantive amendments as follows:
- a) Remove the reporting requirement to reduce administrative burden and cost for DHCS.

- b) Clarify that the additional 10,000 slots is a total number of additional slots that must be added on a one-time basis and maintained over time, not a requirement that 10,000 new slots be added each additional year.
- c) Maintain current-law language that requires federal cost neutrality.
- d) Add co-authors.

REGISTERED SUPPORT / OPPOSITION:

Support

Abode Services
Alzheimer's Association
California Children's Hospital Association
California Coalition on Family Caregiving
Cardea Health
Children's Specialty Care Coalition
Disability Rights California
East Bay Innovations
LeadingAge California
Libertana Home Health
Western Center on Law & Poverty, Inc.
Numerous individuals

Opposition

None on file

Analysis Prepared by: Lisa Murawski / HEALTH / (916) 319-2097