Office of Senate Floor Analyses
(916) 651-4171

THIRD READING

Bill No: AB 2081
Author: Stefani (D), et al.
Amended: 8/13/26 in Senate
Vote: 21

SENATE HEALTH COMMITTEE: 11-0, 6/17/26
AYES: Weber Pierson, Valladares, Caballero, Durazo, Gonzalez, Grove, Menjivar, Padilla, Pérez, Rubio, Smallwood-Cuevas

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/13/26
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

ASSEMBLY FLOOR: 73-0, 5/22/26 - See last page for vote

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

SOURCE: Cardea Health

DIGEST: This bill requires the Department of Health Care Services (DHCS) to expand the number of Home and Community-Based Alternative waiver slots by 5,000, subject to federal approval, and authorizes DHCS to evaluate and designate additional populations receiving priority enrollment, subject to federal cost-neutrality requirements.

ANALYSIS:

Existing law:

1) Permits, under federal law, a state Medicaid program to pay for part or all of the cost of home and community-based services (HCBS) that are federally approved, and which are provided pursuant to a written plan of care to individuals with respect to whom there has been a determination that but for the provision of such services the individual would require the level of care provided in a hospital, nursing facility, or intermediate care facility for the

developmentally disabled, the cost of which could be otherwise be reimbursed by the state's Medicaid program. [42 USC §1396n]

2) Establishes the Medi-Cal program, administered by the DHCS, which provides medical coverage to low income persons. [Welfare and Institutions Code (WIC) §14000, et seq.]

3) Establishes a schedule of benefits under the Medi-Cal program, which includes benefits required under federal law and benefits provided at the state's option, both of which are funded with federal and state dollars. The schedule of benefits includes HCBS approved by the U.S. Department of Health and Human Services to the extent that federal financial participation is available for those services under the state plan or an applicable federal waiver. [WIC §14132]

4) Requires DHCS to seek all necessary waivers in order to provide for HCBS services approvable under federal law and limits coverage of HCBS services to the terms, conditions, and duration of the federal waiver. [WIC §14132 and §14137]

5) Establishes authority and requirements for the Nursing Facility/Acute Hospital Transition and Diversion waiver (the predecessor to the Home and Community-Based Alternative (HCBA) waiver) to provide care management and access to home- and community-based services, for persons requiring hospital, nursing facility, or other institutional care that would otherwise be covered by Medi-Cal who can be treated safely at home, or for individuals who have been continuously receiving in home care services under the Early and Periodic Screening, Diagnosis, and Treatment State Plan benefit, California Children Services or Pediatric Palliative Care programs for children, for at least the prior three months but have at the time of transition exceeded the age limit for that benefit. [WIC §14132.991]

6) Requires DHCS to propose that the waiver program meet federal annual cost neutrality requirements in the aggregate.

This bill:

1) Requires DHCS to increase the total number of HCBA waiver slots by 5,000, in addition to any planned expansion of waiver slots federally approved as of January 1, 2026, beginning in 2027.

2) Authorizes DHCS to evaluate the populations described in 5) above in order to maintain the aggregate the cost neutrality; and, based on this evaluation, designate additional populations within those described populations for whom enrollment in HCBA would be cost neutral.

3) Specifies that the requirement to increase HCBA waiver slots does not require DHCS to enroll individuals in all waiver slots if doing so would be inconsistent with achieving aggregate annual cost neutrality or the most recent evaluation conducted pursuant to 2) above.

4) Authorizes DHCS to seek any amendments to the HCBA waiver or other actions as necessary to implement this bill, including issuing guidance in lieu of regulations.

5) Updates the name of the Nursing Facility/Acute Hospital Transition and Diversion waiver to the currently used HCBA waiver.

Background

According to the author of this bill:

> Medi-Cal's HCBA program 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 disabilities, medically fragile children, seniors with chronic needs, 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. 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. California should not be forcing medically vulnerable people into institutions when safe, cost-effective care at home is within reach.

Medi-Cal HCBS waivers. HCBS waivers allow states that participate in Medicaid to develop alternatives for individuals who would otherwise require care in an institutional setting. The Medi-Cal program has an agreement with the federal

government, which allows for waiver services to be offered in either a home or community setting. The services offered under the waiver must cost no more than the alternative institutional level of care. The services available under HCBS waivers include case management, community transition services, private duty nursing, family training, home health aides, life-sustaining utility reimbursement, habilitation services, respite care, and other services required to maintain the health and safety of eligible participants in the community setting of their choice.

HCBA waiver program. The HCBA waiver is one of several HCBS waiver programs in California. It provides care management services to persons of any age who are medically fragile or technologically dependent. The care management services are provided by a multidisciplinary Care Management Team comprised of a nurse and social worker. The Care Management Team coordinates waiver and state plan services (those services available to all Medi-Cal recipients, such as medical, behavioral health, In-Home Supportive Services, etc.), and arranges for other long-term services and supports available in the local community. Care management and waiver services are provided in the participant's community-based residence. This residence can be privately owned, secured through a tenant lease arrangement, or the residence of a participant's family member.

The HCBA waiver program is approved by the federal Centers for Medicare and Medicaid Services (CMS) in five-year increments, and was most recently approved on February 2, 2023 for the 2023-2027 period. There is an enrollment cap, and the program reached maximum capacity. A waiting list was implemented on July 12, 2023. New applicants can apply and secure a placement on a waiting list with the assigned Waiver Agency in their area of residence. When slots are available, applicants will be prioritized based on Reserve Capacity criteria that includes applicants transitioning from other HCBS programs because their needs can no longer be met, applicants under 21, or applicants who have been residing in a health care facility (such as a nursing home) for at least 60 days. Adult applicants currently receiving care at home with institutional-level needs are the lowest priority.

The HCBA waitlist is currently over 6,000 individuals. According to the DHCS May 2026 Medi-Cal Local Assistance Estimate (Medi-Cal estimate), based on historical enrollment and attrition trends, it was determined that the waiver would reach capacity before the end of 2023. DHCS submitted a waiver amendment to begin phasing in new slots on January 1, 2024; CMS approved the waiver amendment on December 11, 2023. According to the waiver amendment, the total number of slots for 2026 was increased from 12,782 to 15,313, while the total

number of slots for 2027 was increased from 13,932 to 17,321. However, the Medi-Cal estimate states that updated enrollment data is trending lower than estimated, and is thus estimating only approximately 10,500 members for fiscal year 2026-2027 (despite December 2025 enrollment of 10,760, according to the DHCS enrollment dashboard).

A January 2025 analysis, *California Home and Community Based Services Gap Analysis Report,* funded by DHCS, noted that the formal HCBS waiver waitlists were only one part of the problem. Lack of providers or staffing shortages at providers also limited participation in these programs. According to a May 4, 2026 fact sheet by Justice in Aging, administrative complexities, including staffing shortages at DHCS, have also caused delays in waiver enrollment. Individuals who are not prioritized, those currently at home or enrolled in another program, face even longer waits.

It should also be noted that the current waitlist consists primarily of individuals moving from the community, rather than those in the priority populations, which includes individuals transitioning from other waivers, children and young adults, and institutionalized individuals, due to how cost neutrality is calculated. In other words, fewer slots are available for individuals transitioning from the community.

Related/Prior Legislation

SB 111 (Laird, Chapter 21, Statutes of 2026), the Budget Act of 2026, includes $1.5 million to support staffing or contract authority to enable DHCS to clear the HCBA waiver waitlist and serve all eligible individuals seeking enrollment in the HCBA waiver program.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee: Unknown ongoing costs, potentially hundreds of thousands, for DHCS for state administration (General Fund and federal funds).

SUPPORT: (Verified 8/13/26)

Cardea Health (source)
Abode Services
Alameda Alliance for Health
Alzheimer's Association
Alzheimer's Greater Los Angeles

Alzheimer's Orange County
Alzheimer's San Diego
California Advocates for Nursing Home Reform
California Association for Health Services At Home
California Association of Area Agencies on Aging
California Association of Health Facilities
California Association of Medical Product Suppliers
California Children's Hospital Association
California Coalition on Family Caregiving
California Collaborative for Long-term Services and Supports
California Commission on Aging
California Foundation for Independent Living Centers
California Long Term Care Ombudsman Association
California PACE Association
California State Council on Developmental Disabilities
Caring Across Generations
Children's Specialty Care Coalition
Choice in Aging
City and County of San Francisco
County of Alameda
County of San Mateo
Corporation for Supportive Housing
Disability Rights California
East Bay Innovations
Episcopal Community Services of San Francisco
Fathers and Mothers Who Care
GLIDE
Home Health Care Management, Inc.
Justice in Aging
LeadingAge California
Libertana Home Health
Nonprofit Alliance of Homelessness and Housing Providers of Alameda County
Tenderloin Neighborhood Development Corporation
The Arc and United Cerebral Palsy California Collaboration
Valon Consulting
Western Center on Law & Poverty
Several individuals

OPPOSITION: (Verified 8/13/26)

None received

ARGUMENTS IN SUPPORT: Source, Cardea Health, a provider that serves individuals with complex medical and behavioral health needs, including those experiencing homelessness, writes that for many individuals, the HCBA waiver is the only pathway to remain safely in the community. They regularly identify individuals who meet HCBA eligibility criteria but cannot access services due to limited waiver capacity. These are individuals with documented medical necessity; who remain unsheltered, hospitalized, or at risk of institutionalization because there are not enough waiver slots available. Disability Rights California writes that when access to HCBA waiver services are delayed, families are forced into impossible decisions: going without adequate care or placing loved ones in institutions, often far from their support networks. In addition to the worse health outcomes, this also undermines the right to receive services in the least restrictive setting. The Children's Specialty Care Coalition writes that the inability to come home with proper nursing support increases the chance of children staying hospitalized longer or being sent to pediatric subacute facilities. When kids do go home without appropriate care, medically fragile kids are placed at substantial risk of adverse outcomes or even death and families are at risk of undergoing extreme stress in attempting to provide the care themselves.

ASSEMBLY FLOOR: 73-0, 5/22/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Tangipa, Valencia, Wallis, Ward, Wilson, Zbur, Rivas
NO VOTE RECORDED: Arambula, Bauer-Kahan, Chen, Gabriel, Celeste Rodriguez, Ta, Wicks

Prepared by: Jen Flory / HEALTH / (916) 651-4111
8/17/26 10:47:42

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