GOVERNOR'S VETO
AB 2081 (Stefani)
As Enrolled September 2, 2026
2/3 vote

SUMMARY

Requires the Department of Health Care Services (DHCS) to expand capacity in the Medi-Cal Home and Community-Based Alternatives (HCBA) Waiver and seek necessary federal approvals to do so.

Senate Amendments

1) Delete provisions requiring DHCS to:

   a) Seek any necessary amendments to the HCBA waiver to ensure sufficient capacity for all individuals who are eligible for and interested in enrolling in the waiver.

   b) Monitor the capacity of the HCBA Waiver and 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.

2) Reduces the number of slots by which DHCS is required to increase the waiver from 10,000 to 5,000.

3) Allows DHCS to designate additional populations for whom enrollment in the HCBA Waiver would be cost neutral.

Governor's Veto Message
While I appreciate the author's intent to expand access to home and community-based services for Medi-Cal beneficiaries who are at risk of institutionalization, this bill would significantly and immediately increase program costs by hundreds of millions of dollars. Fortunately, the 2026 Budget Act includes $3 million to enable DHCS to clear the HCBA waiver waitlist and serve all eligible individuals seeking enrollment in the HCBA waiver program. Any additional expansions to this program, given the significant cost, must be considered in the annual state budget process.

In partnership with the Legislature this year, my administration has enacted a balanced budget that recognizes the challenging fiscal landscape our state faces while maintaining our commitment to working families and our most vulnerable communities. With significant fiscal pressures and the federal government's hostile economic policies, it is vital that we remain disciplined when considering bills with significant fiscal implications that are not included in the budget, such as this measure.

COMMENTS

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.

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.

HCBA Waiver. The HCBA Waiver is one of the 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 the federal Centers for Medicare and Medicaid Services (CMS) on February 16, 2024, effective starting March 1, 2024, for a 5-year term.

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.

1) *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 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.

   Although DHCS has federal approval to increase the number of waiver slots by 1,800 per year through 2028, this expansion of slots has not addressed the significant waitlist.

2) *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.

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.

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 so they can remain with their families while receiving the care they need, while generating annual cost savings. Yet enrollment caps have limited its impact and left 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.

Arguments in 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.

Arguments in Opposition
None on file.

FISCAL COMMENTS

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

VOTES

ASM HEALTH: 16-0-0
YES: Bonta, Chen, Addis, Aguiar-Curry, Pacheco, Caloza, Carrillo, Mark González, Johnson, Patel, Patterson, Rogers, Sanchez, Schiavo, Sharp-Collins, Stefani

ASM APPROPRIATIONS: 15-0-0
YES: Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

ASSEMBLY FLOOR: 73-0-7
YES: 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
ABS, ABST OR NV: Arambula, Bauer-Kahan, Chen, Gabriel, Celeste Rodriguez, Ta, Wicks

SENATE FLOOR: 40-0-0
YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

ASSEMBLY FLOOR: 77-0-2
YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
ABS, ABST OR NV: McKinnor, Quirk-Silva

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