

SENATE RULES COMMITTEE

Office of Senate Floor Analyses

(916) 651-4171

THIRD READING

Bill No: AB 2348
Author: Bonta (D)
Amended: 8/18/26 in Senate
Vote: 21

SENATE HEALTH COMMITTEE: 11-0, 6/24/26

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: 78-0, 5/26/26 - See last page for vote

SUBJECT: Medi-Cal: enhanced care management and community supports

SOURCE: Author

DIGEST: This bill: 1) requires the Department of Health Care Services (DHCS) to publish model managed care coverage standards and policy for the California Advancing and Innovating Medi-Cal initiative's community supports benefits, submit information to the Legislature on the feasibility of transitioning the community supports benefits to permanent Medi-Cal benefits; and 2) makes other technical changes to the community supports and Enhanced Care Management (ECM) benefits.

Senate Floor Amendments of 8/18/26 make the following changes to this bill:

- 1) Limit the ECM target populations to those enumerated in statute.
- 2) Delete the requirement for DHCS to produce model managed care coverage standards for each community support and replace it with a requirement to publish and maintain policy guides and all-plan letters that define model coverage standards and policy.

- 3) Replace the requirement for a managed care plan to provide specific justification for each deviation from the model managed care coverage standards and policy with a requirement for managed care plans to adopt policies consistent with DHCS guidance and federal regulation.
- 4) Replace the requirement for managed care plans to provide technical assistance to its community supports providers with a requirement to educate in-network community support providers on Medi-Cal; shorten the public input period for DHCS community supports policy changes from one month to two weeks; and delete the requirement for plans and DHCS to publicly report data on nonprofit community providers and the services they provide.
- 5) Limit the requirement that DHCS publish ECM and community supports utilization data on its website on a quarterly basis only to the extent feasible.
- 6) Specify that the information DHCS is required to provide to legislative committees on the feasibility of transitioning community supports to full Medi-Cal benefits is to be drawn from a final community supports evaluation already required by federal Centers for Medicare and Medicaid Services (CMS).
- 7) Delete the requirement to continue to convene the CalAIM Implementation Advisory Group until January 1, 2032.

ANALYSIS:

Existing law:

- 1) Establishes the Medi-Cal program, administered by the DHCS, and under which qualified low-income individuals receive health care services. [Welfare and Institutions Code (WIC) §14000, et seq.]
- 2) Authorizes the DHCS director to contract, on a bid or nonbid basis, with any qualified individual, organization, or entity to provide services to, arrange for, or case manage the care of Medi-Cal beneficiaries and establishes managed care models that DHCS contracts within each county. [WIC §14087.3, §14089, §14087.98, §14087.967 and §14087.5]
- 3) Defines a Medi-Cal plan as any individual, organization, or entity that enters into a comprehensive risk contract with DHCS to provide covered full-scope health care services to enrolled Medi-Cal beneficiaries. [WIC §14184.101]

- 4) Establishes California Advancing and Innovating Medi-Cal (CalAIM) initiative effective from January 1, 2022 until December 31, 2026. The goals of CalAIM are to identify and manage the risk and needs of Medi-Cal beneficiaries through whole-person-care approaches and addressing social determinants of health; transition and transform the Medi-Cal program to a more consistent and seamless system by reducing complexity and increasing flexibility; and, improve quality outcomes, reduce health disparities, and drive delivery system transformation and innovation through value-based initiatives, modernization of systems, and payment reform. [WIC §14184.100]
- 5) Includes in the CalAIM initiative the requirement for Medi-Cal plans to offer Enhanced Care Management (ECM) benefits designed to address the clinical and nonclinical needs on a whole-person care basis for Medi-Cal recipients who meet the criteria outlined in the CalAIM Terms and Conditions for a target population, as determined by DHCS. [WIC §14184.205]
- 6) Specifies that the ECM target populations must include children or youth with complex needs; individuals experiencing homelessness; high utilizers with frequent hospital admissions, short-term skilled nursing facility stays, or emergency room visits; individuals at risk for institutionalization and eligible for long-term care services; nursing facility residents who want to transition to the community; individuals with serious mental illness, and children with serious emotional disturbance or substance use disorder; and, individuals transitioning from incarceration requiring immediate transition of services to the community. [WIC §14184.205]
- 7) Requires DHCS to develop, in consultation with the Medi-Cal plans and other appropriate stakeholders, a monitoring plan and reporting template for the implementation of ECM and to publish an annual report on ECM utilization data. [WIC §14184.205]
- 8) Includes in the CalAIM initiative the authority for a Medi-Cal plan to elect to cover those Community supports approved by DHCS as cost effective and medically appropriate substitutes for the applicable covered Medi-Cal benefit. [WIC §14184.206 and 42 CFR §438.3]
- 9) Requires Medi-Cal plans to include information on the Community supports offered by that plan in its member handbook and plan website, including any limitations on Community supports on the plan website. [WIC §14184.206]

- 10) Permits DHCS to approve Community supports, including but not limited to housing support services, services to help individuals transition out of hospital or other institutional care, personal care services, environmental accessibility adaptations, medically supportive food and nutrition services, sobering centers, and asthma remediation. [WIC §14184.206]
- 11) Requires DHCS to develop in consultation with the Medi-Cal plans and other appropriate stakeholders a monitoring plan and reporting template for the implementation of Community supports and to publish an annual report on Community supports utilization data. [WIC §14184.206]
- 12) Requires DHCS to take into account the utilization and actual cost of Community supports in developing capitation rates. [WIC §14184.206]

This bill:

- 1) Adds to the definition of ECM “community-based, high touch coordination and comprehensive care management services” and specifies that ECM services include access to a lead care manager, outreach and engagement, comprehensive assessment and care management planning, coordination of care, health promotion, comprehensive transitional care, member and family support, and coordination of and referral to community and social support services. Authorizes the exclusion of Medi-Cal recipients eligible for other high-intensity care management services, as defined by DHCS.
- 2) Requires DHCS and after engaging stakeholders, including Medi-Cal plans and providers of each community support, to publish and maintain policy guides and all-plan letters that define model coverage standards and policy in a manner sufficiently comprehensive and detailed to allow a Medi-Cal plan to adopt DHCS’s guidance as a whole as the plan’s coverage policy. Requires Medi-Cal plans to adopt community supports policies consistent with DHCS’s guidance and federal regulation.
- 3) Requires DHCS to provide ongoing technical assistance to Medi-Cal plans on community supports and requires Medi-Cal plans to educate their in-network community support providers on Medi-Cal policies in order to effectively deliver community supports services.

- 4) Requires DHCS to establish a standard timeline and process to regularly update community supports policy guides that includes a minimum of two weeks for public input before finalizing policy changes, publication of written policy changes six months prior to the effective date of the policy changes and to designate January 1 or July 1 as the effective date for policy changes of an applicable year. Authorizes exceptions to these requirements should DHCS need to ensure the effective delivery of community supports, as determined by DHCS. Requires DHCS to notify interested stakeholders with a rationale for the irregular update should an exception be invoked.
- 5) Defines “nonprofit community provider” as a locally available community-based nonprofit organization that has direct experience with providing services to Medi-Cal beneficiaries in the county or region where the organization operates.
- 6) Specifies that DHCS continue to publish quarterly ECM and community supports data until January 1, 2032, to the extent feasible.
- 7) Requires DHCS to provide in writing to the appropriate policy and fiscal committees of the Legislature information necessary to inform legislative consideration of transitioning community supports to benefits that are required to be covered under the Medi-Cal program including information on cost, effectiveness, and provider availability by March 31, 2029. Specifies that this information is to be drawn from the final community supports evaluation provided to CMS by December 31, 2028.
- 8) Deletes obsolete references to the CalAIM waiver terms and conditions, obsolete language regarding populations to be transitioned into the ECM benefit, and obsolete commencement dates.

Background

According to the author of this bill:

CalAIM has been a transformative journey for the Medi-Cal program, challenging entities throughout the state to collaborate, innovate and improve care so that Medi-Cal enrollees stay healthier and get the right care, from the right provider, in the right setting, and at the right time. Although CalAIM was originally proposed for a five-year waiver period from 2021 to 2026, many aspects of the transformation, including Community supports and ECM, were explicitly intended to outlast the initial five-year period and eventually

transition into permanent Medi-Cal benefits. As the state transitions from implementing these services to sustaining them, this bill is intended to remove unnecessary variation in delivery of Community supports; establish a predictable, transparent public process when DHCS makes policy changes; codify ECM consistent with current policy; ensure continued timely data reporting; and make necessary technical updates. In addition, it ensures DHCS provides the Legislature information necessary to consider transitioning Community supports to full Medi-Cal benefits. As we move from building CalAIM to refining it, this bill makes needed adjustments to Community supports and ECM for the long term and helps the state truly realize the promise of CalAIM.

CalAIM. CalAIM is a collection of Medi-Cal initiatives aimed at addressing social drivers of health, reducing program complexity, increasing program flexibility, and modernizing payment structures to promote better outcomes. The CalAIM proposals were originally intended to start in 2021, but given the COVID-19 public health emergency and considerable stakeholder input, CalAIM did not start until January 1, 2022. CalAIM was authorized by AB 133 (Committee on Budget, Chapter 143, Statutes of 2021), which incorporated two policy bills introduced in 2021 and the approval of a federal Section 1115 demonstration waiver and a Section 1915(b) waiver. Both waivers require that changes to the state program be consistent with the objectives of the Medicaid program. DHCS received approval on December 29, 2021 for both waivers, effective through December 31, 2026. Some elements of CalAIM were also added to California's Medicaid state plan as ongoing program changes which do not need to be reauthorized when the waivers end.

ECM. ECM is a statewide Medi-Cal benefit available through Medi-Cal plans to provide care management to Medi-Cal enrollees with the highest needs. ECM identifies these enrollees as "Populations of Focus," which includes people experiencing homelessness, people at risk of avoidable hospital care, people with serious mental health or substance use disorder needs, adults at risk for long term care institutionalization, adults in nursing homes transitioning to the community, children enrolled in California Children's Services with additional needs, children involved in child welfare, people transitioning from incarceration, and specific pregnant and postpartum individuals. As described by DHCS, enrollees are to have a single lead care manager who coordinates all their health and health-related care, including physical, mental, and dental care, and social services. In the most recently published data on utilization, in the third quarter of 2025, 227,000 Medi-Cal enrollees received ECM (out of 14.89 million total enrollees).

Community supports. Community supports are optional Medi-Cal plan services offered as cost-effective alternatives to traditional medical services or settings. DHCS has a pre-approved list of 15 Community supports, building off previous pilot programs such as Whole Person Care, Health Homes, and a medically tailored meals pilot program. These services address health-related social needs of Medi-Cal enrollees such as support to secure and maintain housing, access to medically tailored meals, and various transitional services when moving out of specific facilities. While DHCS encourages Medi-Cal plans to offer all of the Community supports services, these services are not entitlements, but are offered at the option of the plan to any eligible Medi-Cal enrollee.

In obtaining federal approval for the Community supports, DHCS was required to show that these services would allow Medi-Cal enrollees to avoid higher, costlier levels of care. For example, with regards to the Medically Tailored Meals/Medically Supportive Food benefit, DHCS presented findings that the average annualized health care expenditure was \$1,863 greater for individuals assessed as food insecure relative to those not found to be food insecure, and cited literature of specific patient populations showing significant reductions in emergency department visits, inpatient hospitalizations, reductions in readmissions, and improvements in health outcomes and well-being. Data from the 2024 Community Support annual report shows that 9 out of first 12 services (two were added later) were already demonstrating cost effectiveness ranging from an 11.7% net cost reduction for sobering centers to a 61.3% in net cost reduction for respite services for people experiencing homelessness who are transitioning from hospital care. The remaining three services included in the report were expected to demonstrate their cost effectiveness over a longer timeline.

Next steps for CalAIM. As the current CalAIM waivers expire at the end of 2026, DHCS has submitted renewals for both the 1115 and 1915b waivers. Although done as part of the CalAIM package, the ECM benefits and most of the community supports do not require waiver authority. According to DHCS, ECM is authorized under federal Medicaid managed care regulations regarding care coordination and continuity of care responsibilities of managed care plans. Twelve of the 15 community supports were authorized under managed care authority known as In Lieu of Services, which authorizes these benefits at the option of the plans. These services can continue under the Medicaid state plan. The recuperative care and short-term post-hospitalization housing community supports will be recast into this authority as well, while a final community support on rent payments is part of another behavioral health waiver that is not up for renewal at this time.

When CalAIM was initially conceived, DHCS stated during the planning process that it intended for the community supports benefits to be permanent, statewide Medi-Cal benefits, but that plan capacity and provider availability at that time did not exist. The CalAIM waivers also contained funding to help start these benefits, funding which is not being continued in the current waiver renewal process. As such, the community supports are continuing at the Medi-Cal plans' option. Because many of the community supports likely require waiver authority to turn into full benefits, continuing them under existing In Lieu of Services authority may be the only option given the current federal administration's views on social determinants of health and Medicaid spending in general. This bill would require DHCS to give the Legislature an assessment of making these benefits permanent in 2029, along with a number of other technical changes on DHCS's obligations with regards to reporting, stakeholder inclusion, and the issuance of guidance.

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); unknown ongoing cost pressures to increase Medi-Cal plan rates in order for plans to comply with required standards (General Fund and federal funds).

SUPPORT: (Verified 8/18/26)

18 Reasons

AIDS Healthcare Foundation
 Alameda County Community Food Bank
 Alliance for Children's Rights
 Alzheimer's Association
 Alzheimer's Greater Los Angeles
 Alzheimer's Orange County
 Alzheimer's San Diego
 California Advocates for Nursing Home Reform
 California Alliance of Child and Family Services
 California Assisted Living Association
 California Association of Medical Product Suppliers
 California Association of Nonprofits
 California Chapter of the American College of Emergency Physicians
 California Children's Hospital Association
 California Community Action Partnership Association
 California Housing Consortium

California Primary Care Association Advocates
California Respite Association
California Retired Teachers Association
Ceres Community Project
Community-Based Organization Medi-Cal Coalition
DoorDash
Downtown Women's Center
East Bay Asian Local Development Corporation
East Bay Innovations
Eden Housing
El Sol Neighborhood Education Center
Emergency Food Bank of Stockton/San Joaquin County
Episcopal Community Services of San Francisco
Esperanza Community Farms
Everyone's Harvest
Food As Medicine Collaborative
Foodwise Community
Fresh Approach
FullWell
Health Access California
Homestyle Direct, LLC.
Institute on Aging
Jamboree Housing Corporation
LeadingAge California
Linc Housing
Los Angeles LGBT Center
Meals on Wheels Orange County
National Core
Open Source Wellness
Pair Team
Partners in Care Foundation
Purfoods
Reinvestment Partners
San Diego Wellness Collaborative
San Francisco-Marin Food Bank
Santa Barbara County Food Action Network
Second Harvest Food Bank of Santa Cruz County
Sunterra Health, Inc.
Western Center on Law & Poverty, Inc.
One individual

OPPOSITION: (Verified 8/18/26)

None received

ARGUMENTS IN SUPPORT: The Community-Based Organization Medi-Cal coalitions write as documented by DHCS and echoed by providers and communities across the state, the ECM and Community supports benefits are improving outcomes for Medi-Cal members while simultaneously delivering measurable cost savings to California. By addressing unmet social and nonmedical needs, Community supports reduce avoidable emergency department visits, inpatient stays, and institutional care, allowing the health care system to intervene earlier, more effectively, and more humanely. By strengthening the foundation for these benefits and charting a path toward making Community supports permanent, required Medi-Cal coverage, this bill affirms California's commitment to whole-person care, health equity, and smart public investments.

ASSEMBLY FLOOR: 78-0, 5/26/26

AYES: 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, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, 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, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Muratsuchi, Celeste Rodriguez

Prepared by: Jen Flory / HEALTH / (916) 651-4111
8/19/26 10:58:15

**** END ****