California Health Care Foundation

UPDATED SEPTEMBER 2026

CalAIM Explained: Overview of New Programs and Key Changes

Explainer

First published in October 2021, this explainer remains one of the California Health Care Foundation's most-read publications. This updated edition reflects California's proposed renewal of the Medicaid waivers that anchor CalAIM and examines how renewal decisions may affect specific parts of the initiative.

Medicaid waivers allow states, with federal approval, to test approaches that differ from standard program rules. CalAIM is authorized through multiple authorities, including a Section 1115 waiver*. The components of CalAIM that rely on a Section 1115 waiver face the greatest uncertainty during renewal. Other CalAIM components, including Enhanced Care Management and most Community Supports, operate under separate Medicaid authorities and may continue even if the 1115 waiver is not renewed.*

California Advancing and Innovating Medi-Cal — more commonly known as CalAIM — is a far-reaching, multiyear plan to transform California's Medi-Cal program and enable it to work more seamlessly with other social services. Led by the California Department of Health Care Services (DHCS), the goal of CalAIM is to improve outcomes for the millions of Californians covered by Medi-Cal, including those with the most complex needs. Since launching in January 2022, CalAIM has added new programs and made important reforms to many existing programs. This explainer provides an overview of the key changes that have been enacted and details what is known about the future of the program beyond December 2026.

Who CalAIM Will Help

CalAIM's broad reach is intended to help all Medi-Cal enrollees through a focus on population health and greater emphasis on prevention and overall wellness. In addition, there are several specific reforms to improve care for people with the most complex needs. In general, this group includes:

- People with significant behavioral health needs, including people with mental illness, serious emotional disturbance, or substance use disorder
- Seniors and people living with disabilities
- People experiencing homelessness who also have complex physical or behavioral health needs
- People transitioning from jail or prison back to the community who also have complex physical or behavioral health needs
- Children with complex medical conditions, such as cancer, epilepsy, or congenital heart disease
- Children and youth in foster care
- Pregnant people

For examples of how CalAIM will impact the lives of Medi-Cal enrollees, see CalAIM Explained: A Five-Year Plan to Improve Medi-Cal.

New Programs

Under CalAIM, DHCS created several new services in the Medi-Cal program to improve care for populations with complex health needs. These built on the Whole Person Care Pilots and Health Homes Program, which ended in 2021.

Enhanced Care Management (ECM). Medi-Cal is highly fragmented, with some enrollees needing to access care paid for by multiple delivery systems, which can make it difficult for people to navigate across providers and services. For example, a person living with agoraphobia who is unable to leave their home but needs dental care, medical care, and mental health care would need to seek authorization for home-based care from three organizations. In response, a new ECM

benefit provides a high-touch care coordinator for Medi-Cal managed care enrollees with multiple complex needs. This benefit is intended for enrollees with complex needs and provides them with a coordinator who understands their goals, develops a plan in partnership with them and their providers, and actively connects them with the clinical and nonclinical services and resources that help them meet those goals. DHCS has designated several specific populations of focus (PDF) for the ECM benefit.

Summer 2026 Update: DHCS has stated that ECM can continue under the existing Medi-Cal Managed Care program, and that no federal waiver authority is needed for California to operate ECM.

Community Supports (or "In Lieu of Services"). Medi-Cal's coverage may be comprehensive when it comes to health care services like doctor's visits, hospital or nursing home stays, or medications and equipment. There are, however, situations where traditional health care services on their own are not enough to support well-being. For example, a person experiencing homelessness who is diagnosed with cancer may not be able to tolerate chemotherapy if they don't have a safe place to stay, rest, and recover from treatment. Traditionally, Medi-Cal has not covered that safe place to recuperate, instead only covering a nursing home or hospital, which may be more than what is needed. In response, DHCS has given managed care plans the option to provide new clinical and nonclinical services to offset the need for traditionally covered services like care in a nursing home or hospital. This gives plans the financial flexibility to meet the needs of members in new, more person-centered ways. These services, selected based on evidence that they can improve outcomes, are also intended to prevent or limit the kinds of health complications that require more expensive interventions. DHCS's internal evaluation found 12 of the 14 Community Supports to be cost-effective within the 12- month evaluation period, and predicts that the remaining two (Housing Deposits and Sobering Centers) will be cost-effective over a longer time horizon. DHCS has given plans the option of providing the following Community Supports:

Community Supports for people experiencing or at risk of homelessness

- Housing transition navigation services (e.g., assistance applying for, and finding housing, signing a lease, securing resources for setup, utilities, moving in)
- Housing deposits
- Housing tenancy and sustaining services (e.g., early intervention around behaviors that might jeopardize housing, dispute resolution with landlords and neighbors, recertification support)
- Recuperative care (medical respite): up to six months
- Short-term, posthospitalization housing: up to six months
- Day habilitation programs (e.g., training on independent living skills like cooking, cleaning, and shopping)

- Other Community Supports
  - Sobering centers
  - Assisted living facility transitions
  - Community transition services/nursing facility transition to a home
  - Personal care and homemaker services
  - Respite services for caregivers (such as those caring for people with dementia or children with disabilities) who need short-term relief
  - Environmental accessibility adaptations (home modifications)
  - Medically tailored meals/medically supportive food
  - Asthma remediation

Summer 2026 Update: DHCS stated in May 2026 that 12 of the 14 Community Supports can continue under federal Medicaid managed care regulations using what is known as In Lieu of Services (ILOS) authority. They do not require a Section 1115 waiver.

DHCS also plans to move recuperative care under the ILOS umbrella and expand the service to include short-term posthospitalization care. Room and board costs cannot be covered under ILOS rules.

Prerelease and in-reach care for people who are incarcerated. People who are incarcerated are much more likely to be living with chronic illness or behavioral health conditions — like mental illness and substance use disorder — compared to people who are not incarcerated. Since enactment, federal law has prohibited Medicaid coverage for people while they are incarcerated. Instead, the jail or prison health service delivers and finances most care in facilities. People transitioning from incarceration face increased risk of adverse health events, including death. Research shows former prisoners are 129 times more likely than the general public to die of a drug-involved overdose in the two weeks after release,[1] and are also at higher risk for suicide after release.[2]

CalAIM's Justice-Involved Reentry Initiative is based on the premise that enrolling eligible people in Medi-Cal before their release and connecting them with targeted services can support a healthier transition back to the community. The initiative aims to prevent gaps in care and reduce physical health and behavioral health complications, including the risk of homelessness after release.

Since the initiative began in 2023, the federal government has permitted expanded coverage of select Medi-Cal services for the 90 days before a person leaves jail or prison. This also allows time for release planning and connections to community-based care. Prerelease services include care management and coordination, physical and behavioral health consultations, and medications for addiction treatment. Upon release, people may receive up to a 30-day supply of medication and durable medical equipment needed for their continued care, such as a walker or glucometer.

Summer 2026 Update: The state prison system, California Department of Corrections and Rehabilitation, along with 16 counties have begun offering prerelease services, and the remaining counties are required to offer prerelease services by October 2026.

The Justice-Involved Initiative requires federal renewal in California's Section 1115 waiver. California submitted its renewal proposal on May 11, 2026.

Providing Access and Transforming Health (PATH). To successfully implement CalAIM, many providers have needed to increase capacity and capabilities. For example, many of the providers that serve CalAIM's populations of focus had never contracted with managed care plans. In fact, many had never interacted with the Medi-Cal program. Some parts of California did not have enough providers, and all needed to train their workforce in delivering care and services in a coordinated way. The data sharing needed to support that coordination requires investment in technical infrastructure. To address those needs, DHCS provided support for infrastructure improvements and technical assistance for community-based providers and correctional facilities, under the PATH Initiative. PATH funded assistance with contracting and payment processes, workforce development, and staff training. It covered investments in delivery system infrastructure, such as certified electronic health record technology, care management document systems, closed-loop referral, billing systems and services, and onboarding and enhancements to health information exchange capabilities. PATH also provided resources for county sheriff departments and state prisons to help with the design and launch of prerelease services. These services include IT services and infrastructure to enable jails and prisons to more easily enroll people in Medi-Cal and to begin coverage and care before they are released.

Summer 2026 Update: DHCS does not intend to continue PATH beyond the end of December 2026.

Population health management. While many of CalAIM's reforms are focused on those with the most complex needs, getting to equitable outcomes requires identifying and addressing issues before they become bigger problems. With that in mind, DHCS requires managed care plans to develop a comprehensive Population Health Management initiative. Plans now need to prioritize prevention and wellness in the following ways: assessing member risk consistently and equitably, ensuring effective care coordination to safeguard members during transitions across settings and systems, and ensuring that plans provide services to address social risk factors (e.g., housing, nutrition) and to meet needs outside the managed care delivery system (e.g., behavioral and oral health). DHCS also recognized that with data housed in many different places, it can be difficult to proactively identify who needs what services. In response, the agency launched a new technology platform, Medi-Cal Connect to expand access to medical, behavioral, and social service data — both at the individual member level and for aggregate use by plans.

Summer 2026 Update: DHCS intends to continue these reforms which do not require additional federal approval in the Section 1115 waiver.

Key Changes to Existing Programs

CalAIM also implemented other key changes to Medi-Cal, including the following:

Behavioral health reforms. The Medi-Cal behavioral health system today is divided three ways, with substance use services and specialty mental health services administered by counties, sometimes across different departments or agencies, and non-specialty mental health services for people with mild to moderate illness administered by managed care plans. These divisions, and the different rules for payment and documentation surrounding them, make it difficult for patients to find the care they need, and for providers to respond in a patient-centered way. While maintaining the fundamental structure of behavioral health services in Medi-Cal, DHCS implemented "No Wrong Door" reforms in 2022 to make it easier for patients to get treatment wherever they seek care — even before they receive a formal diagnosis — and to clarify the division of responsibility for mental health services between managed care plans and county mental health plans. At the same time, DHCS streamlined clinical documentation requirements for specialty mental health and substance use disorder treatment services, with the goal of reducing administrative workload and supporting clinicians to focus more on patient care. In July 2023, DHCS also introduced a reimbursement system for behavioral health services based on the type of care provided, rather than the cost of the care, similar to reimbursement in the physical health system. CalAIM also requires the administrative integration of specialty mental health and substance use services at the county level by January 2027. Finally, CalAIM included new services in the specialty behavioral health system, including a new benefit — recovery incentives, also known as contingency management — for people with stimulant use disorder and traditional health care practices for substance use disorder.

Summer 2026 Update: Most of these reforms can continue without federal renewal in the Section 1115 waiver.

However, Recovery Incentives and traditional healers require federal renewal in California's Section 1115 waiver. Continuation of the state's waiver of the Institutions for Mental Diseases exclusion for substance use disorder services also requires renewal. California submitted its renewal proposal on May 11, 2026.

Aligned incentives and integrated care for seniors and people with disabilities. Fragmentation of care and services is particularly acute for seniors and people with disabilities. Medicare plays a significant role in paying for health care services for these populations. At the same time, they also receive important services, like nursing home care and personal care attendants, that

are paid for by Medi-Cal and are typically carved out of managed care. Under CalAIM, DHCS implemented reforms and incentives to make it easier for managed care plans to help seniors and people with disabilities stay in their homes and communities rather than move to nursing homes. It also required plans to provide aligned Medicare and Medi-Cal plans for people eligible for both programs, thereby supporting better integration and coordination of services. These reforms built on lessons learned from the Coordinated Care Initiative, which ended in December 2022.

Summer 2026 Update: These reforms require federal renewal and were included in California's Section 1115 waiver. California submitted its renewal proposal on May 11, 2026.

Standardized and enhanced requirements for managed care. California has many different models of managed care today, each with a unique set of benefits and covered populations. In addition, there is variation in what plans do around population health management, data sharing, and voluntary accreditation. DHCS introduced an aligned set of benefits and populations for all managed care plans to standardize their offerings and enable regional rate-setting. They also implemented a new contract and introduced a requirement that managed care plans be accredited by the National Committee for Quality Assurance by January 2026.

Summer 2026 Update: These reforms can continue without federal renewal in the Section 1115 waiver.

More flexible payment for public hospitals that care for the uninsured. Since 2015, public hospitals have been paid differently for care they provide to the uninsured, moving away from a system that focused on acute and emergency care to one focused on preventive care, including primary care and behavioral health. CalAIM made the Global Payment Program a stronger tool for addressing health inequities by allowing participating public hospitals to be reimbursed for providing additional nontraditional services that address social determinants of health and improve population health outcomes and health equity.

Summer 2026 Update: The Global Payment Program requires federal renewal and were included in California's Section 1115 waiver. California submitted its renewal proposal on May 11, 2026.

Enhanced oversight of county eligibility and enrollment processes. California delegates many functions of Medi-Cal to counties, including the determination of eligibility for Medi-Cal. There is variation in the degree to which counties successfully fulfill state and federal requirements for these functions. Under CalAIM, DHCS has done more to ensure that county eligibility and enrollment processes are compliant with federal and state regulations. The department also convened a workgroup to improve the collection of enrollee contact and demographic information in Medi-Cal and other public assistance programs.

Summer 2026 Update: These reforms can continue without federal renewal in the Section 1115 waiver.

Enhanced oversight of county California Children's Services programs. The California Children's Services program is the primary way that Medi-Cal provides case management services and diagnostic and treatment services — as well as physical and occupational therapy services — to children and youth with eligible medical conditions, like cerebral palsy and diabetes. This program is administered by California's 58 counties. Through CalAIM, the state enhanced its oversight of counties to ensure they comply with applicable state and federal requirements.

Summer 2026 Update: These reforms can continue without federal renewal in the Section 1115 waiver.

Model of care for foster youth. CalAIM also sought to develop a strategy for a fully integrated model of care for foster youth, including implementing a provision of the Affordable Care Act that required continuity of

Medicaid coverage for former foster youth through age 26, even if they move out of state.

Summer 2026 Update: Continuation of the coverage for out-of-state former foster care youth requires federal renewal and was included in California's Section 1115 waiver. California submitted its renewal proposal on May 11, 2026.

This is the second in a series of explainers on CalAIM. The first, *CalAIM Explained: A Five-Year Plan to Transform Medi-Cal*, provides a basic overview of the initiative. Additional publications and resources from CHCF can be found at CalAIM in Focus. Additionally, the Department of Health Care Services has information on CalAIM on its website.

About the Foundation

The **California Health Care Foundation** is an independent, nonprofit philanthropy that works to improve the health care system so that all Californians have the care they need. We focus especially on making sure the system works for Californians with low incomes and for communities who have traditionally faced the greatest barriers to care. We partner with leaders across the health care safety net to ensure they have the data and resources to make care more just and to drive improvement in a complex system. CHCF informs policymakers and industry leaders, invests in ideas and innovations, and connects with the changemakers to create a more responsive, patient-centered health care system.