



State of California—Health and Human Services Agency
Department of Health Care Services



GAVIN NEWSOM
GOVERNOR

April 9, 2021

Sharon Rapport, Director
Corporation for Supportive Housing
2664 Fourth Avenue
San Diego, CA 92103

Linda Nguy
Western Center on Law and Poverty
3701 Wilshire Boulevard, Suite 208
Los Angeles, CA 90010

Dear Ms. Rapport and Ms. Nguy:

The Department of Health Care Services (DHCS/Department) has received the CalAIM Housing Fact Sheet (the Fact Sheet) co-signed by various stakeholders including your organizations. DHCS appreciates the passionate advocacy expressed in the Fact Sheet. However, the Department is troubled by several erroneous statements, including that CalAIM underfunds housing support services and reduces spending on housing as compared to the current Whole Person Care (WPC) Pilots and the Health Home Program (HHP). We hope to correct these misunderstandings related to CalAIM's substantial focus on and investment in housing services that in fact far exceed the reach and resources of these current programs.

Because CalAIM is designed to provide robust, statewide housing services for Medi-Cal members who are affected by homelessness and housing instability, the Department has prepared the attached document, "CalAIM's Commitment to Addressing California's Homelessness Crisis," to provide clear information with regard to CalAIM's housing focused initiatives and funding, including:

- How DHCS will address California's homelessness crisis through CalAIM;
- The relationship between investments made through WPC/HHP and CalAIM funding;
- The ways in which CalAIM expands existing investments in housing services; and,
- How CalAIM paves the way for DHCS to integrate housing supports as a benefit in future years.

As discussed in the attached document, the intent and design of CalAIM is to expand on Medi-Cal's existing investments in housing through two cornerstone programs: Enhanced Care Management (ECM) and In Lieu of Services (ILOS). These ambitious reforms focus on comprehensively addressing Medi-Cal members' needs through coordinated whole person care. Although the existing WPC Pilot and HHP benefits were fruitful in providing housing

support services, these initiatives are modest, regional investments that reach only a fraction of Medi-Cal members who need these services. Only 15 percent of WPC expenditures were linked to housing services, and nearly half of those funds were spent on incentive payments rather than direct services. Similarly, HHP only spends \$15M to support members who are homeless or at-risk of homelessness.

To meaningfully and sustainably address California's homelessness crisis, DHCS is expanding on the WPC and HHP investments. In total, DHCS will spend a total of \$1.165 billion on ECM and ILOS on an annual basis compared to \$561 million provided through WPC and HHP, plus additional potential funding through the state's 1115 waiver request. Through these new resources, CalAIM will provide significant investments in housing.

CalAIM's approach to housing services through ECM and ILOS is a statewide, sustainable investment that will, over time, reach all Medi-Cal members. Through ECM and ILOS, DHCS strives to:

- Move beyond regional pilots to statewide implementation of housing services;
- Tailor community-based ECM services for members who are homeless;
- Establish a long-term, sustainable approach to covering housing-related services in Medi-Cal;
- Support a broader array of housing services through ILOS and targeted ECM to support access to and coordination of these services; and,
- Offer major new funding and resources to support the launch of ECM and take-up of ILOS throughout California.

To support successful implementation of ECM and ILOS, including housing related services, DHCS has initiated a range of technical assistance and support to both managed care plans (MCP) and providers. The attached document along with MCP guidance and implementation supporting materials will be posted on the DHCS [CalAIM ECM and ILOS website](#). DHCS will also post webinars and other opportunities for discussion on the website.

Thank you for your passionate advocacy on this subject and your continuing input into the development and implementation of CalAIM.

If you have any questions regarding this letter, please contact Nathan Nau, Chief, Managed Care Quality and Monitoring Division, by email at Nathan.Nau@dhcs.ca.gov or by phone at (916) 345-7168.

Sincerely,

Original signed by

Jacey Cooper
State Medicaid Director
Chief Deputy Director,
Health Care Programs



CalAIM's Commitment to Addressing California's Homelessness Crisis

To highlight Medi-Cal's continued commitment to addressing homelessness in California, the Department has prepared this fact sheet to provide clear information regarding CalAIM's housing focused initiatives and funding including:

- The ways in which CalAIM expands existing investments in housing services;
- How DHCS will address California's homelessness crisis through CalAIM;
- The relationship between investments made through existing Whole Person Care (WPC) Pilots/Health Homes Program (HHP) and new CalAIM funding; and
- How CalAIM paves the way for DHCS to integrate housing supports as a benefit in future years.

The intent and design of CalAIM is to expand on Medi-Cal's existing investments in housing through two cornerstone programs: Enhanced Care Management (ECM) and In Lieu of Services (ILOS). These ambitious reforms focus on comprehensively addressing Medi-Cal members' needs through coordinated whole person care. With CalAIM, DHCS is building on and expanding on WPC and HHP investments to meaningfully and sustainably address California's homelessness crisis statewide

How Will CalAIM Expand on Medi-Cal's Existing Investments in Housing?

The existing WPC and HHP provide a modest investment in housing services that serves as a springboard for a sustainable housing services investment through CalAIM. Currently, 18 of the 25 WPC counties offer housing support services. Among the 18 pilots that offer housing services, the cost of those services and incentives combined accounted for 15 percent of total expenditures in the latest year for which data is available. By design, WPC Pilot funding was used for an array of purposes beyond simply paying for housing services, including infrastructure investment, performance incentive payments, and administrative expenses. In the most recent year of data, housing services and incentive payments were nearly equivalent—housing services represented \$54M of WPC spending, while incentives made up \$53.3M.

Similarly, HHP is designed to support individuals in finding and retaining housing, but also addresses other needs, such as assistance with navigating medical appointments, food insecurity, and other social determinants of health. Currently, approximately 3,600 members served in the HHP are individuals who are homeless or at-risk of homelessness and nearly 70 percent of those members have been successfully

connected to housing resources and housing support services through HHP. HHP currently spends approximately \$15M to support members who are homeless or at-risk of homelessness.

The overall budget for ECM, ILOS, and performance incentive payments is estimated to *increase* overall spending (including, but not limited to housing) from \$561M provided through WPC and HHP to \$1.165B on an annual basis via CalAIM, plus additional potential funding through the Providing Access and Transforming Health (PATH) Supports (described in detail below) initiative under the 1115 waiver.¹ Through these funds, CalAIM will provide significant new investments in housing services.

How Will CalAIM Help to Address California's Homelessness Crisis?

Medi-Cal plays an instrumental role in coordinating medical and non-medical services, as unmet social needs have been shown to significantly affect health outcomes. In particular, CalAIM plays a critical role in addressing California's homelessness crisis. DHCS has the opportunity through coordinated CalAIM initiatives to address housing needs in innovative ways, such as offering housing related services, including transition and navigation services and tenancy sustaining supports, and integrating those services with members' other needed health and social services.

CalAIM builds on the state's existing Medi-Cal investments in the WPC Pilots and the HHP, to more systematically integrate efforts to address California's homelessness crisis into the Medi-Cal program. DHCS designed the use of CalAIM ECM and ILOS to transition and build upon the WPC Pilots and HHP for the following reasons:

- 1. Allows California to move beyond regional pilots to statewide implementation of housing services.** Currently, WPC Pilots and Health Homes are only available in selected regions of the state, meaning that not all Medi-Cal members who need community-based housing support, are able to access it. CalAIM establishes the framework to address social determinants of health, including housing instability, and improve health equity *statewide* rather than on a pilot basis. DHCS recognizes that to make this transition successful, plans, counties, public hospital systems, and community-based organizations will need to work together, to exchange data, to establish payment relationships, and to measure value and outcomes. To this end, DHCS will issue guidance and facilitate partnerships, data sharing, and care coordination.
- 2. Tailors community-based enhanced care management services for members who are homeless.** CalAIM is designed to comprehensively address members' health and social determinants of health through statewide ECM and ILOS. DHCS recognizes that people who are experiencing homelessness are among the highest need Medi-Cal members, and therefore, are a target population for ECM. Community-based ECM Providers will engage with these members through street outreach and shelters to

¹ \$561M is the total spent of all WPC services (includes FFs and PMPM), excluding administrative infrastructure, delivery infrastructure, pay-for-outcomes, and pay-for-reporting.

provide ongoing, comprehensive ECM and link members to needed housing-related ILOS (e.g. assistance finding and maintaining housing). ECM and ILOS together will also build on the successes in WPC and HHP by providing new connections to housing services for individuals with significant barriers to stable housing, including individuals reentering the community from incarceration and former foster care youth. DHCS is requiring MCPs to contract with WPC Lead Entities and Community-Based-Care Management Entities to become ECM Providers, with limited exceptions, to ensure continuity of providers and services for members that have housing and other social needs.

- 3. Establishes a long-term, sustainable approach to covering housing-related services in Medi-Cal.** Currently, WPC relies on time-limited Section 1115 demonstration waiver funding to provide for services and initiatives—including housing-related services. Approval and extensions of 1115 waivers are reliant on the priorities of the current administration. Instead of relying on unstable, short-term 1115 waiver authority and funding, CalAIM will integrate housing services and supports for those with medical needs into the services delivered by MCPs, making these services and supports a standard part of Medi-Cal.
- 4. Supports a broader array of housing services through ILOS and targeted ECM to support access to and coordination of these services.** While subject to CMS approval, DHCS is aggressively working to ensure coverage of services in Medi-Cal that address social determinants of health and care consistent with equity considerations. The proposed ILOS would go beyond the housing transition, navigation and sustaining services seen in other states by covering medical respite, short-term post-hospitalization housing, and housing deposits for the medically needy through ILOS. The [full list of housing-related ILOS](#) is designed to support members with an array of housing needs and includes:
 - a. **Housing Transition/Navigation Services**, to assist members with finding and obtaining housing;
 - b. **Housing Deposits**, to assist with identifying, coordinating, securing, or funding one-time services and modifications necessary to enable a person to establish a basic household;
 - c. **Housing Tenancy and Sustaining Services**, to support members in maintaining safe and stable tenancy once housing is secured;
 - d. **Short-Term Post-Hospitalization Housing**, to provide members who do not have a residence and who have high medical or behavioral health needs with the opportunity to continue their recovery immediately after exiting an institutional setting;
 - e. **Recuperative Care (Medical Respite)**, to provide short-term residential care for individuals who no longer require hospitalization, but still need to heal from an injury or illness (including behavioral health conditions) and whose condition would be exacerbated by an unstable living environment;

- f. **Day Habilitation**, to support members in acquiring, retaining, and improving self-help, socialization, and adaptive skills necessary to reside successfully in the person's home;
- g. **Sobering Centers**, an alternative for individuals who are found to be publicly intoxicated, avoiding incarceration and allowing them to return back to their home upon discharge.

ECM Providers, working in the community, will be key in helping people access and coordinate housing, alongside health care and other social services, to facilitate whole person care.

5. Offers major new funding and resources to support the launch of ECM and take-up of ILOS throughout California. Even though it is optional under federal law and regulations, DHCS fully expects that MCPs will routinely elect to offer housing-related ILOS and support expansion of housing provider capacity in the counties they serve. MCPs must provide continuity of care for individuals served by WPC and HHP who qualify for ECM. As part of supporting their transition, MCPs are strongly encouraged to offer ILOS, as appropriate. Further, DHCS has made it clear to MCPs that their experience and effectiveness in offering and supporting services that enable independence in the community will be critical to participating in Medi-Cal on a long-term basis. DHCS is also developing specific fiscal incentives for plans to seamlessly launch ECM and provide the pre-approved ILOS, including:

- Establishing a **performance incentive initiative aimed at MCPs to support the provision of ECM and ILOS**. By FY 2022-23, the size of this incentive initiative will be equivalent to the annual investment in WPC. Specifically, DHCS will develop a performance incentive that starts at \$300 million per year in FY 2021-22 and expands to \$600 million in FY 2022-23 and 2023-24, a significant portion of which will be used to support
- MCPs in providing ECM, offering the pre-approved ILOS, and investing in capacity building for community-based organizations that provide ECM and ILOS;
- **Adjusting rates in WPC counties by approximately \$115 million**, which will provide MCPs serving members in WPC counties with funding that can be used to offer resources, including through housing-related ILOS, to medically vulnerable individuals after the WPC Pilots end;
- Pursuing creation of a **new, time-limited initiative** under the new proposed Medicaid 1115 waiver "Providing Access and Transforming Health (PATH) Supports." Pending CMS approval of this new initiative, PATH funding will be used to support capacity building, infrastructure, and IT systems for community-based ECM and ILOS providers;
- **Ensuring collaboration** between WPC Lead Entities and HHP Community-Based Care Management Entities and MCPs to seamlessly transition existing WPC/HHP members into continued care; and;

- **Offering shared savings** to MCPs that achieve savings through the effective use of pre-approved ILOS and the new ECM benefit to avoid unnecessary hospitalizations, nursing home stays, and emergency department visits.

How Will CalAIM Facilitate the Integration of Housing Supports as a Medi-Cal Benefit in the Future?

ECM and ILOS will serve as a bridge to statewide implementation of housing supports as benefits in the longer term. Currently, many areas of the state, especially those without WPC Pilots and HHP, lack the capacity to offer housing support services. By providing financial resources and robust training and technical assistance to plans and providers to offer such services and to build related capacity, CalAIM will facilitate the integration of housing into Medi-Cal more broadly.

ECM and ILOS build upon the work done in WPC Pilots and HHP to address housing needs. The ECM and ILOS framework allows regions that do not currently have a sufficient infrastructure to build network capacity in a way that meets the unique needs of their residents. MCPs will be required to contract and collaborate with new provider types, such as housing providers, that have not historically worked with Medi-Cal.

ECM and ILOS will set the stage for Medi-Cal MCPs to be prepared to have housing supports treated as covered Medi-Cal benefits in future years. By 2024, MCPs bidding to participate as a Medi-Cal MCP will be expected to have a robust network of housing providers responsible for coordinating access to and sustainability of housing for their members.

Conclusion

DHCS designed CalAIM with a view toward the future and what will be necessary to more effectively and positively impact Medi-Cal beneficiaries' quality of life. CalAIM reflects a long-term commitment to addressing California's homelessness crisis through strategic use of Medi-Cal and other resources. Through CalAIM, DHCS is building on existing programs by making significant and cutting-edge investments to address homelessness statewide. These investments put California at the forefront of addressing the factors outside the four walls of the hospital—such as homelessness or unstable housing—that contribute to an individual's health and wellbeing. CalAIM's ambitious goal represents a long-term vision for advancing and improving Medi-Cal in ways that build upon earlier initiatives such as WPC and HHP.