

**DEPARTMENT OF HEALTH CARE SERVICES  
NOTICE OF GENERAL PUBLIC INTEREST  
RELEASE DATE: FRIDAY, August 12, 2022**

**PROPOSED CALAIM SECTION 1115 DEMONSTRATION AND SECTION 1915(B)  
WAIVER AMENDMENTS FOR MANAGED CARE MODEL CHANGES AND OTHER  
MANAGED CARE UPDATES**

**Overview**

The California Department of Health Care Services (DHCS) is providing public notice of its intent to (1) submit amendments to the California Advancing and Innovating Medi-Cal (CalAIM) Section 1115 demonstration and Section 1915(b) waiver to the federal Centers for Medicare & Medicaid Services (CMS); and (2) hold a public hearing to receive public comments on these requests.

DHCS is seeking the CalAIM Section 1115 and 1915(b) amendment approvals to implement county-based model changes in its Medi-Cal Managed Care (MCMC) program. Through the 1915(b) waiver amendment, DHCS also plans to add or update language on policies or programs in the approved CalAIM 1915(b) waiver, including to reflect the plans operating in each county following the State's MCMC commercial plan re-procurement, MCMC model change in select counties, and proposed direct contracts with the Kaiser Foundation Health Plan available for enrollment of certain Medi-Cal beneficiaries in select counties.

California's MCMC delivery system consists of multiple managed care models that vary by county. Each county offers one of these models: one plan operated by the county (County Organized Health System (COHS)); one local initiative plan operated by the county and one commercial plan (Two Plan); multiple commercial plans (Geographic Managed Care, Regional, and Imperial model); or one commercial plan and a Fee-for-Service option (San Benito model). Today, [22 counties](#)<sup>1</sup> offer one plan operated by the county, all implemented through a COHS model. Prior to the launch of the State's commercial plan re-procurement process in 2022, counties had the opportunity to request a change to their managed care model. As part of this process, DHCS conditionally approved model changes in 17 counties; 15 of these counties seek to move to a managed care model that involves one plan per county, either via expansion of an existing COHS model or establishment of a "Single Plan" model. Single Plan models will be expansions of plans currently operating as county-driven local initiatives or will otherwise be operating under a county or local authority.

To effectuate the expanded COHS and new Single Plan models, DHCS is requesting to amend the CalAIM Section 1115 demonstration to include expenditure authority to limit

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<sup>1</sup> The 1915(b) waiver approved in December 2021 lists 23 counties as COHS in error. DHCS intends to include a technical correction in the 1915(b) amendment to update Stanislaus as a Two-Plan county instead of a COHS.

choice of managed care plans in non-rural areas. This authority would apply in the Metro, Large Metro, and Urban counties proposed to participate in the COHS or Single Plan models. Through the CalAIM 1915(b) waiver amendment, DHCS is also requesting updates to reflect use of the rural area exemption for plan choice in rural counties with existing and/or expanding COHS, and rural counties intending to operate under the Single Plan model. If approved, these county-based model changes will go into effect on January 1, 2024.

Implementing these models is consistent with the goals of CalAIM, including improving quality, access, and accountability. The proposed model transition will limit the choice of plans for the Medi-Cal enrollees living in the counties that employ the COHS or Single Plan model. For more information on the COHS and Single Plan models, including information on which counties are currently seeking to adopt these models, please visit the MCP Model Change website [here](#).

## **Background**

The expansion of the COHS model and new Single Plan model to counties as proposed by DHCS will build on the existing COHS model in the State. Currently, DHCS has authority relating to the existing COHS to limit Medi-Cal managed care plan choice under federal law provisions<sup>2</sup> that exempt them from the otherwise applicable managed care choice requirements set forth in or derived from Section 1903(m)(2)(A) of the Social Security Act. Four of these COHS are health insuring organizations (HIOs) under federal law; their statutory exemption from 1903(m)(2)(A) and associated Medicaid requirements is conditioned on not exceeding a 16% enrollment level in those four COHS as a share of all Medi-Cal beneficiaries. Once the 16% enrollment level is exceeded, the managed care requirements in 42 CFR Part 438, including choice provisions, would apply to all HIOs currently operating under federal statute. DHCS projects that enrollment will likely be close to or exceed the aggregate 16% level following the expansion of two of those four COHS/HIOs into new counties.

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<sup>2</sup> [SSA 1932\(a\)\(3\)](#): requires choice of at least two MCOs, with specific exceptions including:

- COHS / HIOs that became operational prior to Jan 1, 1986, so long as a choice between at least two providers;
- HIOs as described in Sec. 9517(c) of the Consolidated Omnibus Budget Reconciliation Act of 1985 as amended by Section 4734 of the Omnibus Budget Reconciliation of 1990, Section 704 of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000, and Section 205 of the Medicare Improvements for Patients and Providers Act of 2008, subject to certain conditions including that total membership in those HIOs is under 16% of Medi-Cal beneficiaries; and
- Rural areas if >2 physicians or case managers (if available in the area) and may go out-of-network in appropriate circumstances.

Given enrollment will be close to or in excess of the aggregate 16% level following the expansion of the COHS model, DHCS is seeking expenditure authority through an amendment to the CalAIM 1115 demonstration to limit plan choice in all non-rural areas operating under the COHS model. Additionally, because the new Single Plan model is not subject to federal statutory exemption from plan choice requirements as are existing COHS/HIOs, DHCS is also seeking expenditure authority through the CalAIM Section 1115 demonstration amendment to limit plan choice in Single Plan model counties in non-rural areas.

Through a separate submission, DHCS is also requesting an amendment to the CalAIM 1915(b) waiver to reflect use of the rural area exemption for rural counties in existing and expanding COHS and rural counties intending to operate under the new Single Plan model, and to include language memorializing the model changes and plans operating in each county effective January 1, 2024.

### **Public Review and Comment Process**

The 30-day public comment period for the CalAIM Section 1115 demonstration amendment and Section 1915(b) amendment as described in the 1915(b) waiver overview is from Friday, August 12, 2022 until Monday, September 12, 2022. All comments must be received no later than midnight (Pacific Time) on **Monday, September 12, 2022**.

All information regarding the CalAIM Section 1115 demonstration application and the Section 1915(b) overview can be found on the DHCS [website](#). DHCS will update this website throughout the public comment and amendment process.

DHCS will host a public hearing to solicit stakeholder comments. In light of the COVID-19 pandemic and to maximize opportunities for participation, all public hearings will be held via webinar.

- August 22, 2022
  - 10:00 -11:00 AM PT
  - Register [HERE](#).

The complete version of the draft of the CalAIM Section 1115 demonstration amendment and the Section 1915(b) waiver amendment overview are available for public review on the DHCS [website](#).

You may request a copy of the proposed CalAIM Section 1115 demonstration amendment; CalAIM Section 1915(b) waiver amendment overview; and/or a copy of submitted public comments related to the CalAIM Section 1115 demonstration amendment and Section 1951(b) waiver amendment overview by requesting it in writing to the mailing or email addresses listed below.

Written comments may be sent to the following address; please indicate “CalAIM Section 1115 & 1915(b) Waiver Amendments” in the written message:

Department of Health Care Services  
Director's Office  
Attn: Jacey Cooper  
P.O. Box 997413, MS 0000  
Sacramento, California 95899-7413

Comments may also be emailed to [CalAIMWaiver@dhcs.ca.gov](mailto:CalAIMWaiver@dhcs.ca.gov). Please indicate "CalAIM Section 1115 & and 1915(b) Waiver Amendments" in the subject line of the email message.

To be assured consideration prior to submission of the CalAIM Section 1115 demonstration application and Section 1915(b) waiver application to CMS, comments must be received no later than midnight (Pacific Time) **Monday, September 12, 2022**. Please note that comments will continue to be accepted after September 12, 2022, but DHCS may not be able to consider those comments prior to the initial submission of the CalAIM waiver applications to CMS.

Upon submission to CMS, a copy of the proposed CalAIM Section 1115 demonstration amendment and Section 1915(b) waiver amendment will be published at the following internet address: <https://www.dhcs.ca.gov/provgovpart/Pages/CalAIM-1115-and-1915b-Waiver-Renewals.aspx>.

After DHCS reviews comments submitted during this State public comment period, the CalAIM Section 1115 demonstration amendment and Section 1915(b) waiver amendment will be submitted to CMS. Interested parties will also have opportunity to officially comment on the CalAIM Section 1115 demonstration during the federal public comment period; the submitted application will be available for comment on the CMS website at: <https://www.medicaid.gov/medicaid/section-1115-demo/demonstration-and-waiver-list/index.html>. There is no federal public comment period for the CalAIM Section 1915(b) waiver amendment.