

STATE OF CALIFORNIA
DEPARTMENT OF HEALTH CARE SERVICES
MEDICAID SECTION 1115 DEMONSTRATION
AMENDMENT REQUEST:
CALAIM CONTINUOUS COVERAGE FOR
CHILDREN

DRAFT FOR PUBLIC COMMENT

January 2024

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Introduction

California seeks to ensure that all children residing in the State have sustained and reliable access to the services and treatment needed to promote optimal health and well-being. To advance this goal, the California Department of Health Care Services (DHCS) is seeking an amendment to the California Advancing and Innovating Medi-Cal (CalAIM) Section 1115 demonstration to provide continuous coverage in Medicaid (Medi-Cal) and the Children’s Health Insurance Program (CHIP) for eligible children through age four.

To effectuate this change, DHCS is requesting to amend the CalAIM Section 1115 demonstration to include expenditure authority under Section 1115(a)(2) to receive federal match to provide continuous coverage for children through the end of the month in which their fifth birthday falls, regardless of when they first enroll in Medi-Cal or CHIP, and regardless of changes in circumstances that would otherwise cause a loss of eligibility. Implementation of this policy is contingent on a State determination of available State General Fund resources in 2024 – 2025 and subsequent fiscal years and CMS approval.

California has long demonstrated its commitment to support the healthy development of children, including through a series of coverage expansions to improve access to Medi-Cal and CHIP coverage. In 2000, California adopted the federal option of providing 12 months of continuous Medi-Cal coverage to children up to age 19.¹ In 2016, the State legislature passed SB 75, a law that allows children under 19 years of age to receive full-scope Medi-Cal benefits regardless of immigration status, as long as they meet all other eligibility requirements.² Recognizing Medi-Cal’s essential role for children, in 2022, DHCS released a vision and policy agenda for children’s health investments in [Medi-Cal’s Strategy to Support Health and Opportunity for Children and Families](#). California seeks to continue building on its commitments by providing continuous coverage to children enrolled in full-scope Medi-Cal or CHIP through age four.

¹ Tallon, J. R., Rowland, Sc. D. (2000, October). *Comparison of Medi-Cal and Healthy Families Programs for Children in California*. <https://www.kff.org/wp-content/uploads/2000/10/2209-comparison-of-medi-cal-and-healthy-families-programs-for-children-in-california.pdf>

² California Legislative Information. (2015, June). *Senate Bill No. 75: Chapter 18*. https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB75

Section I. Program Description

Background

Ensuring access to appropriate health care in a timely manner is vital for young children since the care received during the first few years of life significantly impacts health, well-being, and long-term trajectory. Medi-Cal and CHIP play a significant role in ensuring this access, serving as a central source of coverage for nearly 40 percent of the State's children.³ Through the Early Periodic Screening Diagnostic and Treatment benefit in Medicaid, children receive essential services and supports, including regular well-child exams; hearing, vision, and dental screenings; and treatment for physical, mental, and developmental illnesses and disabilities.⁴

However, Medi-Cal and CHIP-eligible children often go through short periods of disenrollment and re-enrollment in coverage, often referred to as "churn," leading to disruptions in coverage and lapses in continuity of care. People who experience churn are more likely to delay or forego care, receive less preventive care, stop filling their prescriptions, and have more emergency department visits. One study found that among children with asthma, those experiencing gaps in coverage were more likely to have asthma-related emergency department visits, unmet health care needs, and asthma exacerbations.⁵

Aside from the adverse health effects linked to churn, there are also implications for health equity, with people of color being disproportionately impacted. One study found that Black and Hispanic Medicaid members were more likely to be disenrolled and re-

³ Finocchio, L., Paci, J., Newman, M., Blue Sky Consulting Group. (2021, August). *Medi-Cal Facts and Figures: Essential Source of Coverage for Millions*. <https://www.chcf.org/wp-content/uploads/2021/08/MediCalFactsFiguresAlmanac2021.pdf>

⁴ Center on Budget and Policy Priorities. (2018, January). *Medicaid Works for Children*. <https://www.cbpp.org/research/medicaid-works-for-children#:~:text=Medicaid%20provides%20children%20with%20essential,comprehensive%20and%20preventive%20health%20services>

⁵ Miller, R., Sheikh, S., Allen, E., Tobias, J., Hayes Jr., D., Tumin, D. (2018, October). *Gaps in Health Insurance Coverage and Emergency Department Use Among Children with Asthma*. <https://www.tandfonline.com/doi/full/10.1080/02770903.2018.1523929>

enrolled within 12 months compared to their white counterparts.⁶ This is particularly alarming since recent data on Medicaid unwinding of the COVID-19 emergency continuous coverage provision show that a majority of disenrollments occurred due to procedural reasons (e.g., late submission of paperwork, failure to respond to a state’s request for information, lost forms), rather than legitimate losses of eligibility (i.e., changes in income or circumstances that would make individuals ineligible for Medicaid).⁷

By providing continuous coverage to Medi-Cal and CHIP eligible children through age four, the State seeks to ensure these children are able to access the care they need in a timely manner and promote positive health outcomes. One study examining the impact of 12-month continuous coverage policies on Medicaid-enrolled children found that such policies were associated with lower reports of fair or poor pediatric health among low-income children, as well as increased access to medical, specialty, and preventive care among children with special health needs.⁸ While California currently provides 12 months of continuous coverage to children enrolled in Medicaid and CHIP, the State seeks to further its commitment to improve children’s health by providing continuous coverage for children through the end of the month in which their fifth birthday falls to further amplify the positive health impacts of reducing churn.

Summary of Current Demonstration

On December 29, 2021, CMS approved the CalAIM demonstration. This five-year demonstration authorized the renewal of components of the State’s prior Medi-Cal 2020 Section 1115 demonstration, in addition to new authorities, to continue advancing the State’s goal of improving health outcomes and reducing health disparities for Medicaid and other low-income populations in the State. Building on the successes of the Medi-Cal 2020 demonstration, California has moved to implement whole person care strategies statewide through the State’s CalAIM 1915(b) managed care delivery system (with some aspects authorized through Section 1115 demonstration authority) and

⁶ MACPAC. (2021, October). *An Updated Look At Rates of Churn and Continuous Coverage in Medicaid and CHIP*. <https://www.macpac.gov/wp-content/uploads/2021/10/An-Updated-Look-at-Rates-of-Churn-and-Continuous-Coverage-in-Medicaid-and-CHIP.pdf>

⁷ Tolbert, J., Corallo, B., Drake, P., Moreno, S. (2023, May). *What Do the Early Medicaid Unwinding Data Tell Us?* <https://www.kff.org/policy-watch/what-do-the-early-medicaid-unwinding-data-tell-us/>

⁸ Brantley, E., Ku, L. (2022, June). *Continuous Eligibility for Medicaid Associated with Improved Child Health Outcomes*. <https://pubmed.ncbi.nlm.nih.gov/34525877/>

moved other aspects of the Medi-Cal 2020 demonstration into the Medi-Cal State Plan. The CalAIM Section 1115 demonstration initiatives include:

- » Renewing the Global Payment Program (GPP) to streamline funding sources for care for California’s remaining uninsured population with a renewed focus on addressing social needs and responding to the impacts of systemic racism and inequities on the uninsured populations served by California’s public hospitals.
- » Authorizing Community Supports services for recuperative care and short-term post-hospitalization housing.
- » Authorizing the Providing Access and Transforming Health (PATH) Supports expenditure authority to (1) sustain, transition, and expand the successful Whole Person Care (WPC) Pilot and Health Home Program (HHP) services initially authorized under the Medi-Cal 2020 demonstration as they transition to become Enhanced Care Management (ECM) and Community Supports and (2) sustain justice-involved pre-release and post-release services provided through existing WPC pilots and support Medi-Cal pre-release application planning and IT investments.
- » Continuing short-term residential treatment services to eligible individuals with a substance use disorder (SUD) in the Drug Medi-Cal Organized Delivery System (DMC-ODS).
- » Authorizing Contingency Management as a DMC-ODS benefit, to offer Medi-Cal members this evidence-based, cost-effective treatment for SUD that combines motivational incentives with behavioral health treatments.

On June 29, 2022, CMS approved an amendment to the CalAIM 1115 demonstration to permit the state to increase and eventually eliminate asset limits for certain low-income individuals whose eligibility is not determined using the modified adjusted gross income (MAGI)-based financial methods.

On January 29, 2023, CMS approved an amendment to the CalAIM 1115 demonstration to permit the state to provide in-reach services to justice-involved populations for up to 90-days prior to release, leverage federal funding of Designated State Health Programs (DSHPs) to support the non-federal share funding for the PATH program, and update California’s budget neutrality methodology consistent with CMS’ budget neutrality framework for services to address Health-Related Social Needs (HRSN).

On August 23, 2023, CMS approved an amendment to the CalAIM 1115 demonstration to implement county-based model changes in its Medi-Cal Managed Care program. This amendment aligns with related changes approved in the CalAIM Section 1915(b) waiver.

California has a pending amendment request with CMS to provide up to six months of transitional rent services to eligible individuals who are homeless or at risk of homelessness and transitioning out of institutional levels of care, congregate residential settings, correctional facilities, the child welfare system, recuperative care facilities, short-term post-hospitalization housing, transitional housing, homeless shelters or interim housing, as well as those who meet the criteria for unsheltered homelessness or for a Full Service Partnership (FSP) program.

California also has requested authority to offer traditional healer and natural helper services in Medi-Cal; this request is still pending with CMS.

Demonstration Goals

The proposed continuous coverage for children amendment request seeks to significantly reduce churn among children enrolled in Medi-Cal and CHIP coverage through age four, with the goal of promoting continuous access to care and improved health outcomes. This request will help ensure that young children enrolled in Medi-Cal or CHIP can access the treatment and services they need during their critical early years of growth and development.

Through this demonstration amendment, California seeks to promote the following goals:

- » Ensure continuous Medi-Cal and CHIP coverage and significantly reduce gaps in coverage for young children, including for racial and ethnic groups that experience disproportionately high rates of churn;
- » Promote access to and continuity of physical and behavioral health care for young children, including preventive care; and
- » Improve health outcomes among young children.

Proposed Demonstration

DHCS is seeking to provide continuous coverage in Medicaid and CHIP for children through age four. The approach will help reduce churn and gaps in Medi-Cal and CHIP

coverage for young children, including for racial and ethnic groups that experience disproportionately high rates of churn. Continuous coverage for children is an integral part of the state's strategy to improve access to care and improve health outcomes for young children.

Eligibility Criteria

Under the amendment request, children ages zero through four who enroll in Medicaid or CHIP will qualify for continuous coverage beginning on the effective date of the child's most recent eligibility determination or redetermination and extending through the end of the month in which their fifth birthday falls.

Circumstances for Disenrollment

During the continuous coverage period, there will be no formal triggering of annual redeterminations for children ages zero through four. However, if any of the following circumstances occur during an individual's designated continuous coverage period, the individual's Medi-Cal or CHIP eligibility shall be redetermined or terminated:

- » The individual is no longer a California resident, or a resident of the designated County's Children Health Initiative Program (CCHIP)⁹ county service area;
- » The individual requests termination of eligibility;
- » The individual dies; or
- » The agency determines that eligibility was erroneously granted at the most recent determination, redetermination or renewal of eligibility because of agency error or fraud, abuse, or perjury attributed to the individual.

California will establish procedures designed to ensure that members can make timely and accurate reports of any changes in circumstances that may affect their eligibility as outlined in this demonstration. California will also establish procedures and processes to accept and update member contact information on an annual basis and to check for the exceptions defined above and as required by CMS.

⁹ CCHIP provides coverage to children up to 19 years of age with household incomes above 266 to 322% FPL who reside in San Mateo, San Francisco, and Santa Clara counties.

Section II–V. Demonstration Eligibility, Delivery System, Benefits, and Cost Sharing

The proposed CalAIM amendment would not modify the parameters for Medi-Cal or CHIP benefits, care delivery systems, or cost-sharing. The amendment would permit California to provide continuous coverage in Medicaid and CHIP for children through age four.

Medi-Cal Eligibility

To maximize California’s efforts to improve access to care and services for children, California is seeking authority under the CalAIM demonstration to provide continuous coverage in Medicaid and CHIP for children through age four.

Medi-Cal Delivery System

The State is not proposing any changes to the delivery systems employed in Medi-Cal or CHIP.

Medi-Cal Covered Benefits

The State is not proposing any changes to the benefits available to individuals enrolled in Medi-Cal or CHIP.

Medi-Cal Cost-Sharing

The State is not proposing any changes to cost-sharing under Medi-Cal or CHIP.

Section VI. Implementation of Demonstration

To ensure successful implementation of the demonstration, DHCS will work to modify its eligibility and enrollment systems, consumer notices, and reporting processes to align with the approach to be agreed upon in the Special Terms and Conditions. DHCS will closely monitor reporting and work with stakeholders on the ground to ensure the policy is implemented as planned. To note, the implementation of this policy is contingent on a State determination of available State General Fund resources in 2024 – 2025 and subsequent fiscal years.

Section VII. Demonstration Financing and Budget Neutrality

DHCS requests expenditure authority for \$133,648,766 (total computable) over the final two years of the CalAIM demonstration period (January 1, 2025 – December 31, 2026). The following table provides a summary of the estimated number of individuals impacted by these continuous coverage changes.

Table 1. Estimated Continuous Coverage Impact

Continuous Coverage Group	Estimates of Children Impacted by Continuous Coverage*		
	DY 21 (CY 2025)	DY 22 (CY 2026)	Total
Children ages zero through four	64,051	64,051	128,102
Total	64,051	64,051	128,102

* These estimates represent the number of children that would have experienced coverage disruptions or disenrollment during a given demonstration year absent the implementation of the continuous coverage amendment.

The following table shows the “with waiver” expenditures across the two Demonstration Years.

Table 2. Total Waiver Expenditures

Medicaid Aggregate	Demonstration Years (DYs)		
	DY 21 (CY 2025)	DY 22 (CY 2026)	Total
Continuous Enrollment for Children	\$66,370,646	\$67,278,120	\$133,648,766
Total	\$66,370,646	\$67,278,120	\$133,648,766

Section VIII. List of Proposed Waivers and Expenditure Authorities

Under Section 1115(a)(2) of the Act, California is requesting Title XIX and XXI expenditure authorities to provide continuous coverage for children. California is not requesting any waivers in connection with this demonstration.

To the extent that CMS advises the State that additional authorities are necessary to implement the programmatic vision and operational details described in this application, the State is requesting such waiver or expenditure authority, as applicable. California’s negotiations with the federal government, as well as State legislative/budget changes, could lead to refinements in these lists as we work with CMS to move children’s continuous coverage forward.

Expenditure Authority

Table 3. Expenditure Authority Requests

Title XIX and XXI Expenditure Authority	Use for Expenditure Authority
Continuous Enrollment for Children	Expenditures for continued benefits for children who have been determined eligible for the continuous eligibility period who would otherwise lose coverage during an eligibility determination.

Section IX. Evaluation and Demonstration Hypotheses

The table below provides a preliminary plan to evaluate the demonstration and its achievement of the following goals:

- » Significantly reduce churn and gaps in Medi-Cal and CHIP coverage for young children, including for racial and ethnic groups that experience disproportionately high rates of churn;
- » Promote access to and continuity of physical and behavioral health care for young children, including preventive care; and

- » Improve health outcomes among young children.

These hypotheses and plan are subject to change and will be further defined as California works with CMS to develop an evaluation design consistent with the STCs and CMS policy.

Table 4. Continuous Coverage Evaluation Hypotheses and Approach

Hypotheses	Evaluation Approach	Data Sources
Reduce churn and gaps in Medi-Cal and CHIP coverage for young children, including for racial and ethnic groups that experience disproportionately high rates of churn	Analyze Medi-Cal and CHIP enrollment trends to assess churn and gaps in Medi-Cal and CHIP coverage among young children in the pre- and post-waiver periods	<ul style="list-style-type: none"> • Medi-Cal and CHIP enrollment files
Promote access to and continuity of physical and behavioral health care for young children, including preventive care	Analyze trends in Medi-Cal and CHIP utilization of physical, behavioral health, and preventive care services among young children enrolled in Medi-Cal	<ul style="list-style-type: none"> • Medi-Cal and CHIP claims data
Improve health outcomes for young children	Analyze health outcomes of interest among young children in the pre- and post-waiver periods, including stratification by race and ethnicity	<ul style="list-style-type: none"> • Medi-Cal and CHIP claims data

Section X. Oversight, Monitoring, and Reporting

Upon approval of this demonstration, California will monitor expenditures and submit reporting, including quarterly and annual monitoring reports, consistent with the STCs and CMS policy.

Section XI. Compliance with Public Notice Process

DHCS has and will continue to engage in robust stakeholder engagement on the CalAIM Section 1115 Continuous Coverage for Children Amendment. In January 2024, DHCS released the requisite notices for the CalAIM amendment application and launched a state public comment period from January 12, 2024 through February 12, 2024. The following materials were shared for public comment:

- » CalAIM Section 1115 Continuous Coverage for Children Amendment Application
- » Public Notice
- » Tribal Public Notice

DHCS will present and discuss the CalAIM amendment proposal and implementation during a public hearing on January 29, 2024 from 1:00 – 2:00 PM PT. DHCS will also host a webinar to solicit Tribal and Indian Health Program stakeholder comments on February 2, 2024 from 2:00 – 3:00 PM PT. The meetings will have online video streaming, telephonic conference capabilities, and closed captioning to ensure accessibility.

Section XII. Demonstration Administration

Please see below for contact information for the State's point of contact for this demonstration application:

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