

DEPARTMENT OF HEALTH CARE SERVICES PROPOSED TRAILER BILL LANGUAGE

CalAIM 1115 Demonstration Waiver Renewal

FACT SHEET

Issue: CalAIM 1115 Demonstration Waiver Renewal. The Department of Health Care Services (DHCS) proposes to be granted the authority to implement the five-year renewal of the California Advancing and Innovating Medi-Cal (CalAIM) Section 1115 demonstration Waiver, including the two new CalAIM initiative components (Employment Supports and BridgeCare).

Background: [CalAIM](#) is a DHCS initiative to reform the Medi-Cal program and, in turn, improve the quality of life and health outcomes of Medi-Cal members. DHCS is implementing broad delivery system, program and payment reform across the Medi-Cal system, building upon the successful outcomes of various pilots.

The CalAIM Act was established along with conforming changes in state law, which provided DHCS the authority necessary to submit its demonstration and waiver requests to CMS for approval. These provisions were enacted in AB 133 (Committee on Budget, Chapter 143, Statutes of 2021). DHCS received federal approval on December 29, 2021 for both the CalAIM demonstration and waiver, effective through December 31, 2026.

Through the CalAIM Section 1115 demonstration approval and subsequent amendments in the following years, California received federal authority to implement a range of initiatives that have led to broad delivery system, program, and payment reform across the Medi-Cal program. Key initiatives authorized under the CalAIM Section 1115 demonstration included: first-in-the-nation approval for the Justice-Involved Reentry Initiative, to provide a targeted set of Medicaid services to youth and eligible adults in state prisons, county jails, and youth correctional facilities prior to release; first-in-the-nation approval for Recovery Incentives, the only treatment that has demonstrated robust outcomes for individuals with stimulant use disorder; and approval to cover culturally appropriate care for members receiving care at Indian Health Service, Tribal, or Urban Indian Organization facilities. Since California's approvals, the Centers for Medicare & Medicaid Services has granted approval of these critical initiatives for multiple states across the country.



The state also received approval to offer two Community Supports—Recuperative Care and Short-Term Post Hospitalization Housing—under the CalAIM Section 1115 demonstration. The CalAIM Section 1115 demonstration also includes approved waivers of federal requirements that are integral to the Medi-Cal program.

California’s companion CalAIM Section 1915(b) waiver approval allowed the state to transition and streamline authority for California’s managed care delivery systems—Medi-Cal Managed Care, Dental Managed Care, Specialty Mental Health Services (SMHS), and Drug Medi-Cal Organized Delivery System (DMC-ODS)—from its longstanding Section 1115 demonstration to authority under the 1915(b) waiver.

On Thursday, February 10, 2026 DHCS posted its [1115 Renewal Application](#) and [Public Notice](#), which included a solicitation for public comments, open until March 12, 2027. For more details about this effort, please visit the [DHCS website](#).

Accordingly, DHCS is requesting a five-year renewal of the CalAIM Section 1115 demonstration, which is set to expire on December 31, 2026. DHCS seeks to build upon and consolidate the successes of the CalAIM initiative through this renewal, and seeks to renew existing authorities with minimal modifications, and request authority for select, new initiatives.

Justification for the Change: DHCS requires statutory authority to implement the five-year renewal of the CalAIM Section 1115 demonstration waiver, including two new CalAIM initiative components (Employment Supports and BridgeCare).

The proposed trailer bill language would:

- Make technical changes to update the CalAIM Initiative demonstration period and demonstration years following the federal approval of the five-year renewal (Welfare and Institutions Code Section (WIC) Section 14184.101).
- Add the contents of the CalAIM 2027 Renewal as initiative components (WIC 14184.102).
- Clarify that counties participating in the DMC-ODS are required to administer covered behavioral health Medi-Cal benefits through a single integrated Prepaid Inpatient Hospital Plan beginning in 2027, consistent with all guidance and technical assistance provided to-date (WIC Section 14184.404)
- Add the authority for DHCS to implement Employment Supports as a CalAIM initiative component (add WIC Section 1484.900)



- Add the authority for DHCS to implement BridgeCare as a CalAIM initiative component (add WIC Section 1484.900)

Summary of Arguments in Support:

- The proposal provides DHCS with the authority to build upon and consolidate the successes of the CalAIM initiative through a five-year renewal, renew existing authorities with minimal modifications, and request authority for select, new initiatives

BCP or Estimate Issue # and Title: 4260-263-BCP-2026-MR: 2027 Medi-Cal CalAIM Waiver Planning and Implementation.