



California Association for Adult Day Services
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August 26, 2024

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

Re: AB 2428 (Calderon) – URGE SIGNATURE

Dear Governor Newsom:

The California Association of Adult Day Services (CAADS) is pleased to sponsor AB 2428 by Assembly Member Lisa Calderon, which would ensure that rate increases agreed upon by the Administration and Legislature for Community-Based Adult Services (CBAS) providers are passed through by managed care plans who contract with these providers for services.

Across the state, an insufficient number of CBAS programs offer medically necessary services and supports to older Californians with chronic illnesses and other health conditions that make it difficult for them to remain safely at home during the day. A network of about 300 providers serves an average of 40,000 Medi-Cal recipients, ensuring that these vulnerable individuals receive person-centered health care, medically tailored meals, and social activities that help them maintain function and reduce isolation which in turn avoids costly institutionalization. Eligibility is determined by a qualified professional and provided on a Fee for Service basis or under contract to a Medi-Cal managed care plan.

The rates paid to CBAS providers are significantly below the actual cost of services. During the Great Recession of 2008, the rates were decreased by 10 percent as a cost-saving measure; upon restoration to the original amount, \$76.27 per service day, not all managed care plans raised the rates back to this level despite the funding being provided as part of their capitated rates.

Since this time, CAADS has advocated for these managed care plans to increase their rates back to the \$76.27 level and while most but not all have done so, the remaining plans have indicated to the Department of Health Care Services that they intend to do so. It is unconscionable that during the largest growth period in our senior population that the state has experienced, plans would be able to pay below the published and expected rate of

\$76.27 per day without consequence. Our field has lost providers during this time, with 18 closing in just the last five years alone.

AB 2428 would address this issue by requiring that, going forward, rate increases published by DHCS must be viewed as a floor that no managed care plan may drop below. Nothing would preclude a plan from paying above the minimum, but they could not pay less than the published rate. This will require some work on the part of DHCS staff to garner federal approval for a “directed payment” structure, but we believe it is a cost of doing business to ensure a robust network of providers for these vulnerable Californians, to help them remain healthy at home and avoid more costly institutional care.

Please note that we view this bill as unrelated to the rate increase that was enacted as part of the 2024-25 budget package, AB 159, which earmarks Managed Care Organization tax funding over three years for a rate increase for CBAS providers, along with other types of providers.

The language of AB 159 is self-contained and does provide for a directed payment structure; however, as you are aware the language would be rendered moot if Proposition 35 passes in November.

In contrast, AB 2428 would set the rate floor in existing law that governs CBAS providers and their relationship with managed care plans, so it would not be affected by Proposition 35 and is not in conflict with AB 159.

Thank you for your consideration of this small but critical policy change to underlying statute to ensure that CBAS providers can continue to provide services to our most vulnerable elders in the Medi-Cal program.

Sincerely,



Lydia Missaelides, MHA
Interim Executive Director