



January 12, 2026

Honorable Gavin Newsom
Governor of California
California Capitol
Sacramento, CA 95814

RE: 2026 May Revise – Proposal to Protect Affordability and Health for Vulnerable Californians by Addressing the Community Based Adult Services (CBAS) Closure Crisis

Dear Governor Newsom:

47 state legislative districts have lost a Community Based Adult Services (CBAS) center since 2020. The California Association for Adult Day Services (CAADS) needs help addressing the continuing CBAS closure crisis. We represent 316 CBAS providers that offer the State's most cost-effective community-based alternative to nursing homes for 45,000 older and disabled Medi-Cal adults. Keeping centers open is critical because they deliver quality care to individuals, affordability to working families, and cost savings to taxpayers.

In response to new fiscal realities, CAADS is temporarily suspending our requests for higher rates. To be clear, CBAS centers still need much higher reimbursements to prevent closures, maintain access, and protect participants. However, we recognize new factors are constraining state resources. CAADS spent 2025 identifying pathways to alleviate the CBAS closure crisis and serve as partial alternatives to rate increases. Our work will continue in 2026 as we build state partnerships aimed at finding ways to make progress.

We respectfully submit the following requests for May Revision:

- **Propose efficiencies in 1115 Waiver.** The current waiver requires specific staffing ratios and therapy hours that are often unnecessary for delivering quality, person-centered care. Aligning these requirements with operational realities would help avoid closures.
- **Direct state agencies to engage with CAADS on cost relief efforts.** We are guiding stakeholder discussions to refine and implement rate increase alternatives. We kindly ask that agencies overseeing CBAS join what will likely be a multi-year project.
- **Support Trailer Bill Language committing the State to making progress.** The CBAS crisis is a budget problem: Decades of state disinvestment have led to 29 closures in the last five years—and growing closure risks going into the HR 1 era. CBAS providers need the State to commit to delivering cost relief and operational efficiencies to stop CBAS closures and protect participants from higher-cost nursing homes.

THE STAKES ARE HIGH: WORKING FAMILIES DEPEND ON CBAS AFFORDABILITY

➤ CBAS is increasingly key to achieving state budget resilience and state policy goals:

- EXTREMELY LOW COST – CBAS protects families, taxpayers, and state leaders by costing up to 8 times less than nursing homes & 4 times less than home health aides.

2024 Annual Median Costs for Long-Term Care ([Genworth 2025](#))

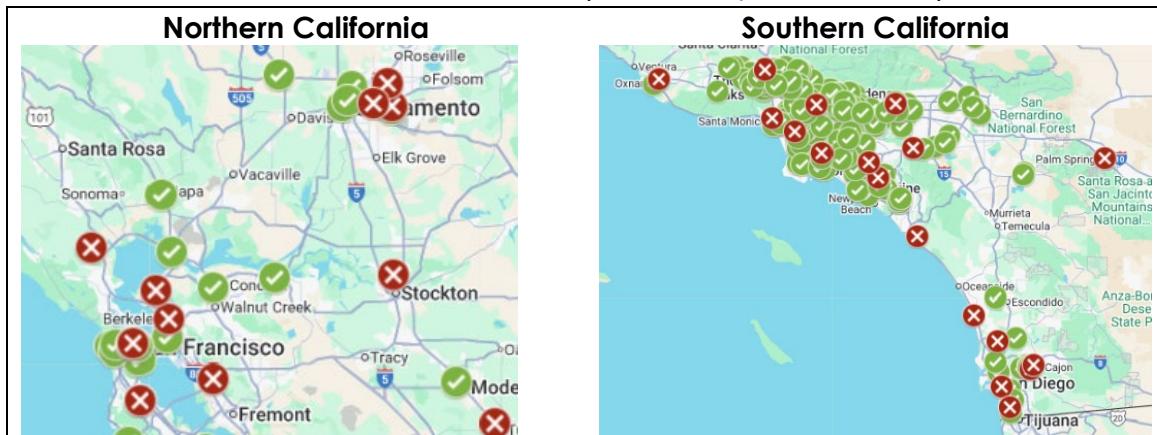
	California	National
CBAS / Adult Day	\$23,400	\$26,000 (more than CA)
Home Health Aide	\$89,200	\$77,800
Nursing Home	\$140,300 to \$182,100	\$111,300 to \$128,000

- STATEWIDE HCBS ACCESS GAPS – DHCS notes less than half of counties have access and 16 counties have only 1 center, creating statewide gaps that need filling as California ages. HCBS helps reduce long term care costs ([January 2025](#)).
- CalAIM & BEYOND – Stabilizing CBAS is required to succeed with Community Supports & Enhanced Care Management; address homelessness since CBAS links people to housing; and achieve Goals 2, 4, and 5 of the Master Plan for Aging.

➤ Despite its importance to state finances and goals, CBAS remains financially unstable:

- CLOSURE RISKS – 29 CBAS centers serving constituents in 47 legislative districts have closed since 2020—due to factors unrelated to the COVID Pandemic.

CBAS Closures since 2020 ([CAADS September 2025](#))



- STATE DISINVESTMENT – Growing closure risks stem from the State's published Medi-Cal rate remaining flat for decades as CBAS costs continue rising with inflation.

Flatlining Medi-Cal Reimbursements in Context

	2006	2026	Increase
CBAS Rate	\$76.22	\$76.27	0%
Gallon of Gas	\$2.42	\$4.56 (EIA)	88%
Nursing Home Rate (Average)	\$152 (CHF)	\$325 (DHCS)	114%

THE WAY FORWARD IS CLEAR: CENTERS NEED COST RELIEF TO STAY OPEN

➤ ***California must make progress on stabilizing CBAS operations despite new constraints:***

- **INACTION IS HARMFUL** – HR 1 makes rate increases less likely in the near-term. We thus need alternatives to help preserve CBAS and protect a key state program.
- **PROGRESS IS POSSIBLE** – CAADS is building three strategic pathways for helping CBAS centers stabilize operations and helping the State mitigate HR 1 fiscal issues.

Stabilization Pathways	Strategic Goal	Sample Proposal
COST RELIEF	Shrink rates-costs gap	Protect quality and increase efficiency by reducing unneeded staff ratios and therapy hours.
ADMINISTRATIVE EFFICIENCIES	Reduce duplications	Extend ERS streamlining by further reducing duplicative paperwork for MCOs and providers.
REVENUE ALIGNMENT	Cover unpaid work	Use existing funding streams like ERS to pay for unreimbursed staff time on absence checks etc.

➤ ***California must make progress on rate increases after mitigating near-term pressures.***

- **ALTERNATIVES ARE MINOR & PARTIAL SOLUTIONS** – Cost relief and similar solutions will let steam out of the kettle. But fully addressing the CBAS closure crisis will require ending decades of state disinvestment once HR 1 impacts become clearer.
- **PARTNERSHIP IS POWERFUL** – We will revisit our earlier rate increase campaign as conditions become clearer. We appreciate our state partners being open to collaborate on alternatives for addressing CBAS instability and making progress on the closure crisis—all of which will lay the foundation for future rate discussions.

As part of the 2026 Budget process, providers need partners to begin helping generate, refine, and implement alternative solutions for addressing the CBAS closure crisis. Please consider making CBAS sustainability part of May Revise, including by supporting TBL recommitting the State to making CBAS more stable. Thank you for your consideration.

Sincerely,



Brian Rutledge, PhD
Executive Director