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Division: Care Management	
Department: Finance	
Title:PHC-CA CalAIM Incentive Payment Program	
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Reviewed/Revised by: Sandy Johansson	Review/Revision Date: 12/2/2025
Approving Committee: Compliance Committee	Date: 12/15/2025
Executive Oversight Committee Date: 12/16/2025	

Purpose:

To describe the Health Plan's obligations to the Department of Health Care Services (DHCS) for participating in the California Advancing and Innovating Medi-Cal (CalAIM) Incentive Payment Program.

Policy:

1. The CalAIM Incentive Payment Program payments shall be intended to complement and expand CalAIM, including Enhanced Care Management (ECM) and Community Supports. The incentive payments will also be based on quality and performance improvements and reporting in areas such as Long-Term Services and Supports and other cross-delivery system metrics. The goal of the CalAIM Incentive Payment Program is to drive change at the Health Plan and provider levels, including, but not limited to:

    a) Building appropriate and sustainable capacity;

    b) Drive MCP investment in necessary delivery system infrastructure;

    c) Bridge current silos across physical and behavioral health care service delivery;

    d) Reduce health disparities and promote health equity;

    e) Achieve improvements in quality performance and;

    f) Incentivize Managed Care Plan (MCP) expansion of Community Supports (ILOS)

2. The effective date for the incentive program shall be from January 1, 2022 to June 30, 2024, and the program period will be split between three distinct Program Years (PY):

    a) PY 1 (January 1, 2022 to December 31, 2022);

    b) PY 2 (January 1, 2023 to December 31, 2023);

    c) PY 3 (January 1, 2024 to June 30, 2024)

3. As a Health Plan participating in the CalAIM Incentive Payment Program effective January 1, 2022, the Health Plan shall comply with the policy requirements outlined in All Plan Letter 23-003, Appendix A, for Program Year (PY) 1, and in Appendix B for PYs 2 and 3 of the incentive program to receive incentive payments for the applicable PY.

4. As a Health Plan participating in the CalAIM Incentive Payment Program, the Health Plan shall meet the requirements outlined in the applicable Reporting Template to earn the CalAIM incentive payments.

5. The Health Plan shall receive incentive payments in addition to the Health Plan's actuarially sound capitation rates.

6. The Health Plan may earn up to its allocated amount based on the achievement of specified measures and the successful completion of other requirements as outlined below, subject to the requirement of Title 42 CFR section 438.6(b)(2), stating that incentive payments may not exceed five percent of the approved capitation payments attributable to the enrollees or services covered by the incentive arrangement.

    a) DHCS determines the maximum amount of incentive payments the Plan is eligible to earn based on factors established by DHCS.

7. The Health Plan shall submit information pertaining to the mandatory measures, and can select among additional optional measures, as applicable, to be eligible to earn up to its full payment allocation.

    a) DHCS will evaluate the Health Plan's submissions and make incentive payments that are proportional to the number of points earned per measure in accordance with the applicable Reporting Template.

    b) The Reporting Templates will specify the requirements for reporting.

    c) The Health Plan is not eligible to earn points for measures that are not applicable to the Plan during the measurement period.

8. The Health Plan's submissions shall be monitored by DHCS for timeliness and content. The Health Plan shall comply with DHCS' request for revisions of incomplete submissions.

9. To achieve program goals and measures, the Health Plan shall be expected to work closely with all applicable local partners including, but not limited to, county social services, county behavioral health, public healthcare systems, county/local health jurisdictions, community-based organizations (CBOs), correctional partners, housing continuum and others.

10. If the Health Plan is unable to demonstrate minimum level efforts, the Health Plan shall work with DHCS on a Corrective Action Plan (CAP) to improve performance and results.

11. The Health Plan shall return to DHCS a portion or all of Payment 1, in an amount determined by DHCS, if the Health Plan fails to follow the CAP and meet the minimum level efforts.

Procedure:

1. The Senior Medi-Cal Managed Care Plan Contract Manager or his or her designee completes and submits any information and/or reporting required by DHCS.

2. The Compliance Officer or his or her designee communicates and collaborates with DHCS to improve performance and results should the Plan require a CAP.

3. If DHCS requests a portion or all of Payment 1 to be returned, the Vice President of Finance or his or her designee issues the monies back to DHCS pursuant to DHCS's instructions.

Definitions:

1. California Advancing and Innovating Medi-Cal (CalAIM): a multi-year Department of Health Care Services (DHCS) initiative to improve the quality of life and health outcomes of the Medi-Cal managed care population through the implementation of broad delivery system, program, and payment reforms across the Medi-Cal program.

2. Enhanced Care Management (ECM): ECM is a whole-person, interdisciplinary approach to care that addresses the clinical and nonclinical needs of Members with the most complex medical and social needs through systematic coordination of services and comprehensive care management that is community based, interdisciplinary, high touch and person centered.

3. Community Supports: Community Supports are services or settings that MCPs (Managed Care Plans) may offer in place of services or settings covered under the California Medicaid State Plan and that are a medically appropriate, cost-effective alternative to a State Plan Covered Service. Community Supports are optional for MCPs to offer and for Members to utilize. MCPs may not require Members to use a Community Support instead of a service or setting listed in the Medicaid State Plan.

4. CalAIM Incentive Payment Program: Incentive payment program requiring voluntary Medi-Cal managed care plan (MCP) participation intended to complement and expand ECM and Community Supports.

Monitoring:

This policy will be reviewed and approved annually by the Compliance Committee.

References:

1. DHCS All Plan Letter (APL) 23-003, California Advancing and Innovating Medi-Cal Incentive Payment Program (Supersedes APL 21-016), published March 8, 2023.

2. Title 42 Code of Federal Regulations (CFR) section 438.6, Special contract provisions related to payment.

Appendix A
Program Year 1 (dates of service from January 1, 2022 to December 31, 2022)

Payment Allocations
DHCS will make incentive payments up to $600 million for PY 1 in two payments, with up to $300 million in each of Payments 1 and 2. DHCS followed a uniform allocation methodology that considered MCP Member enrollment/revenue and Whole Person Care/Health Homes Program participation to determine the maximum amount of CalAIM incentive payments that each MCP is eligible to earn.

Point Allocations
Each measure in the applicable Reporting Template is assigned to a Program Priority Area. The maximum points each MCP is eligible to earn is initially allocated as follows, although actual point earnings may differ:

1. Minimum of 20 percent is tied to Delivery System Infrastructure (Priority Area 1) measures;
2. Minimum of 20 percent is tied to ECM Provider Capacity Building (Priority Area 2) measures, and;
3. Minimum of 30 percent is tied to Community Supports Provider Capacity Building and Take-Up (Priority Area 3) measures.

The remaining 30 percent is allocated according to the MCP's selection, subject to review and approval by DHCS, and as indicated in the MCP's submitted Gap-Filling Plan, to one or more Program Priority Areas. DHCS will evaluate the MCP on its submission for all measures in the selected Program Priority Area and award the remaining 30 percent of the eligible payment accordingly. DHCS may, at its sole discretion, consider granting exceptions in limited cases where the MCP makes a compelling request to DHCS to allocate more than 30 percent to the MCP's selected Program Priority Area (i.e., by allocating points from another priority area). MCPs will be required to submit this request in writing with the applicable Needs Assessment or Progress Reporting Template, and DHCS has discretion to approve or disapprove the proposed approach for each MCP upon review of the applicable Reporting Template.

MCPs are eligible to earn PY 1 points for Community Supports Provider Capacity Building and Take-Up (Priority Area 3) if they offered Community Supports beginning in January 2022 or July 2022. MCPs that did not offer Community Supports in PY 1 are not eligible to earn 30 percent of their maximum payment allocation tied to Community Supports Provider Capacity Building and Community Supports Take-Up.

Requirements for Submission 1
MCPs were required to submit Submission 1, using the Needs Assessment and Gap-Filling Plan Templates, by January 31, 2022.

- Needs Assessment: MCPs were required to submit data and provide baseline information pertaining to:
    1. Delivery System Infrastructure
    2. ECM Provider Capacity Building
    3. Community Supports Provider Capacity Building and Community Supports Take-Up
- Gap-Filling Plan: MCPs were required to submit a written narrative outlining their implementation approach to address the gaps and needs identified through the data submitted in their Needs Assessment and additional criteria outlined by DHCS in the Reporting Template.

MCPs were evaluated based on the set of measures they submitted as part of their Needs Assessment and Gap-Filling Plan to determine acceptance of Submission 1. Points for each measure were either credited in full, or not credited, unless the measure is noted as having a tiered evaluation approach. For the measures that are evaluated using a tiered approach, MCPs received the specified number of points within each tier for having completed the activity associated with each tier, as detailed in the Measure Set and Reporting Template. All other measures do not use a tiered approach and MCPs received either full or no credit for the measures.

MCPs that fail to demonstrate a minimum level of effort in subsequent reporting submissions, as determined by DHCS, must work with DHCS on a corrective action plan (CAP) aimed at improving results and performance on the measures. DHCS will consider the extent of investments made by MCPs in ECM and Community Supports provider capacity and infrastructure in accordance with their Gap-Filling Plan when determining whether the MCP has demonstrated a minimum level of effort.

Requirements for Payment 1 and Payment 2
DHCS issued Payment 1 to MCPs in April 2022 on an interim basis, based on DHCS' review and acceptance of Submission 1. MCPs must demonstrate progress on activities outlined in their Gap-Filling Plan to fully earn Payment 1. DHCS will evaluate MCPs' progress and performance based on their results and achievement of measures documented in the Submission 2-A and Submission 2-B Progress Reporting Templates.

MCPs will earn Payment 1 and Payment 2 based on their total points achieved across Submission 2-A and Submission 2-B. Targets will either be pay-for-reporting or pay-for-

performance, in accordance with the specified measures as outlined in the applicable Progress Reporting Template.

DHCS will require MCPs that fail to achieve Submission 2-A and Submission 2-B measures to return a portion or all of Payment 1 to DHCS. The amount to be returned by the MCP for Payment 1, and the amount to be paid to the MCP for Payment 2, will be commensurate to the total points achieved by the MCP for Submission 2-A and Submission 2-B. DHCS may offset the amount the MCP is required to return for Payment 1 against the amount earned for Payment 2 or against the MCP's monthly capitation payments.

Program Priority Areas and Domains
DHCS focused PY 1 funding priorities on capacity building, infrastructure, Community Supports take-up, and quality.

Priority Area	Domain
1. Delivery System Infrastructure	**1A.** Purchase or upgrade of ECM and Community Supports IT systems including certified Electronic Health Record technology, care management document systems, closed-loop referral systems, claims, invoicing or billing systems/services, data analytics systems to identify and populations and onboarding/enhancements to health information exchange capabilities
2. ECM Provider Capacity Building	**2A.** Building/expanding ECM Provider networks and compliance and oversight capabilities to ensure Populations of Focus within a county can be effectively served
	2B. Hiring and training of ECM care managers, care coordinators, community health workers, and supervisors with necessary training to ensure core competencies to support ECM requirements
3. Community Supports Provider Capacity Building and Community Supports Take-Up	**3A.** Offering Community Supports, expanding reach of Community Supports offered
	3B. Building/expanding Community Supports Provider networks and compliance and oversight capabilities to ensure Populations of Focus within a county can be effectively served
	3C. Hiring and training Community Supports Provider support staff, workflow redesign and training

4. Quality and Emerging CalAIM Priorities	**4A.** Reporting of baseline data to inform quality outcome measures to be collected in future PYs

Appendix B
Program Years 2-3 (dates of service from January 1, 2023, to June 30, 2024)

Payment Allocations
DHCS will make incentive payments up to $600 million for PY 2 and up to $300 million for PY 3 in three payments: up to $300 million in each of Payments 3, 4, and 5. DHCS will follow a uniform allocation methodology to determine the maximum amount of incentive payments that each MCP is eligible to earn for PY 2 and PY 3. The allocation methodology will consider MCP Member enrollment/revenue, Whole Person Care/Health Homes Program participation, and/or other factors selected by DHCS.

Point Allocations
Each measure in the applicable Reporting Template is assigned to a Program Priority Area below. The maximum points each MCP is eligible to earn within each Program Priority Area is initially allocated as identified in the applicable Reporting Template, although actual point earnings may differ.

1. Delivery System Infrastructure (Priority Area 1) measures;
2. ECM Provider Capacity Building (Priority Area 2) measures;
3. Community Supports Provider Capacity Building and Take-Up (Priority Area 3) measures; and
4. Quality and Emerging CalAIM Priorities (Priority Area 4) measures.

Requirements for Payments 3, 4, and 5
MCPs must meet submission requirements outlined in the applicable Reporting Templates to demonstrate performance based on targets set in the Reporting Template. Targets will either be pay-for-reporting or pay-for-performance, in accordance with the specified measures. Pay-for-performance measures will be either individualized quantitative targets, set using a uniform methodology across all MCPs, or noted with specific evaluation criteria. The achievement of these reporting or performance targets will result in payment.

MCP Classes
Given the expected upcoming MCP changes occurring in January 2024, which include county plan model changes, the MCP Procurement, and the expansion of direct contracting with Kaiser Foundation Health Plan, participating MCPs will be categorized in classes. These classes, in certain scenarios, will dictate the measures or terms of performance/payment that apply. The classes are only applicable for Submissions 4 and 5 and are as follows:

1. Exiting MCPs (Submission 4 only);
2. Entering MCPs (Submission 5 only);
3. Incumbent MCPs in counties with procurement transitions;

4. Incumbent MCPs in counties with no procurement transitions; and
5. Alternative health care service plans, as defined in WIC section 14197.11 (Submission 5 only)

Program Priority Areas and Domains
DHCS focused PY 2 and PY 3 funding priorities on capacity building, infrastructure, quality, and emerging CalAIM initiatives.

Priority Area	Domain
1. Delivery System Infrastructure	**1A.** Purchase or upgrade of ECM and Community Supports IT systems including certified Electronic Health Record technology, care management document systems, closed-loop referral systems, claims, invoicing or billing systems/services, data analytics systems to identify and populations and onboarding/enhancements to health information exchange capabilities
2. ECM Provider Capacity Building	**2A.** Building/expanding ECM Provider Networks and compliance and oversight capabilities to ensure Populations of Focus within a county can be effectively served
	2B. Hiring and training of ECM care managers, care coordinators, community health workers, and supervisors with necessary training to ensure core competencies to support ECM requirements
3. Community Supports Provider Capacity Building and Community Supports Take-Up	**3A.** Offering Community Supports, expanding reach of Community Supports offered
	3B. Building/expanding Community Supports Provider Networks and compliance and oversight capabilities to ensure Populations of Focus within a county can be effectively served
	3C. Hiring and training Community Supports Provider support staff, workflow redesign and training
4. Quality and Emerging CalAIM Priorities	**4A.** Reporting of baseline data to inform quality outcome measures to be collected in future PYs
	4B. Measure achievement of quality outcome measures
	4C. Implementation of upcoming CalAIM initiatives and collaboration among MCPs