

The Promise, Pitfalls, and Potential of CalAIM

And what funders can do to ensure the success of this transformational program





The Promise, Pitfalls, and Potential of CalAIM

ABOUT NONPROFIT FINANCE FUND

Nonprofit Finance Fund® (NFF®) is a nonprofit lender, consultant, and advocate. For more than 40 years, we've worked to strengthen nonprofit organizations and improve the way money flows to social good. We believe that alongside others we must build a more equitable and just social sector and are committed to helping community-centered organizations led by and serving people of color access the money and resources they need to realize their communities' aspirations.

Over the past decade, NFF has invested \$211 million in health and human services organizations, and our more than 200 consulting clients in 2023 included visionary leaders who are lighting the path toward an integrated system that closes health equity gaps, improves long-term health outcomes, and expands the availability of effective community-based services.

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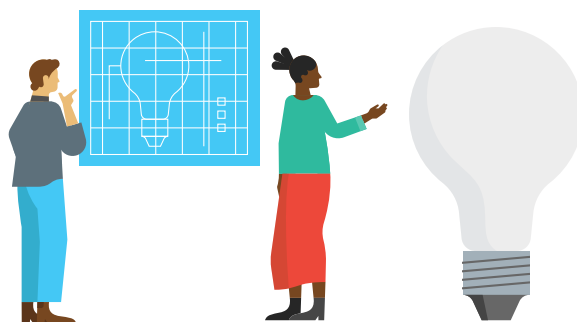
The Promise of CalAIM

Access to New Funding and Services for Better Health Outcomes

Downtown Women’s Center (DWC) connects women and gender-diverse individuals experiencing homelessness to services using a trauma-informed, [Housing First](#) model. Their housing, wellness, employment, and advocacy programs promote a Los Angeles where every woman is housed and on a path to stability. In 2022, DWC received a grant to implement California Advancing and Innovating Medi-Cal (CalAIM) services at the center, a 5-year systems transformation project led by the California Department of Health Care Services aimed at better meeting the whole person health needs of Medi-Cal consumers. Included in the project is funding for 14 services related to the social determinants of health such as housing, food and nutrition – known under CalAIM as [Community Supports](#). With this funding in place, several housing-related Community Supports are now available to women and gender diverse individuals in Skid Row. Thanks to the support from CalAIM, DWC continues to offer crucial assistance to historically underserved individuals as they transition out of homelessness.

In 2022, Nonprofit Finance Fund (NFF), in partnership with the California Community Foundation (CCF) and with seed funding from Cedars-Sinai and additional support from Health Net, launched a two-year initiative to support a cohort of 11 Los Angeles-based homeless service providers¹ in various stages of considering CalAIM. The initiative brought the cohort together for peer learning, financial management skill building, and knowledge sharing. Building on this work, NFF produced the [CalAIM Decision-Making Guide](#), a tool designed to help homeless services agencies assess how the program could impact their organizations and whether to move forward with CalAIM.

NFF also examined some of the challenges providers experienced as they navigated participating in CalAIM. Following are key takeaways from NFF’s collaboration with the cohort along with recommendations for actions that philanthropic and government funders can take to support its success.



1. Organizations participating in this cohort included: Alcott Center for Mental Health Services, Downtown Women’s Center, LA Family Housing, Los Angeles Mission, Safe Place for Youth, SHIELDS for Families, The Center in Hollywood, Union Station Homeless Services, Weingart Center, People Assisting the Homeless (PATH) and Homeless Outreach Program Integrated Care System (HOPICS).

The Pitfalls of CalAIM

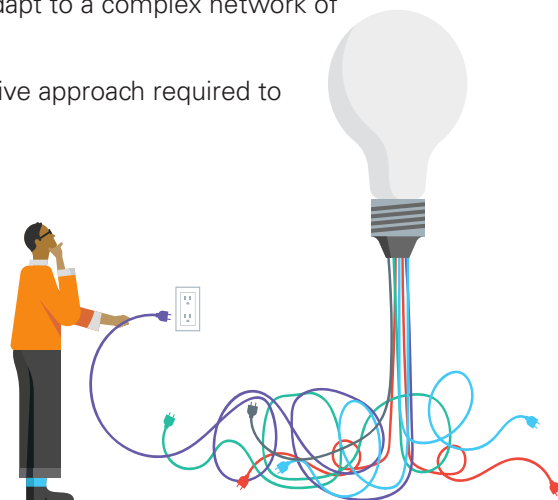
Challenges Experienced by LA Homeless Services Providers

Current CalAIM requirements and processes present significant barriers to entry for many of the organizations best positioned to respond to their communities' needs, particularly community-centered organizations led by and serving people of color. To start, a primary route to provide services and receive funding under CalAIM entails providers entering directly into contracts with Medi-Cal Managed Care Plans (MCPs). These contracts require providers to utilize models of service delivery, funding, and administration from the healthcare sector. Many community-based organizations (CBOs) have never worked with these models of care and administration.

And for many CBOs, **contracting and delivering services under CalAIM involves considerable operational shifts and sizable investment of resources**. In addition, CBOs sometimes interface with multiple MCPs, each with their own processes and structures. **Organizations involved in CalAIM in multiple counties highlight that to date, their experience in LA County has been considerably more difficult than in other communities.**

Here's a more detailed look at some of the challenges surfaced by LA homeless services providers that have engaged with CalAIM:

- **Complex contracting processes** with MCPs requiring CBOs to dedicate substantial unfunded time and expenses to navigate
- **Lack of funding for CBOs to establish the infrastructure necessary** to work with MCPs through CalAIM (e.g., software, training, hiring of new staff/contractors to perform outreach, conducting billing, and handling the additional administration under the program)
- **Incomplete and shifting information** on critical processes and the structure of services, particularly for client outreach and referrals
- **Uncertain and lower-than expected client volumes** that impede CBOs' ability to cover costs and lack of funding for outreach
- **Variation across LA's main MCPs** that require CBOs to learn and adapt to a complex network of different guidelines, systems, and processes
- **Payment rates** that do not align with the high-touch and time-intensive approach required to achieve the outcomes desired under CalAIM



The Potential of CalAIM

Meeting Service Providers Where They Are

NFF and CCF reflected on how to center the voices, experiences, and expertise of the CBOs who are intended to be key CalAIM partners, and how to improve the systems and policies that prevent CalAIM from realizing its full potential. As part of this effort, NFF and CCF partnered with Corporation for Supportive Housing (CSH) to engage LA homeless services providers in strategies that **promote a future for CalAIM in which CBOs are recognized and compensated** for the integral role they play in the transformed healthcare delivery system envisioned under CalAIM.

At the state-level, such efforts, led by CSH, include:

- Through an advisory committee that includes people with lived experience of homelessness, service providers, and MCPs, **a project to standardize CalAIM tools, processes, and policies** that all MCPs could adopt to increase equity and access to housing-related Community Supports;
- Elevating **recommendations of specific actions the Department of Health Care Services could take to address shared challenges** related to housing-related Community Supports through coordination of service provider voices, such as –
 - ▶ Adoption of standardization tools,
 - ▶ Revision of rate guidance, and
 - ▶ MCP staff training in adopting workable processes; and
- **Working toward a Medi-Cal entitlement** that offers ongoing and increased payment for evidence-based services (including a federal funding contribution toward the cost of services), which would allow for the scaling of high-quality housing supports to serve more Medi-Cal beneficiaries.

And at the local level in Los Angeles County, efforts led by NFF, CSH, and CCF include:

- Supporting a cohort of LA homeless service providers to **develop recommendations and advocate to LA-based MCPs and public agencies to address CBOs' most urgent "pain points" in delivering CalAIM-funded housing-related Community Supports**, including the low payment rates, lack of start-up funding, and heavy administrative lift of implementing discrete Community Service programs across multiple MCPs – each with their own requirements, systems, and processes.

Given that over one in four Medi-Cal beneficiaries live in LA County², the promise of CalAIM requires that the program be successfully implemented in the state's most populous county.



2. As of November 2023, 4.3M of 15.1M Medi-Cal enrollees were residents of LA County. "Medi-Cal Enrollment Tracking Tool", CA Health Care Foundation. <https://www.chcf.org/publication/medi-cal-enrollment-tracking-tool/>.

What Funders Can Do to Ensure CalAIM's Success

Lasting impact in health systems transformation calls for government and philanthropic funders to employ practices that are built on a foundation of trust in the organizations that work most closely with the communities being served. As shared by Jeff Farber, Executive Director of Helpline Youth Counseling and a recent guest speaker at the cohort's closing convening: "CBOs offer great value because we're not the traditional healthcare provider. We'll drive [clients] to their appointments, we'll help at their house, we'll help look at their paperwork. We are making a difference in clients' lives, but a traditional caseload of 1:50 does not work under this model."

As CalAIM continues to evolve, there is an immediate opportunity for philanthropy to serve a critical role in filling in the resource gaps many CBOs pursuing CalAIM currently face. Following are specific actions funders can take:



Invest in CalAIM 'start-up' capital:

Cohort members unanimously reported a need for grants to cover the significant up-front cost to "ready" their organizations for CalAIM. Several providers reported that it can take an investment of several hundreds of thousands of dollars to build and adopt infrastructure like new IT systems, hire new staff, acquire healthcare billing expertise, and conduct staff training. Although the state has made funding available to providers through the PATH CITED (Capacity and Infrastructure Transition, Expansion and Development) program, one agency noted: "CITED is not transparent enough to be able to plan around and build a strategy for. Plus, applicants need to have to already be contracted or on the way to a contract to even apply," thus excluding earlier-stage organizations. For small- to medium-sized organizations that serve hundreds (rather than thousands) of clients a year, fundraising for this amount may be prohibitive. **Philanthropy can demonstrate that they value CBOs' expertise and central role in CalAIM by providing dedicated start-up capital to lower these entry barriers and by supporting CBOs in establishing a sound foundation to start their CalAIM work from a position of strength.**



Fill gaps during CalAIM ramp-up:

Once contracted, CBOs reported having hired and trained staff to be ready to deliver services under CalAIM, only to have clients slowly trickle in, and services to be paid for at rates that cover only a portion of agencies' true costs. As a result, many CBOs have run CalAIM at a loss over the course of the several months as services gradually ramp up. **Philanthropy can support the ongoing engagement and success of service providers by providing funding to supplement and subsidize current CalAIM revenues, and to enable these organizations to cover costs during the slow and long ramp-up phase.**



Provide working capital to help CBOs manage cash flow challenges:

While CalAIM has potential to eventually become a significant and consistent funding source for CBOs, many LA homeless services agencies are grappling with the challenges of their existing funding streams. LA nonprofits that responded to [NFF's 2022 State of the Sector Survey](#) reported having limited levels of cash on hand and experiencing greater delays in receiving government

payment than their peers nationally³. The result is an increasing number of organizations facing frequent cash flow crises due to the combination of underfunded contracts and delayed payments on reimbursement-based agreements. **While working capital grants or loans would not solve the underlying root issues behind CBOs' cash flow challenges, they would help stabilize day-to-day operations and position LA homeless services agencies to take on strategic initiatives such as CalAIM more readily.**



Influence the CalAIM system:

To harness CalAIM's potential to transform comprehensive healthcare, **philanthropy can use their networks to influence those in positions of power – including the state and MCPs. Philanthropy can also support CBOs' advocacy efforts through grantmaking and by bringing key CalAIM stakeholders to the same tables.** This includes government officials, leaders of health plans, CBO leaders, and those most directly influenced by CalAIM's programs.

In September 2023, Downtown Women Center enrolled their first participant in CalAIM services through the Community Supports contract the agency has with LA Care. This participant quickly progressed toward self-sufficiency through a series of CalAIM supports, from housing navigation services to tenancy sustaining services to housing deposits. She received financial assistance to furnish her unit, and by October was walking into her new home with the security of knowing that she had a stable foundation to support the next chapter of her life.

This participant's story illustrates the types of outcomes CalAIM aspires to deliver for people in need of housing support, and the critical role that CBOs like DWC play in making these outcomes possible. Now is the time for funders to step in and help influence the policy changes needed while also providing capital to help realize CalAIM's potential for creating a healthier California.



3. 37% of LA-based survey respondents reported having 3 or fewer months of cash on hand. 29% of LA-based survey respondents (vs. 18% of respondents nationally) reported receiving government payment in 61-90 days. 21% of LA-based survey respondents (vs. 14% of respondents nationally) reported receiving government payment in more than 90 days. [2022 State of the Sector Los Angeles Survey Results](#).