

Rec #	Recommendation	CalOptima Health Status	CalOptima Health's 1-Year Narrative Response (250 words or less)	CSA Due Date	CSA Status
1	<p>To ensure that it uses its existing surplus funds for the benefit of its members and to comply with county ordinance, by June 2024 CalOptima should create and implement a detailed plan to spend its surplus funds for expanding access, improving benefits, or augmenting provider reimbursement, or for a combination of these purposes. This plan should be reviewed by its board and approved in a public board meeting.</p>	<p>Fully Implemented (after May 2, 2024)</p> <p><i>Not Fully Implemented (at time of submission)</i></p>	<p>CalOptima Health is committed to efficiently and responsibly using revenues to serve our members by providing them access to quality care. In light of the projected deficit in the California State Budget, at its May 2, 2024, meeting, the CalOptima Health Board of Directors (Board) will consider approving modifications to Policy GA.3001: Board-Designated Reserve Funds to increase the reserve level from a range of 1.4 to 2.0 months of consolidated capitation revenues to a range of 2.0 to 3.0 months as well as add a separate Tangible Net Equity (TNE) reserve (Attachment A1). Following Board approval, CalOptima Health will implement the Policy updates in June 2024 by reserving additional unallocated resources to ensure CalOptima Health’s long term financial stability.</p> <p>At the same meeting, the Board will consider approving a multi-year plan to commit ~\$526 million in existing unallocated resources to a wide range of Medi-Cal provider rate increases (Attachment A2). This commitment represents CalOptima Health’s plan to use current surplus funds for the benefit of its members and to comply with county ordinance. As of March 31, 2024, total unallocated resources are ~\$588 million. This commitment would represent 90% of that balance — nearly all unallocated resources with only a small contingency balance to address additional needs or new initiatives.</p> <p>Then, at its June 6, 2024, meeting, the Board will review and consider approving the FY 2024–25 Operating Budget as CalOptima Health’s annual spending plan, which will include the formal appropriation of the provider reimbursement augmentations.</p> <p>Post-Submission Note: <i>At its meeting on May 2, 2024, the Board approved an amended proposal to increase the Board-Designated Reserve Fund level to a new range of 2.5–3.0 months of consolidated capitation revenues. In addition, as proposed, the Board approved the creation of a separate TNE reserve as well as the multi-year plan to commit ~\$526 million in existing unallocated resources to a wide range of Medi-Cal provider rate increases.</i></p>	June 2024	TBD

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2	<p>To comply with county ordinance and to ensure that in the future it does not accumulate surplus funds in excess of its reserve policy, by June 2023 CalOptima should adopt a surplus funds policy or amend its policy for board designated reserves to provide that if surplus funds accrue, CalOptima will use those funds to expand access, improve member benefits, or augment provider reimbursement, or for a combination of these purposes. The policy should require that the board review the amount of surplus funds each year when it receives CalOptima's audited financial statements and direct staff to create an annual spending plan subject to the board's approval to use those funds within the next 12 months.</p>	<p>Fully Implemented (after May 2, 2024)</p> <p><i>Not Fully Implemented (at time of submission)</i></p>	<p>While the State Auditor's assessment regarding Recommendation #2 discusses the implementation of a financial plan to spend current surplus funds, it is CalOptima Health's understanding that Recommendation #2 instead refers to the establishment of a policy governing the use of future surplus funds. The implementation of a plan to spend current surplus funds was previously discussed in CalOptima Health's update and the State Auditor's assessment regarding Recommendation #1.</p> <p>As previously shared, at its September 7, 2023, meeting, the Board approved modifications to Policy GA.3001: Board-Designated Reserve Funds to state that the Board will review and assess levels of total assets and Board-designated reserve funds, at the minimum on an annual basis, to be used in accordance with the county ordinance, which can be found within the Codified Ordinances of the County of Orange on the Orange County California Website. Therefore, the use of any future surplus funds will be considered as part of the development of future annual financial/spending plans (i.e., future operating budgets after FY 2024–25) in accordance with county ordinance. In addition, at its May 2, 2024, meeting, the Board will consider further revising Policy GA.3001 to increase the reserve level from a range of 1.4 to 2.0 months of consolidated capitation revenues to a range of 2.0 to 3.0 months as well as to add a separate TNE reserve (Attachment A1).</p> <p>Post-Submission Note : <i>At its meeting on May 2, 2024, the Board approved an amended proposal to increase the Board-Designated Reserve Fund level to a new range of 2.5–3.0 months of consolidated capitation revenues. In addition, as proposed, the Board approved the creation of a separate TNE reserve.</i></p>	June 2023	TBD
3	<p>To ensure that it can determine whether funds allocated to initiatives intended to improve the health of CalOptima members experiencing homelessness are accomplishing their intended purpose, by June 2023 CalOptima should develop a policy that requires it to do the following when spending those funds or allocating funds for that purpose in the future:</p> <ul style="list-style-type: none"> • Establish one or more goals for the use of the funds. • Establish one or more metrics signifying the successful accomplishment of its goals. • Measure progress toward the established metric and provide the board with periodic updates on the effectiveness of its use of funds based on those measurements. 	Fully Implemented	<p><i>A response was not requested by CSA as this recommendation was considered fully implemented following the 60-day response.</i></p>	June 2023	Fully Implemented

CSA Audit Status Update (due by 5/2/24)

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4	To ensure that members of CalOptima's board do not violate state law by entering into employment contracts made by the board on which they serve, by June 2023 CalOptima should amend its bylaws to prohibit all CalOptima board members from being employed by CalOptima for a period of one year after their term on the board ends.	Fully Implemented (after May 2, 2024) <i>Not Fully Implemented (at time of submission)</i>	At its May 2, 2024, public meeting, the Board will consider amending the CalOptima Health Bylaws to prohibit all members of the Board from being employed by CalOptima Health for a period of one year after their term on the Board ends (Attachment A1). Post-Submission Note : At its meeting on May 2, 2024, as proposed, the Board approved amending the CalOptima Health Bylaws to prohibit all members of the Board from being employed by CalOptima Health for a period of one year after their term on the Board ends.	June 2023	TBD
5	To better protect itself from criticism about the objectivity, appropriateness, and transparency of its hiring practices and to help ensure that CalOptima attracts and selects the most qualified candidates, by June 2023 CalOptima's board should adopt a policy that governs its hiring processes for all positions, including executive positions. Such a policy should incorporate best practices, including the minimum length of time that CalOptima will advertise job openings, the minimum number of qualified candidates CalOptima will interview for each position, and a requirement that it will use the same interview method for each candidate for a position. These steps should be documented for each recruitment.	Fully Implemented	<i>A response was not requested by CSA as this recommendation was considered fully implemented following the 60-day response.</i>	June 2023	Fully Implemented
6	To reduce the risk that it does not appropriately evaluate allegations of fraud, waste, and abuse and report them to DHCS, by June 2023 the FWA unit should revise its written procedures to clearly specify the types of cases that should be addressed through investigations and the types that should be addressed through monitoring activities. In addition, it should establish written procedures for conducting monitoring activities.	Fully Implemented	<i>A response was not requested by CSA as this recommendation was considered fully implemented following the 60-day response.</i>	June 2023	Fully Implemented
7	To help ensure the maintenance of an atmosphere free from fear of retaliation for reporting misconduct, by October 2023 and annually thereafter, CalOptima should conduct or contract for an anonymous survey of staff and contractors to determine whether they understand how to make such reports and feel comfortable doing so.	Fully Implemented	At its April 4, 2024, meeting, the Board approved modifications to CalOptima Health Policy HH.3012: Non-Retaliation for Reporting Violations to add contractors as participants of CalOptima Health's annual, anonymous employee survey (Attachment A1). Subsequently, CalOptima Health launched its second annual Compliance survey as part of its Great Place to Work Survey. The Compliance survey questions (Attachment A2) were distributed to all CalOptima Health employees (Attachment A3) on April 8, 2024, and to contractors (Attachment A4) on April 10, 2024, and was open for responses through April 22, 2024. In addition, in compliance with Policy HH.3012, a question was added to this year's survey (and will be included in all future surveys) to explicitly ask whether the employee/contractor feels comfortable reporting an ethical or compliance concern without fear of retaliation.	October 2023	TBD