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FOR IMMEDIATE RELEASE

**CALOPTIMA HEALTH ANNOUNCES IMPLEMENTATION
OF STATE AUDIT RECOMMENDATIONS**

Financials remain strong, with 93.0% of every dollar spent directly on medical services, and only 4.4% on overhead, with a 2.6% operating margin

ORANGE, Calif. (May 2, 2023) — CalOptima Health today announced the implementation of recommendations made by the California State Auditor in a recently released report. The comprehensive audit reviewed an eight-year lookback period from January 2014, when the Patient Protection and Affordable Care Act was implemented, through June 2022.

CalOptima Health is the county organized health system providing publicly funded Medi-Cal coverage [for more than 978,000 members](#), representing nearly 1 in 3 Orange County residents. The health plan's annual budget is \$4 billion. Over the past year and a half, CalOptima Health has undertaken an organization-wide effort to strengthen its core mission and launch several groundbreaking initiatives that advance care for our members. The findings and recommendations outlined in this report will support our efforts to do even more.

Notably, many of the recommended reform measures have been implemented by CalOptima Health since June 2022, or are currently underway. The report verifies that CalOptima Health hired a consulting firm in 2018 to conduct a compensation survey which found that salary levels at CalOptima Health were below market median. There were no recommendations related to salaries. In addition, there were no recommendations regarding timely access or quality of care for members. CalOptima Health is a top Medi-Cal plan in California, receiving a rating of 4 out of 5 from the [National Committee for Quality Assurance](#) for eight years in a row.

Further, in light of the State of California's expected budget deficit of at least [\\$22 billion in Fiscal Year \(FY\) 2023–24](#), CalOptima Health's strong fiscal health will allow the health plan to sustain high-quality care and implement its current five-year strategic plan that includes capital investments, expanding access and a \$100 million investment toward Information Technology transformation. As a public agency, CalOptima Health is committed to ensuring prudent use of taxpayer dollars.

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Michael Hunn, Chief Executive Officer (CEO) of CalOptima Health, offered the following statement in response to the report:

“As the largest health insurer in Orange County serving our most vulnerable populations, opportunities to increase transparency and improve services provide a major benefit to CalOptima Health and the patients we serve. CalOptima Health would like to thank the Joint Legislative Audit Committee, as well as Assemblymember Sharon Quirk-Silva, and the California State Auditor’s office for working with CalOptima Health while performing a comprehensive audit covering January 2014 through June 2022. We were pleased to learn that there were very few findings in the Auditor’s report. Actions are already underway to implement all recommendations.”

“Beyond the implementation of practical reforms that began when I became interim CEO in November 2021 and was made permanent CEO in March 2022, CalOptima Health is leading the way in providing innovative health care solutions to our community, including pioneering Orange County’s first street medicine program, launching the largest cancer prevention program in CalOptima Health’s history, and allocating more than \$300 million from the reserve fund to housing, member engagement, health care, navigation services, and more. CalOptima Health is also seeking approval to build a health center that would combine recuperative care services and a Program of All-Inclusive Care for the Elderly (PACE) under one roof — a groundbreaking approach that could end up serving as a nationwide model for delivering care to vulnerable seniors.”

Clayton M. Corwin, Chair of the CalOptima Health Board of Directors (Board), offered the following statement in response to the report:

“CalOptima Health’s financials remain strong, with 93.0% of the budget spent directly on health care services and only 4.4% on overhead, which is one of the lowest overhead rates for any health care provider in California. As CalOptima Health continues to improve, expand, and innovate services, quality of care and transparency will remain top priorities, and common-sense reforms will continue to be embraced.”

CalOptima Health offered an [official audit response](#) to the California State Auditor that highlights the extensive changes that have been made since June 2022 and in which the health plan concurred or partially concurred with all findings and recommendations. Below are the findings and excerpts from CalOptima Health’s response.

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Implementation of Key Audit Recommendations

Finding #1: CalOptima Has Accumulated Surplus Funds It Should Have Used to Improve Services

Acknowledgment #1: CalOptima Health partially concurs with the findings.

- As the report notes, CalOptima Health has drastically accelerated its allocation of surplus funds since Michael Hunn became interim CEO in November 2021.
- CalOptima Health allocated \$262.5 million to be spent on programs in FY 2021–22 and an additional \$285.4 million since July 2022 after the audit review period, totaling \$547.9 million since FY 2021–22.
- Some key initiatives funded since FY 2021–22, along with their total program costs, are listed below:
 - **\$153.5 million:** Five-year hospital quality program
 - **\$108.1 million:** [COVID-19 supplemental payments to health networks and qualified providers](#)
 - **\$100.0 million:** [Digital transformation and workplace modernization strategy](#)
 - **\$50.1 million:** [Five-year comprehensive community cancer screening and support program](#)
 - **\$50.0 million:** [Five-year grant to community health centers](#)
 - **\$40.1 million:** [Housing and Homelessness Incentive Program](#)
 - **\$25.0 million:** Medi-Cal and OneCare pay-for-value programs
 - **\$19.9 million:** Applied Behavioral Analysis provider rate increases
 - **\$15.0 million:** Be Well OC investment toward forthcoming Irvine campus
 - **\$15.0 million:** Medi-Cal annual wellness visit initiative
 - **\$10.0 million:** Three-year skilled nursing facility access program
 - **\$8.0 million:** [Street Medicine Program](#)
 - **\$7.0 million:** [Orange County Health Care Agency outreach and engagement team](#)
 - **\$5.0 million:** [Five-year National Alliance for Mental Illness peer support program](#)
 - **\$4.3 million:** Mental health provider rate increases
 - **\$4.1 million:** Skilled nursing facility rate increase
 - **\$2.0 million:** [CalFresh enrollment outreach](#)
 - **\$2.0 million:** Two-year in-home care pilot program
 - **\$1.0 million:** [Be Well OC grant for intake and admissions coordination](#)
 - **\$1.0 million:** Medicare member incentive program
 - **\$0.7 million:** [Homeless Clinical Access Program extension](#)

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Finding #2: CalOptima Retained a Larger Share of Intergovernmental Transfer (IGT) Funds Than Other Managed Care Plans

Acknowledgment #2: CalOptima Health concurs with the findings.

- As affirmed by the report, in August 2022, CalOptima Health reduced its percentage of retained IGT grant funds from 50% to 2%, or less, of federal matching funds received by the California Department of Health Care Services (DHCS). Also, CalOptima Health has successfully allocated all remaining IGT funds it had previously retained, as of December 2022.
- Since launching its Homeless Health Initiatives (HHI) in 2019, CalOptima Health has been an innovator in exploring how a health plan can take a more proactive, voluntary role in addressing homelessness. To further support best practices, CalOptima Health is incorporating additional trackable goals and metrics into all current and future homeless health initiatives. The Board is expected to approve this “Grant Management” policy at its regular meeting on May 4, 2023.

Finding #3: CalOptima Did Not Follow Best Practices When Hiring for Some Executive Positions

Acknowledgment #3: CalOptima Health concurs with the findings.

- As recommended in the report, CalOptima Health will adopt a new hiring policy to complement its current, prescriptive hiring process. This will ensure greater consistency and incorporate additional best practices during recruitment. The Board is expected to approve this “Recruitment, Selection, and Hiring” policy at its regular meeting on May 4, 2023.
- CalOptima Health already has established minimum position requirements and a systematic approach to compensation developed from the findings of a third-party compensation survey conducted in 2018 and expects to conduct a new survey in 2024.
- Most importantly, the recent alignment of compensation with current market rates has, by design, decreased our year-to-date turnover rates to 10.0% for executives and 10.3% for all employees, despite a highly competitive job market.
- CalOptima Health acknowledges that, in April 2020, its then-Board may have failed to observe provisions in Government Code section 1090 by appointing a sitting Board member as its interim CEO, as a result of previous in-house legal counsel concurring with the action and the Board relying on such concurrence. That CEO and legal counsel are not currently employed by CalOptima Health, and no then-Board members serve on the current Board. The California State Auditor has referred this matter to the Fair Political Practices Commission (FPPC).
- The current Board recently reiterated the requirements of Government Code section 1090 into its bylaws, as recommended in the report, at its regular meeting on April 6, 2023.

Finding #4: Efforts to Investigate Reports of Misconduct and Ensure an Atmosphere Free From Retaliation

Acknowledgment #4: CalOptima Health partially concurs with the findings.

- Every allegation of misconduct and fraud, waste and abuse (FWA) received by CalOptima Health is taken seriously and reviewed in detail.
- CalOptima Health has not identified any patterns of retaliation, and in the limited cases when allegations have been received, swift action was taken.
- In addition to information on the CalOptima Health website about our several reporting channels, we are providing the CalOptima Health Compliance and Ethics Hotline number here for anyone who wishes to make a report: 1-855-507-1805 (TTY 711). Issues can be reported 24/7/365 and can be done anonymously at the preference of the caller.
- As there is always opportunity to improve understanding of current policies, CalOptima Health launched an employee survey on March 31, 2023, as recommended in the report.
- CalOptima Health will also update its written policy to clarify all current processes.

Finding #5: Actions to Improve Timely Access to Care for CalOptima Members

Acknowledgment #5: CalOptima Health concurs with the findings.

- As confirmed in the report, there are no recommendations to implement. CalOptima Health works closely with all contracted providers to advance timely access to care for our members.

Finding #6: Accessibility of Financial Information on CalOptima's Website

Acknowledgment #6: CalOptima Health concurs with the findings.

- As confirmed in the report, there are no recommendations to implement. Detailed financial information, including operating and capital budgets, audited financial statements, and monthly financial summaries, are [linked to the home page](#) of the CalOptima Health website.

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NOTE: The CalOptima Health Board of Directors meets the first Thursday of every month. The next CalOptima Health Board meeting is on May 4, 2023, at 2 p.m. and live streamed at caloptima.org. For questions about CalOptima Health or Medi-Cal eligibility, visit caloptima.org or BenefitsCal.com.

About CalOptima Health

A county organized health system, CalOptima Health provides publicly funded health care coverage for low-income children, adults, seniors and people with disabilities in Orange County, California. CalOptima Health's mission is to serve member health with excellence and dignity, respecting the value and needs of each person. CalOptima Health serves more than 978,000 members with a network of nearly 9,600 primary care doctors and specialists and 45 acute and rehab hospitals.