

Rec #	Recommendation	CalOptima Health Status	CalOptima Health's 6-Month 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, <b>by June 2024 CalOptima should create and implement a detailed plan to spend</b> 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>	Fully Implemented	<p>As will be mentioned in response #2, CalOptima Health's (COH) Board of Directors (Board) approved revisions to its Board-Designated Reserve Funds Policy on September 7, 2023. See response #2 for details.</p> <p>As required by the Board-approved policy, reserve spending decisions are being incorporated into COH's current and future annual budgets, as permitted by CSA's comment #4 on COH's response to the audit report. Additionally, management will continue to give the Board and its Finance &amp; Audit Committee (FAC) updates on net asset levels, reserve funds, and the status of Board-approved initiatives on an ongoing basis to provide decision support as needs arise on current and future initiatives. In addition to CEO updates at regular Board meetings, other recent examples of the Board's review of reserves include:</p> <ul style="list-style-type: none"> <li>• At the May 22, 2023, FAC meeting and June 1, 2023, Board meeting, management presented a net asset analysis providing information on reserve levels as of December 31, 2022, resources committed by the Board, a comparison of reserve levels to other California health plans, and a reserve analysis (Attachment A1).</li> <li>• At the September 7, 2023, Board meeting, the CFO presented a reserve levels update, including additional Board-requested information and a reserve level landscape (Attachment A2).</li> <li>• At its September 21, 2023, meeting, the FAC received a net asset analysis providing information on reserves levels as of June 30, 2023, resources committed by the Board, and a reserve level landscape (Attachment A3). The CFO will provide this report to the FAC on a quarterly basis.</li> </ul>	June 2024	TBD
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, <b>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.</b> 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>	Fully Implemented	<p>On September 7, 2023, CalOptima Health's (COH) Board of Directors (Board) reviewed and determined the appropriate reserve levels as well as approved revisions to its Board-Designated Reserve Funds Policy (Attachment A1). These revisions clarified the Board's governance and oversight on total net assets as well as a review process of reserve levels, while keeping the range of Board-designated reserve funds unchanged at 1.4 months to 2.0 months of consolidated capitation revenues. The policy revisions included:</p> <ul style="list-style-type: none"> <li>• Reaffirming the Board's discretion on the appropriate reserve level above the minimum threshold, accounting for current and future economic conditions;</li> <li>• Clarifying that the minimum Board-designated reserve fund threshold does not constitute a mandate that the Board draw reserves down to that level; and</li> <li>• Including a new provision stating the Board will review levels of total assets and reserve funds on an annual basis, at a minimum, including an assessment of resources to be used for the purposes identified in County ordinance.</li> </ul> <p>Recently, there was a relevant example of the need to continually adjust to current and future economic conditions. For August 2023 monthly capitation, COH did not receive payment from the State until September 25, 2023, which was more than a two-week delay from the usual payment schedule.</p>	June 2023	TBD

CSA Audit Status Update (as of 11/2/23)

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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, <b>by June 2023 CalOptima should develop a policy</b> 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"> <li>• Establish one or more goals for the use of the funds.</li> <li>• Establish one or more metrics signifying the successful accomplishment of its goals.</li> <li>• 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.</li> </ul>	Fully Implemented	<p><i>A response was not requested by CSA as this recommendation was considered fully implemented following the previous 60-day response.</i></p>	June 2023	Fully Implemented
4	<p>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, <b>by June 2023 CalOptima should amend its bylaws</b> to prohibit all CalOptima board members from being employed by CalOptima for a period of one year after their term on the board ends.</p>	Will Not Implement	<p>Government Code Section 1090 already prohibits Board members from being financially interested in any contract made by them, such as entering into a CEO contract. CalOptima Health's Bylaws reiterate that prohibition, as of April 6, 2023, (Attachment A1) which addresses the specific past example raised in the audit report. However, no other agency is required to subject its Board members to a blanket employment prohibition for any position that is not appointed by the Board itself.</p>	June 2023	Will Not Implement
5	<p>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, <b>by June 2023 CalOptima's board should adopt a policy that governs its hiring processes for all positions, including executive positions.</b> 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.</p>	Fully Implemented	<p><i>A response was not requested by CSA as this recommendation was considered fully implemented following the previous 60-day response.</i></p>	June 2023	Fully Implemented

CSA Audit Status Update (as of 11/2/23)

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6	To reduce the risk that it does not appropriately evaluate allegations of fraud, waste, and abuse and report them to DHCS, <b>by June 2023 the FWA unit should revise its written procedures</b> 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 previous 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, <b>by October 2023 and annually thereafter, CalOptima should conduct or contract for an anonymous survey of staff and contractors</b> to determine whether they understand how to make such reports and feel comfortable doing so.	Fully Implemented	CalOptima Health updated policy HH.3012: Non-Retaliation for Reporting Violations (Attachment A5). This policy has been updated to include a requirement for conducting an annual survey for all staff. CalOptima Health's Board of Directors approved the implementation of this policy on September 7, 2023.  In addition to the updated policy, CalOptima Health submits the requested completion analysis for the 2023 Best Places to Work Survey launched in March 2023 (Attachment A6).	October 2023	TBD