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Discussion Item

D.1. ACCEPT report from Executive Director

Irene Lo, MD, Executive Director

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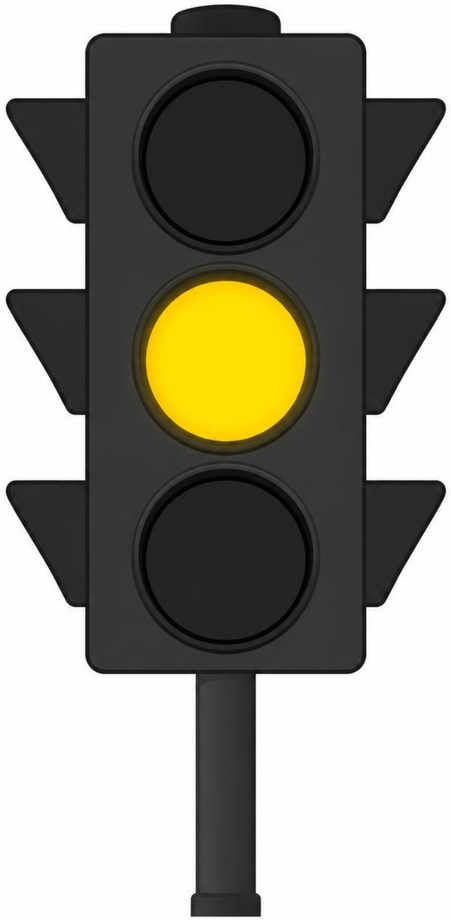
Status



In Transformation

Period of significant organizational transformation, regulatory oversight activity, financial pressure, membership shifts, healthcare policy change

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Organizational Transformation

Key Areas of Focus

- Accountability and governance
- Operational consistency and oversight
- Transparency and fiscal stewardship
- Long-term organizational sustainability
- Leadership alignment and operational execution

Current Organizational Priorities

- Continued implementation of Alvarez and Marsal recommendations
- Clarification of departmental structure: Medical Management, Operations, and Compliance
- Ongoing Performance Improvement Workgroups and Project Management Office implementation
- Development of Product and Performance Management
- Leadership recruitment and workforce stabilization
- Strengthening audit readiness and regulatory infrastructure
- Enhancing operational accountability

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Leadership and Organizational Alignment

Recent Leadership Updates

- Beth Hernandez appointed Chief Operating Officer
- Andrew Murrell appointed Contra Costa Health Chief Financial Officer

Workforce and Leadership Priorities

- Recruitment and stabilization of key leadership roles
- Strengthening onboarding and operational alignment
- Development of standardized CCHP Director-level classifications in collaboration with County HR and CCH Personnel

Ongoing Challenges

- Competitive managed care labor market
- Increasing operational and regulatory complexity

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Evolution of Managed Care Plan Responsibilities

Period	Primary Focus of Medi-Cal Managed Care Plans	Examples of Major Responsibilities
Pre-2014	Traditional healthcare coverage administration	Basic managed care operations, provider contracting, claims payment, member services
2014–2017	Coverage expansion and early delivery system reform	Affordable Care Act (ACA) Medicaid Expansion, Public Hospital Redesign and Incentives in Medi-Cal (PRIME), Senior and Persons with Disabilities (SPD) Expansion
2018–2021	Whole-person care and population health transformation	Expansion of coverage for undocumented populations, elimination of Medi-Cal asset test limits for seniors and disabled individuals, social determinants of health initiatives, behavioral health integration initiatives, COVID-19 response
2022–2024	Large-scale operational and regulatory expansion under CalAIM	Medi-Cal Full-Scope Expansion for Undocumented Adults, Enhanced Care Management (ECM), Community Supports, Population Health Management (PHM), Medi-Cal Rx carve-out, Community Health Worker (CHW)/Doula/Street Medicine benefits, Long Term Care Carve-Ins, Children and Youth Behavioral Health Initiative (CYBHI) expansion
2025–2027	Medicare integration, HR1, fiscal sustainability, and operational optimization	Dual Eligible Special Needs Plan (D-SNP) implementation, Transitional Rent implementation, Medicaid eligibility and redetermination changes, increased audit and regulatory oversight activity, state and federal cost containment efforts, program integrity oversight, workforce stabilization, operational transformation initiatives

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Evolving Medi-Cal & Managed Care Environment

Key External Pressures	Increasing operational and regulatory complexity
	Ongoing federal and state Medicaid policy changes
	Medi-Cal eligibility redeterminations and enrollment volatility
	Increasing regulatory oversight and reporting requirements
	Rising healthcare costs, workforce pressures, and fiscal constraints
	Workforce and provider network challenges
Operational Implications for CCHP	Increased administrative and compliance responsibilities
	Greater operational complexity and reporting expectations
	Higher acuity and more complex member populations
	Increased focus on fiscal stewardship and operational efficiency
	Need for continued organizational transformation and infrastructure development

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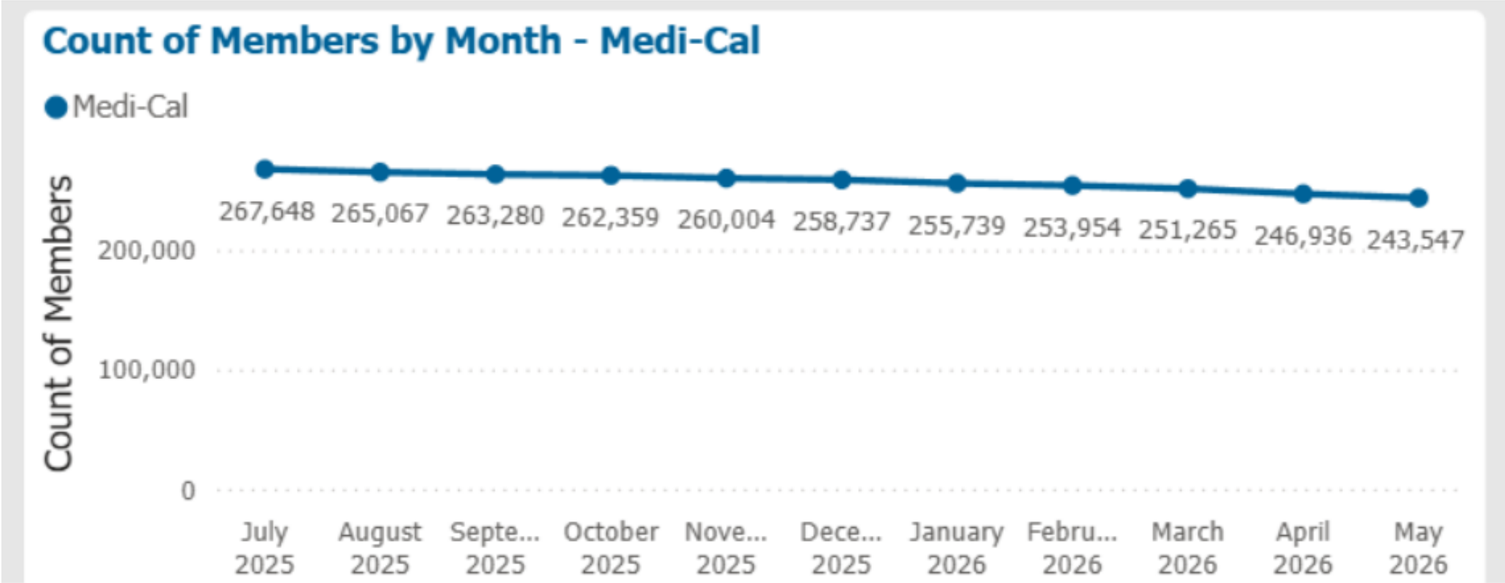
Membership Trends

Membership Changes
- Medi-Cal membership decreased from ~267,000 to ~243,000 since July 2025

Key Drivers
- Medi-Cal redeterminations
- Reinstatement of eligibility verification and asset testing
- Member transitions to other plans
- Federal and state policy changes

Emerging Risks
- Governor's May Revision proposal
- Proposed UIS Transition from managed care to fee-for-service Medi-Cal



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Financial & Operational Implications

Current Impacts

- Reduction in premium revenue associated with declining membership
- Higher acuity and increasingly complex remaining membership population
- Continued pressure on medical expense trends and utilization management
- Increasing operational and administrative complexity
- Ongoing Commercial and IHSS financial pressures
- Operational and utilization management challenges

Organizational Response

- Enhanced member retention and renewal support efforts
- Evaluation of medical and administrative expense alignment
- Operational efficiency and cost containment initiatives
- Vendor, provider, workflow, and organizational structure evaluation
- Continued strengthening of oversight and accountability processes

Strategic Focus

- Aligning operational resources with evolving membership trends
- Supporting long-term sustainability and fiscal stewardship
- Maintaining regulatory compliance and member access to care

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Governor's May Revision

Major State Proposal Areas

- Transition of individuals with Unsatisfactory Immigration Status (UIS) from managed care to fee-for-service Medi-Cal effective January 1, 2027
  - Approximately 2 million impacted statewide; Approximately 50,000 impacted CCHP members
- Reinstatement of Medi-Cal asset test limits for seniors and disabled individuals effective no sooner than January 1, 2027
  - Proposed asset thresholds: $2000 individual, $4000 couple
- New Managed Care Organization (MCO) tax structure effective January 1, 2027
  - Proposition 35 aligned component
  - Separate federally compliant component
    - Proposed tax approximately $8.85 PMPM across Medi-Cal and non Medi-Cal managed care enrollment

Additional Program and Operational Changes

- ECM and Community Supports expenditure reductions and refinements
- Increased utilization management requirements: Applied Behavioral Analysis (ABA) and Transportation benefits
- Elimination of Quality Withold and Incentive Program incentive component

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Community Supports Strategy

Current Strategic Focus

- Evaluating Community Supports portfolio sustainability and operational feasibility
- Aligning services with member impact, utilization trends, and program integrity considerations
- Improving coordination with existing County, healthcare, and community-based resources
- Reducing duplication and strengthening oversight capabilities

Planned Program Changes Effective January 1, 2027

Planned Discontinuation

- Personal Care & Homemaker Services
- Asthma Remediation
- Day Habilitation
- Respite Services
- Environmental Accessibility Adaptations (Home Modifications)
- Community/Home Transition Services

Transition & Member Support

- Advance member communication and transition planning
- Continuation of existing authorizations consistent with regulatory requirements
- Collaboration with providers, care management teams, and community partners
- Focus on continuity of care and sustainable long-term operations

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Regulatory Oversight & Compliance Activities

Ongoing Regulatory Focus

- DMHC Financial Audit
- DMHC oversight and corrective action activities
- DHCS oversight and corrective action priorities
- CMS Reporting and Medicare operational requirements
- Upcoming DMHC Follow-Up Medical Survey
- Upcoming DHCS Medical Audit

Key Areas of Work

- Audit readiness infrastructure
- Operational oversight
- Accountability frameworks
- Compliance operations

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DMHC Enforcement Matter: 2022 Financial Audit Findings

•Department of Managed Health Care issued Enforcement Matter 23-331 related to findings from the Plan's 2022 Financial Audit.
•DMHC assessed administrative sanctions totaling $75,000 ($15,000 per deficiency across 5 findings).

Key Findings

- Untimely reporting of executive personnel changes occurring in 2020
- Untimely filing of provider contract template amendments during the 2020–2022 period
- Delayed updates to the Plan's antifraud program
- Administrative capacity concerns related to delayed and incomplete responses to DMHC audit requests during the 2022 financial examination, which extended audit timelines and reflected insufficient staffing/resources dedicated to regulatory response functions.
- AB 1455 claims reporting deficiencies dating back to reporting periods beginning in 2019, related to claims receipt date tracking and reporting accuracy

Context / Current Status

- Most findings relate to operational and reporting processes from 2019–2022.
- Current leadership and operational teams have implemented corrective actions to strengthen regulatory filing, audit response coordination, and claims reporting controls.
- Recommending acceptance of the sanctions.

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Looking Forward

Key Environmental Challenges	Federal and state policy uncertainty
	Membership and revenue pressures
	Workforce and labor market challenges
	Rising healthcare and operational costs
	Increasing regulatory complexity
Organizational Priorities	Responsible fiscal stewardship
	Operational efficiency and accountability
	Regulatory readiness and compliance
	Organizational stabilization and alignment
	Continued support of Contra Costa County's safety-net mission

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To: Joint Conference Committee (JCC) Members

From: Irene Lo, MD; Executive Director

Date: June 5, 2026

Report Title: Executive Director Report

RECOMMENDATIONS

D.1. ACCEPT report from Executive Director

FISCAL IMPACT

N/A

BACKGROUND

Overall Status: (In Transformation)

Executive Summary

Contra Costa Health Plan (CCHP) remains operationally stable. We continue to navigate a period of significant organizational transformation, regulatory oversight activity, financial pressure, membership shifts and healthcare policy change. Since the beginning of 2026, the organization has advanced several major enterprise priorities. These include Dual-eligible Special Needs Plan (D-SNP) implementation and stabilization, organizational restructuring, workforce stabilization, audit readiness and regulatory response activities, operational improvement initiatives and long-term financial sustainability planning.

At the same time, CCHP continues to operate within an increasingly complex Medi-Cal managed care environment. This is shaped by California Advancing and Innovating Medi-Cal (CalAIM), Medicare-Medicaid integration efforts, evolving federal policy changes associated with H.R. 1 and significant California State Budget proposals. These proposals impact Medi-Cal financing, eligibility, enrollment and program sustainability. Managed care plans are increasingly being asked to do more with fewer resources. And at the same time, they face rising operational costs, membership declines, heightened regulatory oversight and growing operational expectations.

Despite these challenges, CCHP continues to make measurable progress toward strengthening accountability, operational consistency, governance, compliance infrastructure, enterprise oversight and long-term sustainability. Over the past year, the organization has advanced transformation efforts. These efforts are aligned with recommendations from Alvarez and Marsal and the operating models of high-performing managed care plans. The recommendations include refining organizational structures, strengthening operational oversight processes, implementing Performance Improvement Workgroups (PIWs) and Project Management Office (PMO) infrastructure, stabilizing key leadership roles and enhancing financial, compliance and operational reporting capabilities.

CCHP remains focused on balancing regulatory compliance, operational readiness, fiscal stewardship, member experience, provider collaboration and long-term sustainability. We continue to support the healthcare needs of Contra Costa County residents in an increasingly complex and resource-constrained healthcare environment.

Organizational Transformation and Strategic Direction

CCHP continues to advance a broad organizational transformation effort. The efforts are focused on strengthening accountability, operational consistency, governance, transparency and long-term sustainability. Over the past year, the organization has continued refining operational structures, oversight processes, leadership alignment and enterprise infrastructure. This is to better position the Plan for an increasingly complex healthcare environment.

CCHP continues implementing organizational changes aligned with recommendations from Alvarez and Marsal and operational models utilized by high-performing managed care organizations. Since the last update, the organization has further clarified its core structure across Medical Management, Operations and Compliance. Within Medical Management, Clinical Operations and Clinical Management were made more distinct. This is to support clearer accountability, improved coordination and more efficient operational execution.

Significant work remains underway in areas including operational oversight, audit readiness, enterprise performance management, leadership stabilization, continued implementation of Performance Improvement Workgroups (PIWs) and development of the Project Management Office (PMO). These efforts continue to strengthen accountability, coordination, enterprise oversight and standardized project execution across the organization.

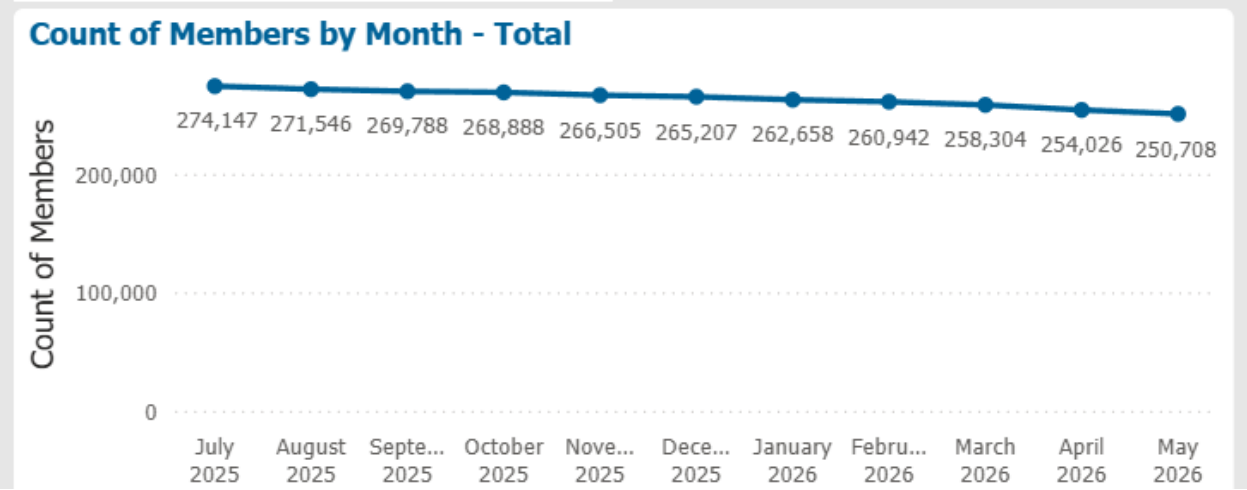
Workforce stability and leadership recruitment remain key priorities as CCHP continues navigating ongoing transformation efforts, regulatory oversight activities and increasing operational complexity. Since the last update, Beth Hernandez was appointed Chief Operating Officer following her interim leadership during D-SNP implementation and broader operational realignment. In addition, Andrew Murrell was appointed Chief Financial Officer for Contra Costa Health. This appointment will support continued collaboration around financial oversight, fiscal planning and long-term sustainability efforts.

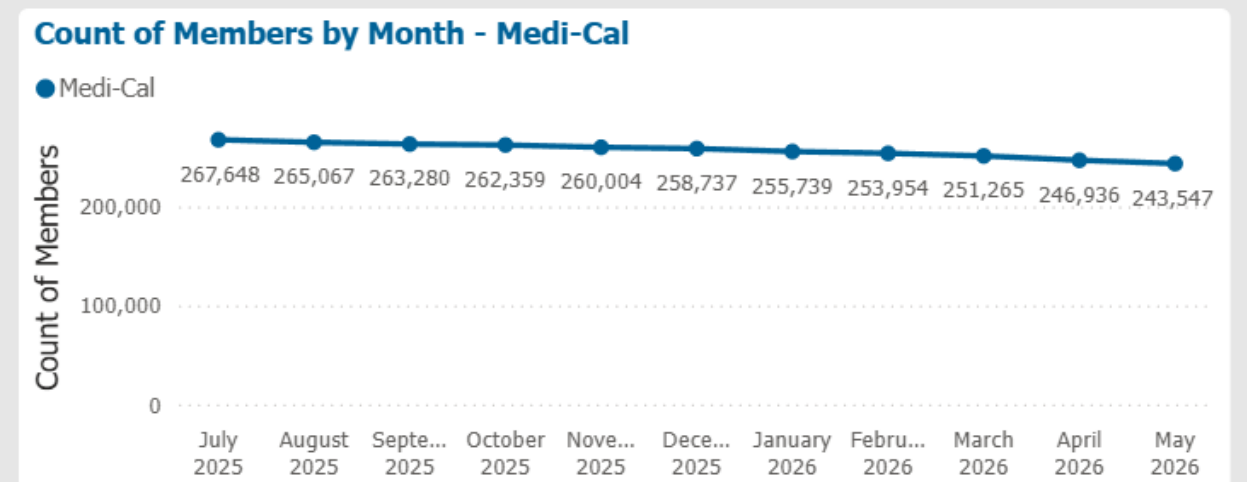
CCHP continues to work closely with Contra Costa County Human Resources and Contra Costa Health Personnel. The partnership aims to develop a standardized CCHP Director-level classification structure for key non-clinical leadership roles within the health plan. This effort is intended to better align leadership responsibilities, operational oversight and organizational complexity within a managed care environment. As part of this work, CCHP has engaged with peer county-operated managed care plans. These plans have shared that they have also developed plan-specific classifications over time to better support the operational and regulatory demands unique to managed care organizations. Compensation benchmarking and organizational comparisons utilizing data from the Local Health Plans of California and Association for Community Affiliated Plans have also been completed as part of the evaluation process.

Despite ongoing progress, recruitment for experienced managed care and clinical leadership positions remains challenging within a highly competitive labor market. CCHP continues to strengthen onboarding, operational alignment and long-term workforce stabilization efforts while adapting to ongoing operational, financial, regulatory, and workforce pressures across the healthcare environment.

Financial Sustainability and Membership Trends

Membership decline, particularly within the Medi-Cal line of business, remains one of the most significant factors impacting CCHP's operational and financial outlook. Enrollment has decreased from approximately 267,000 members in July 2025 to approximately 243,000 members in early 2026. This represents an overall reduction of approximately 9%. This trend is consistent with broader patterns observed across Medi-Cal managed care plans following the resumption of eligibility redeterminations after the end of continuous coverage requirements during the pandemic.





Multiple factors continue to contribute to these declines. This includes routine eligibility redeterminations, member transitions to other Medi-Cal plans, reinstatement of asset testing and eligibility verification requirements and broader federal and state policy changes affecting Medicaid eligibility and enrollment. And evolving policy discussions and eligibility guidance may continue influencing enrollment trends moving forward. CCHP continues to experience ongoing membership attrition each month. We are actively working to retain as many eligible Plan members as possible through enhanced outreach, renewal support and coordination efforts. The Governor proposed the May Revision and proposed the transition of individuals with unsatisfactory immigration status (UIS) from managed care to fee-for-service Medi-Cal effective January 1, 2027. Under these proposals, CCHP could lose approximately 50,000 additional members, creating significant operational, financial and broader safety-net implications.

The impact of these changes is multifaceted. In addition to reducing the overall premium revenue base, declining membership requires CCHP to continually reassess and align both medical and administrative expenditures with a smaller membership population and evolving operational needs. And, the remaining membership population is becoming increasingly complex and higher acuity, placing additional pressure on medical cost trends, operational planning, utilization management and long-term financial sustainability. As enrollment continues to decline, CCHP will need to identify more opportunities to reduce costs, improve operational efficiency and optimize resource allocation across the organization. All while maintaining regulatory compliance and supporting member access and quality of care.

In response, CCHP continues to prioritize member engagement, retention and renewal support efforts. The organization is actively collaborating with Contra Costa Health, providers, community organizations, County partners and eligibility partners. The collaboration aims to help eligible members maintain coverage. And help eligible members navigate ongoing renewal and eligibility requirements during this period of continued policy and enrollment change.

CCHP also continues to face significant financial pressures across multiple lines of business, including Commercial and IHSS products. The organization remains actively engaged in 2027 rate development

activities and the broader evaluation of long-term sustainability strategies related to these products and overall organizational operations.

In response to ongoing financial, operational, and membership pressures, CCHP continues to prioritize cost containment, operational efficiency and responsible fiscal stewardship across the organization. Current areas of focus include the following:

- Evaluation of operational workflows and organizational structures;
- Reduction of inefficiencies and duplication;
- Strengthening oversight and accountability processes;
- Review vendor and contractual arrangements; and
- Identification of opportunities to better align medical and administrative expenses with membership trends, operational priorities and long-term organizational sustainability goals.

External Environment and Policy Landscape

CCHP continues to closely monitor evolving federal and state healthcare policy developments that may impact Medi-Cal, Medicare and broader managed care operations. Over the past decade, Medi-Cal Managed Care Plans have experienced a prolonged period of significant expansion, transformation and increasing operational complexity. This is through initiatives such as CalAIM, Enhanced Care Management (ECM), Community Supports, long-term care integration, behavioral health initiatives and broader population health and health equity-focused programs.

Evolution of Medi-Cal Managed Care Responsibilities

Before 2014, the primary focus of Medi-Cal managed care plans was traditional healthcare coverage administration. Examples of major responsibilities included the following:

- Basic managed care operations, provider contracting, claims payment, member services

From 2014 to 2017, the primary focus was coverage expansion and early delivery system reform. Examples of major responsibilities included the following:

- Affordable Care Act (ACA) Medicaid Expansion, Public Hospital Redesign and Incentives in Medi-Cal (PRIME), Senior and Persons with Disabilities (SPD) Expansion

From 2018 to 2021, the primary focus was whole-person care and population health transformation. Examples of major responsibilities included the following:

- Expansion of coverage for undocumented populations;
- Elimination of Medi-Cal asset test limits for seniors and disabled individuals;

- Social determinants of health initiatives, behavioral health integration initiatives; and
- COVID-19 response.

From 2022 to 2024, the primary focus was large-scale operational and regulatory expansion under CalAIM. Examples of major responsibilities included the following:

- Medi-Cal Full-Scope Expansion for Undocumented Adults;
- Enhanced Care Management (ECM), Community Supports, Community Health Worker (CHW)/Doula/Street Medicine benefits, Long Term Care Carve-Ins;
- Population Health Management (PHM);
- Medi-Cal Rx Carve-out; and
- Children and Youth Behavioral Health Initiative (CYBHI) expansion.

From 2025 to 2027, the primary focus of Medi-Cal managed care plans is Medicare integration, HR1, fiscal sustainability and operational optimization. Examples of major responsibilities include the following:

- Dual Eligible Special Needs Plan (D-SNP) implementation;
- Transitional Rent implementation;
- Medicaid eligibility and redetermination changes;
- Increased audit and regulatory oversight activity, state and federal cost containment efforts, program integrity oversight; and
- Workforce stabilization and operational transformation initiatives.

All these changes have significantly expanded the operational scope, regulatory complexity, financial oversight responsibilities and infrastructure requirements for Medi-Cal managed care plan operations. Managed care plans are responsible not only for traditional healthcare administration, but also for integrated medical, behavioral health, pharmacy, long-term care, housing-related and social support programs. This is because of evolving state and federal oversight expectations.

Medi-Cal managed care plans are also increasingly being asked to do more with fewer resources. The operational responsibilities, regulatory requirements, reporting obligations and member complexity continue to increase. And plans are simultaneously facing membership declines, rising medical and administrative costs, workforce pressures, heightened oversight activity and growing state and federal fiscal constraints. This dynamic continues to place significant pressure on operational infrastructure, financial sustainability and long-term resource allocation across the healthcare delivery system.

Lately, the broader Medi-Cal environment has been shifting. There was a period that was primarily focused on programmatic expansion. But now, it is moving towards a period that is increasingly centered on fiscal sustainability, affordability, eligibility integrity, operational efficiency and cost containment. Emerging federal policy changes associated with H.R.1, together with ongoing California State Budget pressures, are expected to have significant operational, financial and enrollment implications for Medi-Cal managed care plans over the coming years.

May Revision

The Governor's May Revision for Fiscal Year 2026–2027 has several significant proposals and assumptions. These impact Medi-Cal managed care plans, financing structures, enrollment and CalAIM programs. A major proposal includes transition of individuals with Unsatisfactory Immigration Status (UIS) from the managed care delivery system into the Medi-Cal fee-for-service system effective January 1, 2027. This impacts approximately two million members statewide.

The May Revision also proposes reinstatement of Medi-Cal asset test limits for seniors and disabled individuals effective no sooner than January 1, 2027. This includes the reduction of allowable asset thresholds to $2,000 for an individual and $4,000 for a couple. More immigrant eligibility restrictions have also been proposed. This includes the transition of certain qualified non-citizens to restricted-scope Medi-Cal coverage.

More proposals include the development of a new Managed Care Organization (MCO) tax structure effective January 1, 2027. Under the proposal, the Department of Health Care Services (DHCS) would pursue a two-component model:

- One component is to comply with Proposition 35 requirements through the renewal of a substantially similar tax structure to the current MCO tax model. Although, DHCS indicated that it does not expect this component to receive federal approval under current H.R.1 requirements.

- A second component would be designed to comply with federal requirements, but it would not be tied to Proposition 35. Under the proposal, DHCS would impose an approximate $8.85 per member per month tax on both Medi-Cal and commercial managed care entities. This is to help support the Medi-Cal program and sustain the Targeted Rate Increases (TRI) for primary care, maternal health and non-specialty mental health services implemented in January 2024.

More proposals include refinements and expenditure reductions associated with ECM and Community Supports programs. It also includes the implementation of additional Medi-Cal "efficiency" initiatives, the addition of utilization management requirements for Applied Behavioral Analysis (ABA) and transportation benefits and the elimination of the incentive component of the Quality Withhold and Incentive Program.

Together, these federal and state developments may contribute to continued enrollment volatility, increased administrative burden, additional operational complexity and further pressure on healthcare providers and safety-net systems. CCHP continues to incorporate evolving federal and state policy

scenarios into operational planning, financial forecasting, strategic discussions and long-term sustainability efforts. Particular areas of focus include potential impacts to Medi-Cal enrollment, eligibility and redetermination processes, rate development, utilization trends, provider network stability, program integrity requirements and broader managed care operations.

CCHP will continue evaluating the operational, financial and strategic implications of evolving federal and state guidance as more information becomes available.

Community Supports Strategy

CCHP continues to evaluate and refine its Community Supports portfolio. This is to ensure alignment with fiscal sustainability, program integrity, operational feasibility, member impact and broader care management strategies. This work builds on ongoing analysis of utilization patterns, cost trends, operational oversight capacity, duplication of services and long-term sustainability considerations associated with Community Supports implementation under CalAIM.

As part of this process, CCHP is restructuring portions of how certain Community Supports services are offered and coordinated within the broader healthcare and social services delivery system. This includes evaluating opportunities to better align Community Supports with existing County, community-based, healthcare and social service resources. This is to improve coordination, reduce duplication, strengthen operational oversight and ensure services remain sustainable and targeted toward areas of greatest member impact.

Based on this review, CCHP is moving forward with the planned discontinuation of Personal Care and Homemaker Services, Asthma Remediation and Day Habilitation effective January 1, 2027. The organization is also evaluating the discontinuation of Respite Services, Environmental Accessibility Adaptations (Home Modifications) and Community/Home Transition Services. This is due to similar concerns related to cost growth, administrative complexity, oversight challenges, duplication of services and limited utilization.

At the same time, CCHP remains committed to maintaining and strengthening Community Supports programs that demonstrate strong member impact and alignment with broader care management and population health strategies. This includes housing-related supports, medically tailored meals and medical respite services.

CCHP also recognizes the importance of clear member communication and continuity planning throughout this transition process. Members currently receiving the impacted services will get advance notification on the proposed changes. This includes information about timelines, continuation of existing authorizations, available transition support and appropriate CCHP points of contact for questions or help. CCHP will continue honoring existing authorizations consistent with regulatory requirements. We will work closely with providers, care management teams, community partners and impacted members to support appropriate transition planning and continuity of care.

CCHP will continue refining its Community Supports strategy to emphasize sustainability, measurable outcomes, operational feasibility, program integrity, coordination with existing community resources and alignment with broader organizational priorities.

Regulatory, Compliance and Oversight Environment

CCHP continues to operate within a highly active regulatory and oversight environment. Current and upcoming activities include the following:

- Ongoing work associated with the Department of Managed Health Care (DMHC) Financial Audit
- Following up on oversight activities from both DMHC and DHCS
- National Committee for Quality Assurance (NCQA) accreditation activities; and
- Continuing to prepare for future regulatory reviews and audit activity.

DMHC Financial Audit

The DMHC Financial Audit started in April 2026. This represents a regulatory milestone for CCHP. As part of its routine oversight responsibilities under the Knox-Keene Act, DMHC is conducting a comprehensive review of the Plan's financial condition, administrative operations and compliance with applicable statutory and regulatory requirements.

As with many regulatory audits, this review is largely retrospective. The audit evaluates historical operational, financial and administrative activities. Through both the audit process and CCHP's broader internal assessment of claims, finance and operational programs, we have identified several areas for improvement. Many of these areas closely align with CCHP's ongoing organizational transformation priorities and enterprise performance improvement efforts. As a result, CCHP has already begun implementing operational, financial, oversight and process improvements that will strengthen accountability, infrastructure and long-term regulatory readiness. Because the audit evaluates historical periods and activities, many of these changes and improvement efforts will not yet be fully seen. However, CCHP expects the outcome of those efforts will be seen in future regulatory reviews and audits.

CCHP continues to actively coordinate audit response activities with Compliance, executive leadership, and operational teams. The organization remains focused on timely engagement, transparency, corrective action planning and strengthening financial, operational and administrative infrastructure.

DMHC Enforcement Matter

In May 2026, the California Department of Managed Health Care issued Enforcement Matter 23-331 related to deficiencies identified during the Plan's 2022 Financial Audit. The 2022 Financial Audit related review activities evaluated historical operational, administrative, financial, and reporting activities spanning multiple prior years, including activities dating back to 2019 through 2022. DMHC assessed

administrative sanctions totaling $75,000 associated with five compliance findings identified during the audit review process.

The five findings included the following:

1. Untimely reporting of key personnel changes involving the Chief Medical Officer and Chief Operating Officer during 2020.

2. Untimely filing of provider contract template amendments with DMHC, including provider agreement templates utilized during the 2020–2022 period.

3. Delayed submission of updates and changes to the Plan's antifraud program.

4. Administrative capacity concerns related to delays in responding to DMHC audit requests and providing requested documentation during the 2022 financial examination process. DMHC indicated that delays in providing requested materials extended portions of the audit review timeline and reflected insufficient administrative resources dedicated to regulatory response activities during that period.

5. AB 1455 claims payment reporting deficiencies dating back to reporting periods beginning in 2019. DMHC identified that existing system limitations and operational processes resulted in inaccurate reporting of claims receipt dates and claims timeliness calculations. The Plan also identified additional claims processing inefficiencies that have since been addressed through operational improvements and process changes.

Several of the identified issues reflected historical operational structures, staffing limitations, reporting processes, and infrastructure that predated many of the organizational and operational changes currently underway at CCHP. Since that time, the organization has implemented multiple corrective actions and operational improvements intended to strengthen regulatory reporting, audit readiness, compliance oversight, document management, claims reporting controls, and enterprise accountability processes. CCHP is recommending acceptance of the administrative sanctions and will continue monitoring ongoing compliance and corrective action activities as part of broader organizational transformation and regulatory readiness efforts.

DHCS Medical Audit and Ongoing Oversight Activities

CCHP is also preparing for ongoing DHCS Medical Audit oversight activities and future regulatory reviews. Similar to the DMHC audit process, these reviews evaluate historical operational performance, compliance infrastructure, delegated oversight, utilization management activities, grievance and appeals processes, member communications and broader regulatory compliance obligations.

More findings and corrective action requirements may continue to emerge through ongoing regulatory oversight activities. Many of these issues reflect historical operational structures, processes and infrastructure that predate several of the organizational and operational changes currently underway.

Over the past year, CCHP has been implementing significant changes related to operational oversight, accountability frameworks, audit readiness infrastructure, organizational alignment, compliance operations and enterprise governance. We plan to continue to improve these areas.

These audits and oversight activities have important operational, financial and reputational implications for CCHP. And, it remains a major enterprise priority. In response, CCHP continues to prioritize proactive audit readiness activities, centralized coordination through Compliance and executive leadership, strengthen internal oversight processes and establish and monitor Performance Improvement Workgroups (PIWs) and operational improvement initiatives aligned with key regulatory domains.

Key Priorities and Forward Outlook

Key priorities for the coming quarter include:

- Stabilize D-SNP operations and develop 2027 bid;
- PBM transition planning and implementation activities;
- Advance organizational transformation and operational improvement efforts;
- Strengthen regulatory readiness, audit response coordination and compliance infrastructure;
- Continue to evaluate Commercial and IHSS sustainability strategies;
- Complete key executive and leadership recruitment efforts;
- Enhance operational and financial reporting infrastructure;
- Monitor and respond to evolving federal and state healthcare policy changes; and
- Focus on membership trends, retention efforts and long-term financial sustainability.

CCHP continues to operate in a complex and evolving healthcare environment. The challenges remain, but we will keep making meaningful progress towards strengthening operational performance, accountability, regulatory readiness and long-term sustainability. Leadership is focused on building a health plan that is operationally strong, mission-driven, financially responsible, collaborative and deeply committed to the members and communities it serves.

CONSEQUENCE OF NEGATIVE ACTION

If this action is not accepted, it could lead to noncompliance under the federal and state regulations.