CALIFORNIA DEPARTMENT OF
HEALTH CARE SERVICES
Michelle Baass | Director

**DATE:**

ALL PLAN LETTER 24-XXX

**TO:** ALL MEDI-CAL MANAGED CARE PLANS

**SUBJECT:** COMMUNITY REINVESTMENT REQUIREMENTS

**PURPOSE:**
The purpose of this All Plan Letter (APL) is to provide Medi-Cal managed care plans (MCPs) with guidance regarding the MCP Contract's requirement for MCPs to reinvest a minimum level of their net income into their local communities.

**BACKGROUND:**
The Department of Health Care Services (DHCS) requires MCPs to demonstrate a commitment to the local communities in which they operate by contributing a minimum percentage of annual net income to those communities.[1] DHCS requires an additional investment for MCPs that do not meet quality outcome metrics.[2] Through these requirements, MCPs will address unmet needs of Members and their communities such as health-related social needs, which have a significant impact on health and well-being. The Community Reinvestment program aligns with and advances existing DHCS priorities.

**POLICY:**
Community Reinvestment is effective beginning in calendar year (CY) 2024; for this year, contributions are based on both an MCP's CY 2024 annual net income and CY 2024 Medi-Cal Accountability Set (MCAS) measure performance. As set forth below, MCPs are required to initiate Community Reinvestment planning starting in CY 2024, with Community Reinvestment activities starting in CY 2026.

An MCP in its first year of operation in a given county is subject to Community Reinvestment beginning the following year in that county. For example, an MCP in its first year of operation in CY 2024 will be subject to Community Reinvestment beginning with the MCP's CY 2025 annual net income and CY 2025 MCAS measure performance.

[1] 2024 Managed Care Boilerplate Contract, Exhibit B, Subsection 1.1.17 (Community Reinvestment). The Managed Care Boilerplate Contract is available at: https://www.dhcs.ca.gov/provgovpart/Pages/MMCDBoilerplateContracts.aspx.
[2] 2024 Managed Care Boilerplate Contract, Exhibit B, Subsection 1.1.18 (Quality Achievement Requirement).

## Definitions

For purposes of this APL, the following definitions apply:

- “Base Community Reinvestment” – The minimum level of net income that an MCP with positive net income is required to invest into initiatives that serve the communities in which the MCP operates, starting with CY 2024. The MCP Contract requires MCPs to allocate Base Community Reinvestment funds equal to:
    - 5% of the MCP’s annual net income that is less than or equal to 7.5% of Medi-Cal Contract Revenues for the year; and
    - 7.5% of the MCP’s annual net income that is greater than 7.5% of Medi-Cal Contract Revenues for the year.

  The Base Community Reinvestment requirement also applies to any Knox-Keene licensed health care service plan in a Subcontractor Agreement with an MCP that is required to submit a Medical Loss Ratio (MLR) report pursuant to APL 24-XXX and assumes risk for at least 100,000 Members or at least 50% of the MCP’s Members within a given county (Qualifying Subcontractor). The MCP Contract requires Qualifying Subcontractors to allocate Base Community Reinvestment funds equal to:

    - 5% of the Qualifying Subcontractor’s annual net income that is less than or equal to 7.5% of revenues under its Subcontractor Agreement with the MCP for the year; and
    - 7.5% of the Qualifying Subcontractor’s annual net income that is greater than 7.5% of revenues under its Subcontractor Agreement with the MCP for the year.

  For each CY starting with CY 2024, these minimum funding obligations are determined based on an MCP’s net income and Contract Revenues and a Qualifying Subcontractor’s net income and revenues under its Subcontractor Agreement with the MCP. MCPs and Qualifying Subcontractors may choose to invest funds in excess of their Base Community Reinvestment obligation required under Exhibit B, Subsection 1.1.17 of the Contract.

- “Enforcement Tiers” – Under APL 23-012, or any superseding APL, MCPs are subject to enforcement actions for quality performance measure rates that fall below designated national benchmarks for Managed Care Accountability Set

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(MCAS) measure domains.[3] MCPs are assigned an Enforcement Tier based on the previous measurement year as follows:

- "Tier 1" Status is assigned to any county for which an MCP has one measure below the Minimum Performance Level (MPL) in any one (1) MCAS domain.
- "Tier 2" Status is assigned to any county for which an MCP has two (2) or more measures below the MPL in any one (1) MCAS domain.
- "Tier 3" Status is assigned to any county for which an MCP has three (3) or more measures below the MPL in two (2) or more MCAS domains.

- "Quality Achievement Community Reinvestment" – The additional net income that MCPs are required to invest into initiatives in counties where the MCP operates in which they do not meet minimum quality measure performance thresholds for the applicable CY, starting with CY 2024. The Contract requires MCPs to allocate Quality Achievement Community Reinvestment funds equal to 7.5% of its annual net income.

  MCPs with counties assigned to Enforcement Tier 2 or Tier 3 are subject to this additional investment requirement. MCPs may choose to invest funds in excess of their minimum Quality Achievement Community Reinvestment obligation required under the MCP Contract. Net income and quality measure performance will be assessed on the same CY.[4] This requirement does not apply to Qualifying Subcontractors.

## I. Guiding Principles for Community Reinvestment Program

The Community Reinvestment program advances DHCS' objectives—as identified in the Comprehensive Quality Strategy[5] and Population Health Management (PHM) Policy Guide[6]—toward improving the health and wellbeing of Members through innovations that are locally driven and adopt a whole-person

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[3] APLs are searchable at: https://www.dhcs.ca.gov/formsandpubs/Pages/AllPlanLetters.aspx.
[4] For example, CY 2024 Quality Achievement Community Reinvestment funding obligations will be based on CY 2024 quality measure performance and CY 2024 net income. Likewise, CY 2024 Base Community Reinvestment funding obligations will be based on CY 2024 net income and Contract Revenues.
[5] The Comprehensive Quality Strategy is accessible at: https://www.dhcs.ca.gov/services/Documents/Formatted-Combined-CQS-2-4-22.pdf
[6] The PHM Policy Guide is accessible at: https://www.dhcs.ca.gov/CalAIM/Documents/PHM-Policy-Guide.pdf

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approach. In pursuit of these objectives, MCPs must align Community Reinvestment activities with the following principles:

- **Pursue Health Equity:** MCPs must promote health equity through their Community Reinvestment activities. Community Reinvestment activities should strive to reduce existing health disparities[7] for Medi-Cal populations.
- **Address Social Drivers of Health (SDOH):** MCPs must ensure that Community Reinvestment activities are focused on addressing upstream causes of poor health such as housing instability, food insecurity, poverty, and environments that negatively impact health. DHCS encourages MCPs to consider whole person care approaches and SDOH principles identified in the Comprehensive Quality Strategy and PHM Policy Guide.
- **Advance Quality Outcomes for MCP Members:** Community Reinvestment activities are expected to advance high-quality health outcomes for Members. Specifically, MCPs that do not meet minimum quality performance standards for the prior measurement year must invest Community Reinvestment funds into activities specifically linked to improving health care quality.
- **Engage with the Community:** Input from community members is essential for effectively tailoring Community Reinvestment activities toward the needs of Members and the population served.
    - MCPs must consult with Community Advisory Committees (CACs) and MCP Members to solicit Reinvestment recommendations.
    - Community Reinvestment activities must be directly informed by the Community Health Assessment (CHA), led by Local Health Jurisdictions (LHJs) with meaningful participation by MCPs as described in the Population Needs Assessment (PNA) section of the PHM Policy Guide.
- **Ensure Funding Targets Non-Contract Activities:** MCPs must ensure that Community Reinvestment funds are directed towards activities that are not otherwise included in the MCP Contract. Community Reinvestment funds must not be used for:
    - Provision of health care services to eligible Members within the scope of Medi-Cal benefits or state-funded services as defined in the primary or secondary operations Contracts, inclusive of all exhibits and attachments; or

[7] For more information please see: https://www.dhcs.ca.gov/dataandstats/reports/Pages/MgdCareQualPerfDisp.aspx

- Health care services inclusive of activities that improve health care quality, as defined at 42 Code of Federal Regulations (CFR) section 438.8(e)(3);[8] or
- Administrative activities of MCPs.

In addition, Community Reinvestment funds must not be used for:
- Procedural activities related to Community Reinvestment planning or implementation; or
- Member incentives or grants.

DHCS will monitor for compliance with this principle through its review and evaluation of MCPs' and Qualifying Subcontractors': (i) intended Community Reinvestment activities described in Community Reinvestment Plan submissions, as detailed in Section IV of this APL; and (ii) quality improvement activities included in MLR report submissions to ensure non-duplication with proposed Community Reinvestment activities.

## II. Mandatory Use Categories for Community Reinvestment Activities

In alignment with the above, DHCS has established five Community Reinvestment categories of activities in which MCPs and Qualifying Subcontractors are permitted to make investments. Community Reinvestment spending must fall into at least one of the following five categories:

- **Cultivating Neighborhoods and Built Environment** – investments that create neighborhoods and environments that promote health, well-being and safety.
- **Cultivating a Health Care Workforce** – investments that build the next generation of health care workers including, for example, addressing workforce shortages and establishing a health care career pipeline for youth and young adults (e.g. Community Health Workers, Doulas).
- **Cultivating Well-Being for Priority Populations** – investments that address community-specific needs through tailored supports and services not covered under the MCP Contract to priority populations such as those identified through the CHA / CHIP process or an ECM population of focus (e.g., children and youth receiving foster care, justice-involved populations, children and families).
- **Cultivating Local Communities** – investments that bolster the lives of individuals and contribute to the advancement and wellbeing of a

[8] The CFR is searchable at: https://www.ecfr.gov/.

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community such as through education initiatives, employment and training programs, programs to eradicate poverty, and initiatives that address social isolation.
- **Cultivating Improved Health** – investments targeted toward upstream root causes of poor health that address immediate and long-term health-related needs as defined by the community.

Activities may correspond to one or more categories. For example, investments addressing health care workforce shortages preventing access to essential health services may correspond to both the "Cultivating a Health Care Workforce" and "Cultivating Improved Health" categories. An illustrative, non-exhaustive list of permissible and prohibited Community Reinvestment activities for each category is included in Table 1 below.

**Table 1: Examples of Permissible and Prohibited Community Reinvestment Activities**

| Category | Permissible Reinvestment Activities | Prohibited Reinvestment Activities (Covered Under MCP Contract) |
|---|---|---|
| **Cultivating Neighborhoods and Built Environment** | • Investing in affordable housing stock in key areas of the state for low-income and unsheltered residents.<br>• Building accessible playground equipment for children with disabilities.<br>• Planting a community farm to support community-level access to nutritious fruits and vegetables.<br>• Installing new bike lanes and/or walking paths to | • Providing related Community Supports offerings such as medically tailored meals, housing transition navigation services, housing deposits, or housing tenancy and sustainability services. |

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| | allow individuals to safely walk or bike to essential activities.<br>• Installing a rain garden to prevent contaminated runoff from reaching community water sources.<br>• Purchasing a mobile van that provides fruits and vegetables to individuals living in food deserts.<br>• Investing capital funds toward a new wing of a rural health clinic. | |
| **Cultivating a Health Care Workforce** | • Designing an educational certificate program to provide a career pathway for high- school and college-age individuals in relevant professions.<br>• Implementing a loan forgiveness program for individuals who work in defined certificate and non-certificate programs.<br>• Allocating funds to support weekend hours at a community clinic. | • Expanding Provider Networks for the delivery of services covered under the MCP Contract.<br>• Providing training and technical assistance for Medi-Cal Providers. |
| **Cultivating Well-Being for Priority Populations** | • Developing and/or funding flexible housing pool programs that subsidize supportive housing for individuals experiencing homelessness | • Implementing PHM interventions to reduce health disparities among Members related to the utilization and outcomes of health care services. |

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| | • Providing education and training for childcare counselors of children of domestic violence survivors.<br>• Developing mobile shower and laundry facilities for individuals experiencing homelessness or housing insecurity.<br>• Providing job training and interview preparation programs for individuals exiting the justice system.<br>• Implementing a local health leadership training program for residents who are Black, Indigenous, and people of color. | • Funding street medicine services for persons experiencing unsheltered homelessness.<br>• Funding managed care liaison services for foster care children and youth. |
| **Cultivating Local Communities** | • Developing a community trust that provides economic development grants to community-based organizations focused on serving low-income individuals.<br>• Designing a high school/assisted living community "buddy" program to combat social isolation.<br>• Implementing wellness initiatives to address social isolation. | • Funding, outreach, recruiting, and onboarding efforts to support CAC activities and/or community participation in Community Reinvestment planning activities.<br>• Providing funding or in-kind staffing for LHJs to support CHA / Community Health Improvement Plan (CHIP) processes. |

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| | • Establishing a medical financial partnership (MFP) program through which health care providers and financial organizations collaborate to target tailored financial services to Members.[9]<br>• Establishing a medical legal partnership (MLP) program through which health care providers and lawyers collaborate to assist patients with their health-related social and legal needs.[10] | |
| **Cultivating Improved Health[11]** | • Investing in infrastructure or workforce to increase provider access in rural counties with limited access to specialty services (e.g. paying for a mobile mammography van).<br>• Supporting infrastructure or workforce to expand primary care clinic hours to include nights and weekends (e.g. paying for | • Implementing value-based payment models, alternative payment models, or other financial incentive programs to compensate network providers for quality-based outcomes for MCP Members.<br>• Providing screenings to identify Member needs and eligibility for Enhanced |

[9] For more information about MFPs, see: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7331932/
[10] For more information about MLPs, see https://medical-legalpartnership.org/about-us/faq/
[11] MCPs subject to the Quality Achievement Community Reinvestment requirement must invest 100% of their Quality Achievement Community Reinvestment funds toward activities in the "Cultivating Improved Health" category. DHCS may provide additional details and examples of activities in this category in subsequent guidance.

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| | recruitment bonuses, loan repayment or locums to improve staffing for expanded hours access).<br>• Funding high school-based Doula training programs to align with the Medi-Cal Enrollment Requirements and Procedures for Doulas in rural and underserved areas.<br>• Allocating funds to an organization which connects rural healthcare providers with clinical specialists who can share their expertise to enhance the quality of care that local providers provide (e.g., an endocrinologist coaching a rural family medicine physician regarding treatment for patients with diabetes).<br>• Providing blood lead analyzer equipment and blood testing kits to community-based organizations, schools, day care facilities and other non-traditional blood lead testing settings for point-of-service testing.<br>• Investing in the construction and/or operations of 24/7 | Care Management, Community Supports, and other PHM services.<br>• Coordination of, and referral to, community and social support services.<br>• Providing Member incentives including, for example, gift cards or cash. |

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| | drop-in centers which offer on-site medical services, employment and education assistance for youth who are experiencing homelessness. | |

## III. MCP Community Reinvestment Requirements

### A. Applicability of Base Community Reinvestment and Quality Achievement Community Reinvestment

All MCPs and Qualifying Subcontractors with positive net income are subject to the Base Community Reinvestment requirement to invest a minimum level of net income in initiatives that serve the communities in which they operate.

For MCPs, this includes:
- 5% of annual net income that is less than or equal to 7.5% of Medi-Cal Contract Revenues for the year; and
- 7.5% of annual net income that is greater than 7.5% of Medi-Cal Contract Revenues for the year.

For Qualifying Subcontractors, this includes:

- 5% of the Qualifying Subcontractor's annual net income that is less than or equal to 7.5% of revenues under its Subcontractor Agreement with the MCP for the year; and
- 7.5% of the Qualifying Subcontractor's annual net income that is greater than 7.5% of revenues under its Subcontractor Agreement with the MCP for the year.

Base Community Reinvestment spending must comply with all the requirements outlined in this APL.

MCPs with positive net income are required to reinvest at minimum an additional 7.5% of their annual net income into Community Reinvestment initiatives for any county in which they receive an Enforcement Tier 2 or Tier 3

assignment for the applicable CY.[12] The Quality Achievement Community Reinvestment funds are separate and distinct from performance withholds or monetary sanctions that DHCS imposes upon MCPs for not meeting required quality performance levels. DHCS reserves the right to group low-membership counties[13] to ensure adequate sample size to produce reliable rates for MCAS measures. DHCS will inform MCPs of any grouped counties for the purposes of MCAS measures and quality tiers. The Quality Achievement Community Reinvestment requirement only applies to MCPs and does not apply to Qualifying Subcontractors.

**MCPs with positive net income and with a county with all measures at or above the MPL or in Enforcement Tier 1** are subject **only** to the Base Community Reinvestment requirements for that county. Investments are permitted in any of the categories described in Section II; MCPs are permitted to make investments in one or multiple categories in any given year.

**MCPs with positive net income and with a county in Enforcement Tiers 2 or 3** are subject to both the Base Community Reinvestment and the Quality Achievement Community Reinvestment requirements for that county. For any county in which the MCP is assigned to Enforcement Tier 2 or 3, MCPs are required to direct 100% of their Quality Achievement Community Reinvestment funds required under this APL toward investments in the "Cultivating Improved Health" category. These investments must be targeted toward improvement efforts in specific quality reporting domains (e.g., child health). MCPs may direct their Base Community Reinvestment funds toward investments in any of the categories in Section II in Enforcement Tier 2 or 3 counties.

The Quality Achievement Community Reinvestment funds required under this APL will only be invested in counties in which MCPs have an Enforcement Tier 2 or Tier 3 assignment.

MCPs may choose to invest funds in excess of their Base Community Reinvestment and Quality Achievement Community Reinvestment obligations required under this APL.

**B. Alignment with the PNA**

[12] As described in the "Definitions" section, net income and quality measure performance will be assessed on the same CY.
[13] Throughout this APL and associated attachments, all references to "county" will apply to grouped counties in the event they exist.

As detailed in the PHM Policy Guide, MCPs meet their PNA requirements by meaningfully participating in the CHA and CHIP processes led by LHJs.

To ensure MCPs target the unique needs of each community served, MCPs and their Qualifying Subcontractors must demonstrate that Community Reinvestment activities are directly informed by the community needs identified in each LHJ's CHA. The CHIP is the action plan for how each LHJ's community will use the data identified in the CHA to improve health. MCPs are encouraged to invest in CHIP-identified activities, as long as those CHIP activities meet all DHCS requirements for Community Reinvestment in this APL.

DHCS is exploring the legal permissibility and operational feasibility of shared governance structures for oversight of Community Reinvestment, potentially leveraging governance structures for the CHA/CHIP process, and potentially other governance and decision-making structures. Any additional requirements or expectations will be issued in subsequent guidance.

**C. Engaging Key Community Stakeholders and Quality Improvement and Health Equity Committees in Decision-Making**

MCPs and their Qualifying Subcontractors are required to collaborate with interested stakeholders on Community Reinvestment planning. This may include but is not limited to: Members, community residents, community-based organizations, tribal organizations, providers, and other external stakeholders to ensure that Community Reinvestment decisions are rooted in the needs of the community, as identified and prioritized by individuals that will be affected by the investments.

MCPs must engage with CACs to inform Community Reinvestment planning, and validate Community Reinvestment Plans prior to submission to DHCS to ensure investments are adequately targeted toward the needs of the community.[14] While these are the minimum requirements for CAC engagement, MCPs have the discretion to engage CACs in any additional capacity for planning and decision-making related to Community Reinvestment. For example, this may include leveraging CACs to establish new community forums to participate in decision-making on potential investments and review outcome measures from prior investments. MCPs are

[14] The 2024 MCP Contract establishes new requirements to ensure CACs are representative of their communities and meaningfully involved in a variety of MCP functions (including the PNA).

also encouraged to establish a CAC sub-committee comprised exclusively of Members to ensure Member voices are paramount. The sub-committee could be invited to provide input on how Community Reinvestment funds for the MCP should be invested in their community.

MCPs subject to the Quality Achievement Community Reinvestment requirement must also solicit input and validate Community Reinvestment Plans with their communities and their Quality Improvement and Health Equity Committees (QIHEC) on investments in the “Cultivating Improved Health” use category.

MCPs not subject to the Quality Achievement Community Reinvestment requirement are encouraged, but not required, to include their QIHEC in Community Reinvestment planning efforts but must solicit input and validate Community Reinvestment Plans with their communities.

All MCPs must engage their Chief Health Equity Officers in the Community Reinvestment planning process and ensure all Community Reinvestment Plans align with overall health equity needs and priorities.

To the extent all other requirements in this APL are met, MCPs are also encouraged to collaborate with other MCPs operating in the same county to identify opportunities for alignment to maximize the collective impact of activities funded with Community Reinvestment.

## IV. MCP Community Reinvestment Plan Requirements

Each MCP is required to submit one annual Community Reinvestment Plan, starting in July of 2026, and annually thereafter. The Community Reinvestment Plan will be subject to DHCS review and approval. Within 30 days of DHCS approval, MCPs are also required to post the approved Community Reinvestment Plan on their website. MCPs must use a template to be provided by DHCS in forthcoming guidance for the Community Reinvestment Plan submission. The Community Reinvestment Plan must detail the composite set of proposed Community Reinvestment activities, identified separately for the MCP and its Qualifying Subcontractors by county served, based on net income for the applicable prior CY, including:

- A detailed description of the anticipated Community Reinvestment activities and their related use category or categories.

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- Anticipated benefits of Community Reinvestment activities (in alignment with criteria described in the "Guiding Principles" and "Community Reinvestment Categories" sections above).
- A description of the approach taken to engage impacted stakeholders and the CAC in the Community Reinvestment planning process, including a summary of stakeholders that provided input and their recommendations.
- A description of how benefits are directly informed by community needs identified through the LHJ CHA process.
- A description of how communities specifically impacted by health disparities were engaged in the stakeholder process to inform and vet the Community Reinvestment Plan.
- If applicable, identification of the LHJ CHIP activity that the Community Reinvestment activity matches.
- A description of any investments recommended by CACs or other community stakeholders not included in the Community Reinvestment Plan.
- A summary of input provided by Chief Health Equity Officers and QIHEC.
- The expected dollar amount allocated for each Community Reinvestment activity listed separately for the MCP and its Qualifying Subcontractors.
- The expected populations that will benefit from or participate in each Community Reinvestment activity.
- A description of how the impact of Community Reinvestment activities will be measured and evaluated.

DHCS aims to review and approve MCPs' Community Reinvestment Plans within 60 days after the date of submission. MCPs will be required to respond to DHCS' questions or submit amended Community Reinvestment Plans within timeframes specified by DHCS.

## V. Community Reinvestment Funding Requirements

On an annual basis, DHCS will calculate MCPs' and Qualifying Subcontractors' minimum Community Reinvestment funding obligations required under this APL. MCPs are required to submit MLR reports no later than 12 months after the close of each CY in accordance with Exhibit A, Attachment III, Section 1.2.5 of the MCP Contract. Subcontractors are required to submit MLR reports in accordance with APL 24-XXX. The MLR reports will be used as the basis to identify annual Contract Revenues and net income to determine MCPs' and their Qualifying Subcontractors' Base Community Reinvestment and Quality Achievement Community Reinvestment funding obligations, as applicable. DHCS anticipates releasing additional documentation and guidance related to the specific

calculations of Contract Revenues and net income later than the publication of this APL.

DHCS will notify each MCP of its Community Reinvestment funding obligation required under the MCP Contract and this APL, and any obligation of its Qualifying Subcontractors, in Quarter 2 of CY 2026, and annually thereafter. DHCS will complete its review of MCPs' and Qualifying Subcontractors' MLR reports in Quarter 3 of CY 2026, and annually thereafter, and will notify MCPs of any corrections to Community Reinvestment funding obligations, as necessary. In the event the data and information contained in the MLR reports are determined to be incomplete or inaccurate, or the reporting thereof is inconsistent with state or federal law, as determined by state or federal audit or other review, DHCS reserves the right to further correct Community Reinvestment funding obligations. Each MCP must notify their Qualifying Subcontractors of their minimum Community Reinvestment funding obligations, and any corrections to such obligations, within seven calendar days of notice from DHCS.

If an MCP or its Qualifying Subcontractor operates in multiple counties, DHCS will calculate the Base Community Reinvestment funding obligations with the following allocation methodology:

- 5% of Base Community Reinvestment funds equally across counties in which it operates; and
- 95% of Base Community Reinvestment funds in proportion to its Medi-Cal membership by county.[15]

If an MCP operates in multiple counties and is subject to the Quality Achievement Community Reinvestment requirement, DHCS will calculate the MCP's Quality Achievement Community Reinvestment funding allocations in proportion to its Medi-Cal membership for counties in which it has received an Enforcement Tier 2 or Tier 3 assignment.

An illustrative set of scenarios for calculating Community Reinvestment funding obligations is provided in Tables 2 through 6.

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[15] DHCS will determine each MCP's membership by county for the applicable CY based on the Member months at the time of calculating Community Reinvestment funding obligations.

**Table 2: Base Community Reinvestment Funding Obligations ($ in Millions)**

| MCP | Contract Revenues | Net Income | Net Income ≤ 7.5% of Contract Revenues | 5% of Net Income ≤ 7.5% of Contract Revenues | Net Income > 7.5% of Contract Revenues | 7.5% of Net Income > 7.5% of Contract Revenues | Overall Base Obligation |
|---|---|---|---|---|---|---|---|
| | **A** | **B** | **C** = Lesser of B or 0.075 * A | **D** = 0.05 * C | **E** = B – C | **F** = 0.075 * E | **G** = D + F |
| MCP A | $8,000.0 | $800.0 | $600.0 | $30.0 | $200.0 | $15.0 | $45.0 |
| MCP B | $8,000.0 | $600.0 | $600.0 | $30.0 | $0.0 | $0.0 | $30.0 |
| MCP C | $8,000.0 | $400.0 | $400.0 | $20.0 | $0.0 | $0.0 | $20.0 |

**Table 3: Base Community Reinvestment Funding Allocation ($ in Millions)**

| MCP | Overall Base Obligation | County | County Allocation % of MCP Members | Proportionate Share of Base Obligation | Equal Share of Base Obligation | County Allocation |
|---|---|---|---|---|---|---|
| | **A** | | **B** | **C** = A * B | **D** = A / # Counties Served | E = (0.95 * C) + (0.05 * D) |
| MCP A | $45.0 | County 1 | 30.0% | $13.5 | $7.5 | $13.2 |
| | | County 2 | 15.0% | $6.8 | $7.5 | $6.8 |
| | | County 3 | 5.0% | $2.3 | $7.5 | $2.5 |
| | | County 4 | 30.0% | $13.5 | $7.5 | $13.2 |

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| | | County 5 | 10.0% | $4.5 | $7.5 | $4.7 |
| | | County 6 | 10.0% | $4.5 | $7.5 | $4.7 |
| MCP B | $30.0 | County 7 | 60.0% | $18.0 | $15.0 | $17.9 |
| | | County 8 | 40.0% | $12.0 | $15.0 | $12.2 |
| MCP C | $20.0 | County 9 | 100.0% | $20.0 | $20.0 | $20.0 |

**Table 4: Quality Achievement Community Reinvestment Funding Allocation ($ in Millions)**

| MCP | 7.5% of Net Income | County | County Allocation % of MCP Members | Proportionate Share of 7.5% of Net Income[16] |
|---|---|---|---|---|
| | A | | B | C = A * B |
| MCP A | $60.0 | County 1 | 30.0% | $18.0 |
| | | County 2 | 15.0% | $9.0 |
| | | County 3 | 5.0% | $3.0 |
| | | County 4 | 30.0% | $18.0 |
| | | County 5 | 10.0% | $6.0 |
| | | County 6 | 10.0% | $6.0 |
| MCP B | $45.0 | County 7 | 60.0% | $27.0 |
| | | County 8 | 40.0% | $18.0 |
| MCP C | $30.0 | County 9 | 100.0% | $30.0 |

[16] Step C represents the Quality Achievement Community Reinvestment Funding Option any county in Tier 2 or Tier 3. See Table 5 below for more information.

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**Table 5: Quality Achievement Community Reinvestment Funding Obligation ($ in Millions)**

| MCP | County | County Allocation if Within Tier 2 or 3 | Quality Tier | Subject to Quality Achievement Requirement? | Actual County Allocation |
|---|---|---|---|---|---|
| | | **A** *See Step C in Table 4* | | | **B** = Value of Step A for any County within Tier 2 or 3 |
| MCP A | County 1 | $18.0 | Tier 2 | Y | $18.0 |
| | County 2 | $9.0 | Tier 2 | Y | $9.0 |
| | County 3 | $3.0 | Tier 2 | Y | $3.0 |
| | County 4 | $18.0 | Tier 1 | N | - |
| | County 5 | $6.0 | Tier 1 | N | - |
| | County 6 | $6.0 | Tier 3 | Y | $6.0 |
| MCP B | County 7 | $27.0 | Tier 3 | Y | $27.0 |
| | County 8 | $18.0 | Tier 3 | Y | $18.0 |
| MCP C | County 9 | $30.0 | Tier 1 | N | - |

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**Table 6: Total Community Reinvestment Funding Allocation ($ in Millions)**

| MCP | County | Base County Allocation | Quality Achievement County Allocation[17]* | Total County Allocation[18] |
|---|---|---|---|---|
| | | **A** *See Step E in Table 3* | **B** *See Step B in Table 5* | **C** = A + B |
| MCP A | County 1 | $13.2 | $18.0 | $31.2 |
| | County 2 | $6.8 | $9.0 | $15.8 |
| | County 3 | $2.5 | $3.0 | $5.5 |
| | County 4 | $13.2 | - | $13.2 |
| | County 5 | $4.7 | - | $4.7 |
| | County 6 | $4.7 | $6.0 | $10.7 |
| MCP B | County 7 | $17.9 | $27.0 | $44.9 |
| | County 8 | $12.2 | $18.0 | $30.2 |
| MCP C | County 9 | $20.0 | - | $20.0 |

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[17] Quality Achievement Community Reinvestment funding allocations must be used toward investments in the "Cultivating Improved Health" category described in Section II.
[18] Total Community Reinvestment funding allocations at the county-level reflect the minimum amount MCPs are required to invest as required under the MCP Contract and this APL. MCPs may choose to fund Community Reinvestment initiatives in excess of these amounts.

## VI. Community Reinvestment Implementation and Report

### A. Community Reinvestment Implementation

Upon DHCS approval of the MCP's Community Reinvestment Plan, the MCP and its Qualifying Subcontractors, as applicable, must initiate Community Reinvestment activities no later than December of the implementation year. Community Reinvestment funds must be spent, or fully encumbered for specific activities included in the Community Reinvestment Plan approved by DHCS, by the end of the subsequent CY.

### B. Community Reinvestment Report

Starting with Community Reinvestment activities generated by CY 2024 net income, MCPs are required to annually submit one Community Reinvestment Report in Quarter 2 of CY 2028, and annually thereafter. MCPs must also annually post the Community Reinvestment Report on their website within 30 days of submitting the report to DHCS. The Community Reinvestment Report must detail the composite set of Community Reinvestment activities conducted, listed separately for MCPs and their Qualifying Subcontractors, including:

- The actual dollar amount spent on each Community Reinvestment activity by county.
- Description of each Community Reinvestment activity by category and county.
- Description of how each Community Reinvestment activity aligns with DHCS' Guiding Principles.
- Description of how each Community Reinvestment activity aligns with designated Reinvestment categories.
- Outcomes from Community Reinvestment activities, including any preliminary data and qualitative description of benefits to Members and the communities in which they reside.

The Community Reinvestment Report submission to DHCS must include signed letters from the CAC. The letters must, minimally, describe the degree to which the MCP engaged these stakeholders in Community Reinvestment planning efforts, and include their feedback regarding the completed Reinvestment activities.

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## VII. Timeline

MCPs must perform Community Reinvestment activities based on the timeline in Table 7.

**Table 7: Timeline of Community Reinvestment Activities**

| Activity | Timeline (Based on CY 2024 Implementation Year) |
|---|---|
| **Planning** | |
| MCPs receive funding obligations from DHCS for compliance with:<br>• Base Community Reinvestment requirement; and<br>• Quality Achievement Community Reinvestment requirement, if applicable | Early Q2 CY 2026, and annually thereafter |
| MCPs submit Community Reinvestment Plan based on funding requirements provided by DHCS | Early Q3 CY 2026, and annually thereafter |
| DHCS reviews and approves Community Reinvestment Plans | Approximately 60 days upon receipt from MCPs |
| MCPs post the approved Community Reinvestment Plans on the MCPs' websites | Within 30 days upon approval from DHCS |
| **Spending** | |
| MCPs initiate Community Reinvestment activities | No later than Q4 CY 2026 with funds exhausted or fully encumbered the close of CY 2027, and annually thereafter |
| **Reporting** | |
| MCPs submit Community Reinvestment Reports and accompanying financial reporting | Q2 CY 2028, and annually thereafter |
| MCPs post the Community Reinvestment Reports on the MCPs' websites | Within 30 days of submitting the report to DHCS |
| DHCS reviews Community Reinvestment Reports | Approximately 60 days upon receipt from MCPs |

Timelines for Community Reinvestment activities and related MCP deliverable submissions required under the MCP Contract will continue after the expiration of the Contract period. In the event an MCP ends operations in a given county at the expiration or termination of the MCP Contract, the MCP must still comply with all contractual Community Reinvestment requirements as part of phaseout activities described in Exhibit E, Section 1.1.17 of the MCP Contract.

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The requirements contained in this APL necessitate a change in MCPs' contractually required policies and procedures (P&Ps). MCPs must submit their updated P&Ps to their Managed Care Operations Division (MCOD) Contract Oversight SharePoint Submission Portal[19] within 90 days of the release of this APL. MCPs should also review their Subcontractor Agreements, including Division of Financial Responsibility provisions as appropriate to ensure compliance with this APL.

MCPs are responsible for ensuring that their Subcontractors comply with all applicable state and federal laws and regulations, MCP Contract requirements, and other DHCS guidance, including APLs and Policy Letters.[20] These requirements must be communicated by each MCP to all Subcontractors. DHCS may impose Corrective Action Plans (CAP), as well as administrative and/or monetary sanctions for non-compliance. For additional information regarding administrative and monetary sanctions, see APL 23-012, and any subsequent iterations on this topic. Any failure to meet the requirements of this APL may result in a CAP and subsequent sanctions.

If you have any questions regarding this APL, please contact your MCOD Contract Manager.

Sincerely,

Dana Durham, Chief
Managed Care Quality and Monitoring Division

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[19] The MCOD Contract Oversight SharePoint Submission Portal is located at: https://cadhcs.sharepoint.com/sites/MCOD-MCPSubmissionPortal/SitePages/Contract%20Oversight.aspx.
[20] For more information on Subcontractors, including the definition and applicable requirements, see APL 19-001, and any subsequent APLs on this topic.