

APPENDIX A: PERMISSIBLE AND PROHIBITED USE OF FUNDS

Exhibit 1: Examples of Permissible & Prohibited Community Reinvestment Activities

The guidance contained in this Appendix is intended to provide supplemental information for MCPs and Qualifying Subcontractors in support of developing effective Community Reinvestment strategies. MCPs' and Qualifying Subcontractors' Community Reinvestment activities must comply with all the requirements of this APL. Nothing included within this guidance should be construed to take precedence over the requirements established in Sections I through VII of the APL.

Permissible Use of Funds

MCPs and Qualifying Subcontractors should prioritize Community Reinvestment activities that improve health upstream and deploy intentional investment strategies that address the root causes of systemic inequality in order to provide the greatest possible benefit for communities. In addition, while standalone investments are unlikely to produce material impacts on community health and wellness, integrated and targeted investment strategies can create significant and positive changes (see Exhibit 2 for illustrative examples). DHCS encourages MCPs to invest in activities that complement one another and build upon existing community initiatives, networks, or connections. MCPs should also consider investments via grant programs that support cross-sector community partnerships and pooling of investments to maximize the scale and impact of funding.

A detailed (but non-exhaustive) list of permissible uses of Community Reinvestment funds is included in the table below. These examples are illustrative and not intended to be a definitive list of activities permitted under the Community Reinvestment program. Each example is categorized as an "upstream" or "downstream" investment and corresponds to at least one of the following use categories as described in Section II of this APL, including:

1. Cultivating Neighborhoods and Built Environment
2. Cultivating a Health Care Workforce
3. Cultivating Well-Being for Priority Populations

4. Cultivating Local Communities
5. Cultivating Improved Health

Some of the examples include references to grant programs, funding opportunities, or community initiatives in California and other states. The inclusion of these references is not intended to indicate DHCS' endorsement of any specific program but rather to provide MCPs and Qualifying Subcontractors with real-world applications for illustrative purposes.

| Strategy | Illustrative Examples of Permissible Investments | Use Category |
|------------------------|--|--------------|
| Upstream Interventions | | |
| Investing in Housing | Supporting investment in affordable housing stock in key areas of the state for low-income and unsheltered residents. | 1 |
| | Providing seed or advance funding for flexible housing pools, which administer rental subsidies for individuals experiencing homelessness. ¹ | 3 |
| | Funding for rental subsidies for Members who have received the maximum 6-month limit for the Transitional Rent benefit and are ineligible for housing services through the Behavioral Health Services Act. | 3 |

¹ Community Reinvestment funds issued to a flexible housing pool as seed or advance funding for delivering Transitional Rent services are exempt from the requirement that Community Reinvestment funds target non-contract activities. For purposes of any Rate Development Template, Supplemental Data Request, or Medical Loss Ratio reporting, MCPs must exclude Community Reinvestment funds provided to housing supports providers (e.g., for housing-related Community Supports other than Transitional Rent) from "incurred claims", "medical expense", or equivalent reporting categories. Additional information will be provided in future guidance.

| Strategy | Illustrative Examples of Permissible Investments | Use Category |
|--|---|--------------|
| Improving Public Spaces | Expanding playground accessibility for children with disabilities. | 1 |
| | Planting community farms to support community access to nutritious fruits and vegetables. | 1 |
| | Installing new bike lanes and/or walking paths to allow individuals to safely walk or bike to essential activities. | 1 |
| | Installing rain gardens to prevent contaminated runoff from reaching community water sources. | 1 |
| | Supporting conversion of private land into parks or community gardens, to improve access to greenspace. ² | 1 |
| Promoting Financial Security and Wealth Creation Opportunities for Communities | Providing deposits or matching funds for a Child Savings Account program to help children (from birth to 18 years old) in low-income families to build dedicated savings for the future. ³ | 4 |

² For more information on the benefits of parks and public greenspaces for physical and mental health, please see: <https://www.tpl.org/parks-promote-health-report>

³ For reference, please see: <https://portal.ct.gov/ott/debt-management/ct-baby-bonds>

| Strategy | Illustrative Examples of Permissible Investments | Use Category |
|----------|--|--------------|
| | Providing funding for social services assistance providers that provide financial support on rent or bills for low-income consumers. | 4 |
| | Supporting efforts to increase pathways for medical debt relief, including funding for third-party non-profit organizations to forgive medical debt for low- and middle-income consumers. ⁴ | 4 |
| | Establishing a medical financial partnership (MFP) program through which health care providers and financial organizations collaborate to target tailored financial services to Members. | 4 |
| | Partnering with Community Development Finance Institutions (CDFIs) to promote access to low-cost capital for economic development enabled by the Community Reinvestment Act (CRA). ⁵ | 4 |
| | Providing grant funding to CBOs that help finance down payments or closing costs for low-income individuals to promote home | 4 |

⁴ For reference, please see: <https://www.whitehouse.gov/briefing-room/statements-releases/2024/10/01/fact-sheet-biden-harris-administration-announces-new-actions-to-reduce-medical-debt-and-address-illegal-medical-debt-collection-practices/>

⁵ For more information, please see: <https://blog.aarp.org/thinking-policy/addressing-health-care-disparities-with-the-community-reinvestment-act>

| Strategy | Illustrative Examples of Permissible Investments | Use Category |
|-------------------------------------|---|--------------|
| | ownership in support of generating assets and building equity. ⁶ | |
| | Investing in adult literacy programs—including GED preparation, one-on-one tutoring, or ESL programs—that promote economic opportunities for community members with limited English proficiency and/or literacy skills. | 4 |
| Developing the Healthcare Workforce | Funding scholarships for allied health professional students. | 2 |
| | Designing or expanding programs to locally recruit, train, and fill high-demand healthcare jobs to expand the pipeline of high school and college-age individuals within underserved communities. | 2 |
| | Funding high school-based doula training programs to align with the Medi-Cal Enrollment Requirements and Procedures for Doulas in rural and underserved areas. | 5 |
| | Supporting programs to promote the career pipeline, representation, and advancement of | 2 |

⁶ For reference, please see: <https://www.fdic.gov/resources/bankers/affordable-mortgage-lending-center/guide/part-2-docs/down-payment.pdf>

| Strategy | Illustrative Examples of Permissible Investments | Use Category |
|--------------------------------|---|--------------|
| | under-represented populations in the health tech sector. ⁷ | |
| | Financing a loan forgiveness program for individuals who work in defined certificate and non-certificate programs. | 2 |
| | Providing education and training for childcare counselors of children of domestic violence survivors. | 2 |
| | Developing a community trust that provides economic development grants to community-based organizations focused on serving low-income individuals. | 4 |
| | Developing Medi-Cal community care hubs that are potential providers of CalAIM / Medi-Cal services or supporting existing initiatives or entities to become hubs in their communities. ⁸ | 2 |
| Providing Education & Training | Covering educational costs for Members to receive training and pursue GED diplomas. | 4 |

⁷ For reference, please see: <https://tech.cornell.edu/news/witny-initiative-announces-national-expansion-to-recruit-more-women-in-tech-formally-becomes-break-through-tech/>

⁸ For reference, please see: (i) <https://www.dhcs.ca.gov/community-health-workers>; and (ii) <https://www.chcf.org/wp-content/uploads/2024/10/ExploringEmergingMediCalCommunityCareHubs2024.pdf>

| Strategy | Illustrative Examples of Permissible Investments | Use Category |
|---|---|--------------|
| Opportunities for Members | Providing job training and interview preparation programs for individuals exiting the justice system. | 3 |
| | Implementing a local health leadership training program for residents that empower community members to address local needs. | 3 |
| Supporting Cross-Cutting Initiatives that Promote Health & Prosperity for Communities | Supporting the development of 'Healthy Communities of Opportunity'. ⁹ | 1, 4, 5 |
| | Investing in 'anchor institutions' to build community health and wealth through place-based investing. ¹⁰ | 1, 4 |
| | Providing funding for grant programs that support multisector collaborations on designing and implementing community-centered initiatives and policy changes to improve SDOH of priority populations. ¹¹ | 3, 4, 5 |
| | Providing funding for mentorship or skills development programs that promote self-efficacy for at-risk children and youth. | 4, 5 |
| Downstream Interventions | | |

⁹ For more information, please see: <https://www.policylink.org/our-work/community>

¹⁰ For more information about anchor institution strategies, please see: <https://www.nejm.org/doi/full/10.1056/NEJMp2213465#>

¹¹ As an example, please see: <https://allinforkidsca.org/>

| Strategy | Illustrative Examples of Permissible Investments | Use Category |
|---|--|--------------|
| Enhancing Food Security | Purchasing reusable cards with loaded funds available for use at grocery stores or for consumers below certain income thresholds to address food insecurity. | 3 |
| | Providing free groceries to food pantries or funding refrigerated food lockers for use by individuals and households who were identified as food insecure. | 3 |
| | Building a mobile van network or partnering with existing delivery services to provide fruits and vegetables to individuals living in food deserts. | 1 |
| Expanding Access to Healthcare Services | Investing capital funds toward a new wing of a rural health clinic. | 2 |
| Implementing or Extending Access to Social Services | Developing mobile shower and laundry facilities for individuals experiencing homelessness or housing insecurity. | 3 |
| | Designing a high school/assisted living community “buddy” program to combat social isolation. | 4 |
| | Establishing or expanding medical legal partnership (MLP) programs through which health care providers and lawyers collaborate to | 4 |

| Strategy | Illustrative Examples of Permissible Investments | Use Category |
|---|---|--------------|
| | assist patients with their health-related social and legal needs. | |
| | Investing in the construction and/or operations of 24/7 drop-in centers which offer on-site medical services, employment and education assistance for youth who are experiencing homelessness. | 5 |
| | Funding community wellness centers and community resources centers. | 3 |
| | Supporting domestic violence shelter integration with hospital transitional care services. | 3 |
| | Funding non-medical transportation stipends for health-related and other social needs fulfillment including, but not limited to, accessing groceries, social services, employment (including job training, job fairs, interviews), recreational/fitness centers, and probation/parole meetings or hearings. | 4 |
| Promoting Healthy Behaviors & Access to Health Services | Subsidizing community fitness programs for reduced fee or free resident participation. | 4 |
| | Funding school-based programs that promote mindfulness and stress-reduction. | 4 |

| Strategy | Illustrative Examples of Permissible Investments | Use Category |
|----------|---|--------------|
| | Funding for community-based strategies that support schools' capacity to enhance student health and wellness. ¹² | 4, 5 |
| | Investing in community-based exercise programs for seniors. | 4, 5 |
| | Expanding after-school programs that provide healthy food and physical activities to promote health and well-being for school-age children and youth. | 4, 5 |

¹² For example, please see: <https://cslx.org/about>

Impermissible Use of Funds

As established in this APL, MCPs are strictly prohibited from using Community Reinvestment funds towards activities covered under the MCP Contract. Community Reinvestment offers a unique opportunity for MCPs to fund activities that improve communities’ health outcomes but are not covered under Medicaid in accordance with Federal regulation. A detailed (but non-exhaustive) list of impermissible use of Community Reinvestment funds is included below:

| Category | Illustrative Examples of Impermissible Use of Funds |
|---------------------------------------|--|
| Activities Covered Under the Contract | <ul style="list-style-type: none"> • Providing Transitional Rent benefit costs and related Community Supports (i.e., Housing Transition Navigation Services, Housing Tenancy and Sustaining Services, Housing Deposits) for Members who have not received the maximum 6-month limit and are eligible for the benefit, except seed or advance funding provided to flexible housing pools for Transitional Rent benefit costs. • Providing other Community Supports offerings such as Medically Tailored Meals and Medically Supportive Foods. • Expanding Provider Networks for the delivery of services covered under the MCP Contract. • Providing training and technical assistance for Medi-Cal Providers. • Implementing PHM interventions (e.g., transitional care services) to reduce health disparities among Members related to the utilization and outcomes of health care services. • Funding street medicine services for persons experiencing unsheltered homelessness. • Funding managed care liaison services for foster care children and youth. • Implementing value-based payment models, alternative payment models, or other financial incentive programs to compensate network providers for quality-based outcomes for Members. • Providing screenings to identify Member needs and eligibility for Enhanced Care Management, Community Supports, and other PHM services. |

| Category | Illustrative Examples of Impermissible Use of Funds |
|--|--|
| | <ul style="list-style-type: none"> • Coordination of, and referral to, community and social support services. |
| Procedural / Administrative Activities | <ul style="list-style-type: none"> • Funding, outreach, recruiting, and onboarding efforts to support CAC activities and/or community participation in Community Reinvestment planning activities. • Providing funding or in-kind staffing for LHJs to support CHA / Community Health Improvement Plan (CHIP) processes. |
| Member Incentives or Member Grants | <ul style="list-style-type: none"> • Providing Member incentives including, for example, gift cards or cash. • Providing member incentives for members to complete preventive care services. |

Exhibit 2: Hypothetical MCP Portfolios of Community Reinvestment Activities

The scenarios below provide illustrative examples regarding how individual MCPs could develop an investment portfolio comprised of Base Community Reinvestment as well as Quality Achievement Community Reinvestment funds. Under both scenarios, MCPs are encouraged to build portfolios that prioritize upstream interventions or blend upstream and downstream interventions through integrated and complementary investment activities (as exemplified in the scenarios below).

Base Community Reinvestment Activities

| Scenario | Hypothetical MCP Investment Portfolio |
|---|---|
| <p>Scenario 1: Upstream, Integrated Investment Strategy (Preferred Approach)</p> | <p>Summary: Investments that promote safe, walkable, and accessible neighborhoods and remove environmental hazards.</p> <ul style="list-style-type: none"> • Supporting conversion of private land into parks or community gardens, to improve access to greenspace. • Installing new bike lanes and/or walking paths to allow individuals to safely walk or bike to essential activities. • Installing rain gardens to prevent contaminated runoff from reaching community water sources. |
| <p>Scenario 2: Blended Upstream / Downstream and Integrated Investment Strategy (Preferred Approach)</p> | <p>Summary: Investments to alleviate financial hardships and promote affordable goods and services for low- and middle-income adults.</p> <p><u>Upstream Investments</u></p> <ul style="list-style-type: none"> • Providing funding for social services assistance providers that provide financial support on rent or bills for low-income consumers. • Supporting efforts to increase pathways for medical debt relief, including funding third-party non-profit organizations to forgive medical debt for low- and middle-income consumers. <p><u>Downstream Investments</u></p> <ul style="list-style-type: none"> • Supporting organizations that connect Medi-Cal members with safe, affordable bank accounts.¹³ • Supporting youth Medi-Cal members in opening bank accounts when they start their first job.¹⁴ |

¹³ For reference, please see: <https://www.sfgov.org/ofe/find-bank-account>

¹⁴ For reference, please see: <https://www.sfgov.org/ofe/find-bank-account/youth-banking>

| Scenario | Hypothetical MCP Investment Portfolio |
|--|---|
| <p>Scenario 3: Blended Upstream / Downstream and Partially Integrated Investment Strategy (Less Preferred Approach)</p> | <p>Summary: Investments primarily focused on promoting health and wellbeing for children but without a cohesive strategy or complementary set of activities.</p> <p><u>Upstream Investments</u></p> <ul style="list-style-type: none"> Investing in adult literacy programs—including GED preparation, one-on-one tutoring, or ESL programs—that promote economic opportunities for community members with limited English proficiency or literacy skills. Expanding playground accessibility for children with disabilities. <p><u>Downstream Investments</u></p> <ul style="list-style-type: none"> Expanding after-school programs that provide healthy food and physical activities to promote health and well-being for school-age children and youth. |
| <p>Scenario 4: Downstream, Misaligned Investment Strategy (Least Preferred Approach)</p> | <p>Summary: Investments are not clearly correlated to any specific system issue contributing to poor health outcomes or Member population.</p> <ul style="list-style-type: none"> Supporting domestic violence shelter integration with hospital transitional care services. Purchasing reusable cards with loaded funds available for use at grocery stores or for consumers below certain income thresholds to address food insecurity. Developing mobile shower and laundry facilities for individuals experiencing homelessness or housing insecurity. |

Quality Achievement Community Reinvestment Activities

| Scenario | Hypothetical MCP Investment Portfolio |
|--|---|
| <p>Scenario 1: Upstream, Integrated Investment Strategy (Preferred Approach)</p> | <p>Summary: Investments that promote access to care, health, and wellness for women and children.</p> <ul style="list-style-type: none"> • Funding for a grant program that supports multisector collaborations on the design and implementation of community-based initiatives to improve children’s health. • Funding for community-based strategies that support schools’ capacity to enhance student health and wellness. |
| <p>Scenario 2: Downstream, Misaligned Investment Strategy (Less Preferred Approach)</p> | <p>Summary: Investments not clearly targeted to any specific systemic issue contributing to poor health outcomes or Member population.</p> <ul style="list-style-type: none"> • 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. • Investing in the construction and/or operations of 24/7 drop-in centers which offer on-site medical services, employment and education assistance for youth who are experiencing homelessness. |