

DATE: February 7, 2025

ALL PLAN LETTER 25-004

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 that MCPs 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 by 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 2025, with Community Reinvestment activities starting in CY 2026.

For CY 2024, 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 within a given county in CY 2024 will be subject to Community Reinvestment requirements 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 net income based on CY 2024 Contract Revenues for Community Reinvestment activities initiated in CY 2026. 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 24-018 and assumes risk for at least 100,000 Members or at least 50% of the MCP’s Members within a given county or rating region (Qualifying Subcontractor). Qualifying Subcontractors must 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 MCP 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

(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 MCP 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 Strategy⁵, Population Health Management (PHM) Policy Guide⁶ — toward improving the health and wellbeing of Members through innovations that are locally driven and adopt a whole-person approach. In pursuit of these objectives, MCPs and Qualifying Subcontractors must align Community Reinvestment activities with the following principles:

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 available at: <https://www.dhcs.ca.gov/services/Documents/Formatted-Combined-CQS-2-4-22.pdf>

⁶ The PHM Policy Guide is available at: <https://www.dhcs.ca.gov/CalAIM/Documents/PHM-Policy-Guide.pdf>

- **Engage with the Community:** Input from community members is essential for effectively tailoring Community Reinvestment activities toward the needs of Members and the communities the MCP and its Qualifying Subcontractors serve.
 - Each MCP (and its Qualifying Subcontractors as applicable) must consult with the MCP's Community Advisory Committees (CACs) to solicit Community 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 (and Qualifying Subcontractors as applicable) as described in the Population Needs Assessment (PNA) section of the PHM Policy Guide.
- **Align Community-Identified Priorities with Investments in Health Outcomes and Equity:** MCPs and Qualifying Subcontractors must ensure investments are targeted toward reducing existing health disparities⁷ **and / or** promoting improved health outcomes for Medi-Cal populations through investments primarily focused on upstream causes of poor health such as housing instability, food insecurity, poverty, barriers in access to health and social services, and environments that negatively impact health. DHCS encourages MCPs and Qualifying Subcontractors to consider whole-person care approaches and SDOH principles including those identified in the Comprehensive Quality Strategy, PHM Policy Guide, and Health Equity Roadmap Initiative.⁸
- **Ensure Funding Targets Non-Contract Activities:** MCPs and Qualifying Subcontractors must ensure that Community Reinvestment funds are not allocated towards activities included in the MCP Contract **or** services carved out of the MCP Contract but covered under Medi-Cal. Community Reinvestment obligations may not be met through expenditures for:

⁷ For more information please see:

<https://www.dhcs.ca.gov/dataandstats/reports/Pages/MgdCareQualPerfDisp.aspx>

⁸ In an equitable health system, everyone, regardless of race, background, gender, sexuality, or ability, has a fair and just opportunity to attain their highest levels of health. Health equity goes beyond access to health care; inequities across broader social and economic factors that drive health also play a major role. For more information please see: <https://www.dhcs.ca.gov/Health-Equity-Roadmap/Pages/About.aspx>

- 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
- Provision of health care services to eligible Members within the scope of Medi-Cal benefits or state-funded services that are carved out of the primary or secondary operations Contracts; or
- 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);⁹ or
- Administrative activities of MCPs.

In addition, Community Reinvestment obligations may not be met through expenditures for:

- Procedural or administrative activities related to Community Reinvestment planning or implementation; or
- Member incentives or Member grants.

DHCS will monitor for compliance with these principles 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).

⁹ The CFR is searchable at: <https://www.ecfr.gov/>.

- **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 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. Appendix A includes an illustrative, non-exhaustive list of permissible and prohibited Community Reinvestment activities and examples regarding how MCPs may allocate funds across a portfolio of Community Reinvestment activities.

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.

Qualifying Subcontractors are permitted, but not required, to transfer their Base Community Reinvestment obligation to MCPs to administer funds on their behalf provided the MCP's investment of these funds meets all requirements under the APL. Given their vital role in the delivery of services to Members, however, DHCS encourages Qualifying Subcontractors to actively participate in the Community Reinvestment program. If an MCP does **not** generate positive net income, its Qualifying Subcontractors are still subject to Base Community Reinvestment requirements if they have positive net income under the Subcontractor Agreement with the MCP for a given CY.

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.¹⁰ 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 counties¹¹ 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.

¹⁰ As described in the "Definitions" section, net income and quality measure performance will be assessed on the same CY.

¹¹ Throughout this APL and associated attachments, all references to "county" will apply to grouped counties in the event they exist.

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 allocate 100% of their Quality Achievement Community Reinvestment funds required under this APL toward investments in the “Cultivating Improved Health” category. MCPs are encouraged to prioritize these investments in upstream interventions targeted toward improving health outcomes for specific populations for which the MCP is below minimum performance thresholds for MCAS domains (e.g., children, women, individuals with cancer). Quality Achievement Community Reinvestment funds are **not** intended to be utilized for improving performance on individual MCAS measures that narrowly focus on downstream, clinical activities that are covered under the MCP Contract. MCPs may allocate 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.

B. Alignment with the PNA and Behavioral Health Transformation (BHT)

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. Provided that all other requirements for Community Reinvestment in this APL are met, MCPs and Qualifying Subcontractors are also strongly encouraged to invest in:

- Activities identified in the CHIP, the action plan for how each LHJ’s community will use the data identified in the CHA to improve health.
- Activities that address needs identified through the BHT community planning process that requires MCPs’ collaboration with counties and community stakeholders on County Integrated Plans, as established under W&I Code §5963.03, subdivision (a)(1).

Furthermore, LHJs and County Behavioral Health must be included in the MCPs’ and Qualifying Subcontractors’ Community Reinvestment planning and decision-making process. DHCS approval of MCPs’ Community Reinvestment Plan submissions will be conditioned on an attestation from

both the Public Health and County Behavioral Health Directors as described in Appendix B, Exhibits 1 and 2. Specifically, the attestation must indicate that the investment strategy is generally agreeable to the LHJ and County Behavioral Health Department and aligns with community needs identified in the CHA / CHIP. DHCS will consider Public Health and County Behavioral Health Directors' responses included in the attestation in the review and approval decisions for Community Reinvestment Plan submissions.

For Community Reinvestment tied to CY 2024 net income only, DHCS will allow modifications that will not be allowed in future years. MCPs and Qualifying Subcontractors are permitted to claim current voluntary investments toward their **CY 2024** Community Reinvestment obligation. While these activities must otherwise meet all requirements established in this APL, DHCS approval of MCPs' Community Reinvestment Plan submissions will not be conditioned on an attestation as described above. Instead, Public Health and County Behavioral Health Directors must attest to being informed of the proposed Community Reinvestment activities as described in Appendix B, Exhibit 3. This flexibility is limited to Community Reinvestment funding obligations based on CY 2024 net income only. MCPs and Qualifying Subcontractors must comply with all requirements under this APL—including the attestation from Public Health and County Behavioral Health Directors as described in Appendix B, Exhibits 1 and 2—for Community Reinvestment activities based on net income for CY 2025 (and thereafter).

C. Engaging Community and Key Stakeholders in Decision-Making

Each MCP (and its Qualifying Subcontractors as applicable) must engage with the MCP's Chief Health Equity Officer in the Community Reinvestment planning process and ensure all Community Reinvestment Plans align with overall health equity needs and priorities.

MCPs and Qualifying Subcontractors must also 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.¹² While these are the minimum

¹² 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).

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 and Qualifying Subcontractors are encouraged, but not required, to collaborate with other 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.

MCPs subject to the Quality Achievement Community Reinvestment requirement are encouraged, but not required, to 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 and Qualifying Subcontractors must coordinate with other MCPs operating in the same county to engage with LHJs during the Community Reinvestment planning process, consistent with MCP requirements for the CHA / CHIP process. DHCS encourages MCPs and Qualifying Subcontractors operating in the same county to align Community Reinvestment activities identified by the community to maximize the collective impact of funds.

IV. MCP Community Reinvestment Plan Requirements

Each MCP is required to submit a Community Reinvestment Plan starting in early Q3 CY 2026 and annually thereafter, unless the MCP and its Qualifying Subcontractor(s) do not have positive net income for the applicable CY. As described further in Section VII, each Community Reinvestment Plan will extend over a three-year investment period in alignment with the timelines for LHJ CHA / CHIP and BHT Integrated Plan processes.¹³

MCPs engagement with CACs on Community Reinvestment planning efforts must align with general requirements pursuant to Exhibit A, Attachment III, Subsection 5.2.11(E)(3) of the MCP Contract.

¹³ LHJ CHA / CHIP and BHSA Integrated Plan processes will be aligned beginning in CY 2029. For reference, please see Section VII, Exhibit 1 in this APL.

The **initial Community Reinvestment Plan** for each investment period, starting with the early Q3 CY 2026 submission and recurring every three years thereafter, must include: (i) the proposed Community Reinvestment activities for the MCP and its Qualifying Subcontractors for the duration of the investment period; and (ii) the intended allocation of investments across each proposed activity for funding obligations resulting from positive net income in the applicable CY. For the initial Community Reinvestment Plan submission in early Q3 CY 2026, funding obligations will be assessed on CY 2024 net income as described further in Section V.

Each **subsequent Community Reinvestment Plan** within the investment period must either: (i) indicate the allocation of additional investments for each activity documented in the initial Community Reinvestment Plan for funding obligations resulting from positive net income for the applicable CY; and/or (ii) propose funding allocations for any new/revised activities for the applicable CY that meet all requirements established in this APL. For the initial investment period, the early Q3 CY 2027 and CY 2028 Community Reinvestment Plan submissions may allocate additional funding for the Community Reinvestment activities included in the initial 2026 Community Reinvestment Plan submission based on funding obligations assessed on CY 2025 and CY 2026 net income **and / or** propose new/revised activities which meet all of the requirements outlined in this APL.

Community Reinvestment Plan submissions are 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 the templates included in Appendix B for the Community Reinvestment Plan submission. 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.

The **initial Community Reinvestment Plan** for each three-year investment period must specifically 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 CY, including:

- A detailed description of the anticipated Community Reinvestment activities and their related use category or categories.
- A description of how activities are directly informed by community needs identified through the LHJ CHA process.
- If applicable, identification of the LHJ CHIP activity that each Community Reinvestment activity matches.
- If applicable, a description of community needs identified through the BHT community planning process that the Community Reinvestment activity addresses.
- 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 the CAC in the Community Reinvestment planning process, including a summary of the CAC recommendations.
- A description of the approach taken to engage other interested stakeholders in the Community Reinvestment planning process, if any, and identification of those stakeholders.
- A description of any investments recommended by CACs not included in the Community Reinvestment Plan.
- A summary of input provided by Chief Health Equity Officers, and the QIHEC if applicable.
- The expected dollar amount allocated for each Community Reinvestment activity, based on the overall funding obligation for the applicable CY.
- 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.
- A signed attestation from local Public Health and County Behavioral Health Directors.

Each **subsequent Community Reinvestment Plan submission** within the three-year investment period must at minimum include:

- The expected dollar amount allocated for each Community Reinvestment activity in the initial Community Reinvestment Plan approved by DHCS based on funding obligations for the applicable CY.
- A signed attestation from local Public Health and County Behavioral Health Directors.

MCPs are permitted to propose new Community Reinvestment activities beyond the first year of the investment period provided that MCPs comply with all requirements described within this section for initial Community Reinvestment Plan submissions for any newly proposed investments.

Certain exceptions to MCPs' Community Reinvestment Plan requirements established in this Section of the APL may apply, including:

- MCPs claiming current voluntary investments toward their CY 2024 Community Reinvestment obligation will submit a one-year Community Reinvestment Plan in early Q3 CY 2026 for Community Reinvestment activities based on CY 2024 net income as described in Section III.B. MCPs exercising this flexibility must submit a separate, two-year Community Reinvestment Plan in early Q3 CY 2027 that meets all requirements under this APL for funding obligations based on CY 2025 and CY 2026 net income.
- MCPs with negative net income and no Qualifying Subcontractors with positive net income are not required to submit a Community Reinvestment Plan for the applicable CY. If this occurs for the initial year of the three-year investment period, the MCP must submit a two-year or one-year Community Reinvestment Plan (as applicable) if the MCP or its Qualifying Subcontractors has positive net income in a subsequent CY tied to the investment period based on the timeline established in Section VII.
- MCPs subject to the Quality Achievement Community Reinvestment requirement in year two or three (but not year one) of a given investment period must amend the Community Reinvestment Plan submission for the applicable CY to incorporate activities, subject to DHCS approval, that meet the Quality Achievement Community Reinvestment requirements described in Section III.A of this APL.

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 24-018. 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 Q2 CY 2026, and annually thereafter. DHCS will complete its review of MCPs' and Subcontractors' MLR reports in Q3 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.¹⁴

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 Appendix C.

¹⁴ 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.

VI. Community Reinvestment Implementation and Report

A. Community Reinvestment Implementation

The MCP and its Qualifying Subcontractors, as applicable, must initiate investments in Community Reinvestment activities by no later than the close of the CY in which DHCS approves the initial Community Reinvestment Plan for the applicable investment period. Community Reinvestment funding obligations for each three-year investment period must be spent on specific activities included in the initial Community Reinvestment Plan approved by DHCS by the end of the three-year period. For the first investment period, MCPs and their Qualifying Subcontractors must initiate investments in Community Reinvestment activities approved by DHCS in the initial early Q3 CY 2026 Community Reinvestment Plan by no later than the close of CY 2026 and must expend all funds for the initial investment period—including cumulative funding obligations based on CY 2024, CY 2025, and CY 2026 net income—by the close of CY 2029. On a limited basis subject to DHCS approval, MCPs may be permitted to carry over unspent funds to the subsequent investment period if there is reasonable justification or cause regarding the MCP's inability to fully exhaust funds within the applicable investment period.

B. Community Reinvestment Report

Starting with Community Reinvestment activities generated by net income for CY 2024 through CY 2026 and documented in the Community Reinvestment Plan submissions for 2026 through 2028, MCPs are required to post a Community Reinvestment Report on their website and provide the link to DHCS in Q2 CY 2030, and every three years thereafter, for DHCS review. 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.

VII. Timeline

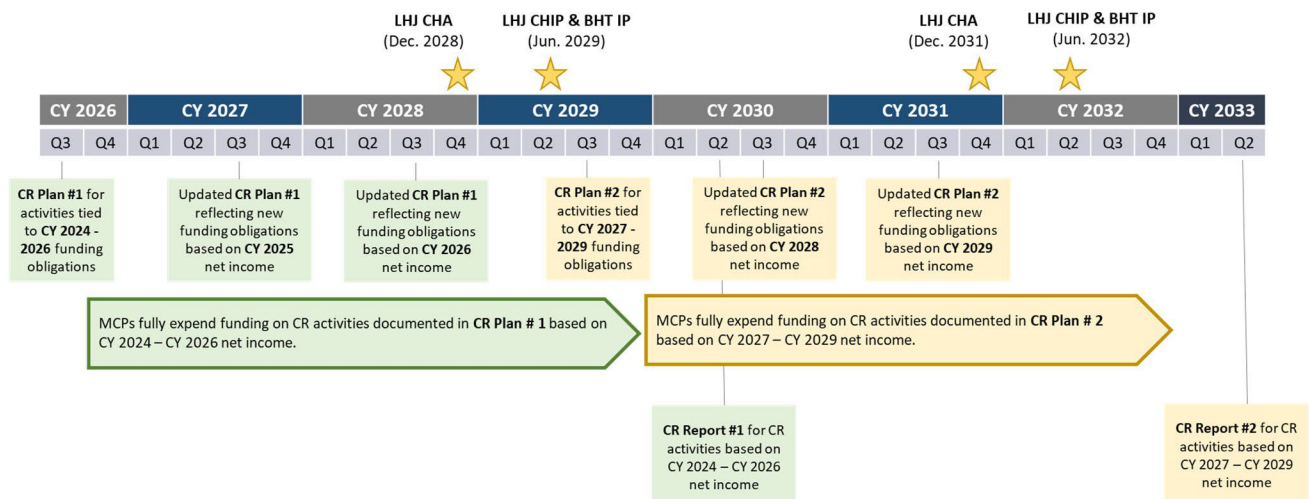
MCPs must perform Community Reinvestment activities based on the timeline in Table 7. A visual representation of the timeline for the initial investment periods is included in Exhibit 1.

Table 7: Timeline of Community Reinvestment Activities

Activity	Timeline (Based on CY 2024 Implementation Year)
Planning	
MCPs collect data and solicit stakeholder input on community needs	Early CY 2025 through Community Reinvestment planning process
MCPs receive funding obligations from DHCS for compliance with: <ul style="list-style-type: none"> • Base Community Reinvestment requirement; and • 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	<p>Early Q3 CY 2026 for the initial submission for the investment period, and every three years thereafter</p> <p>Early Q3 CY 2027, and every three years thereafter, and early Q3 CY 2028, and every three years thereafter, for the subsequent submissions within the investment period</p>

Activity	Timeline (Based on CY 2024 Implementation Year)
DHCS reviews and approves Community Reinvestment Plans	Within 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 the close of CY 2026 with funds exhausted by the close of CY 2029, and every three years thereafter
Reporting	
MCPs post the Community Reinvestment Reports on the MCPs' websites and submit the hyperlinks to DHCS for review	Q2 CY 2030, and every three years thereafter
DHCS reviews Community Reinvestment Reports	Approximately 60 days upon receipt of website link from MCPs

Exhibit 1: Timeline of MCP Community Reinvestment Activities for Initial Investment Periods



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 or prior to

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.¹⁵

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 Portal¹⁶ within 90 days of the release of this APL. MCPs should also review their Subcontractor Agreements, in particular those for Qualifying Subcontractors, 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. 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,

Original Signed by Bambi Cisneros

Bambi Cisneros, Assistant Deputy Director
Managed Care Quality and Monitoring Division

¹⁵ DHCS will provide greater specificity regarding MCPs' phase out requirements related to Community Reinvestment through an amendment to the MCP Contract anticipated in CY 2025.

¹⁶ The MCOD Contract Oversight SharePoint Submission Portal is located at:

<https://cadhcs.sharepoint.com/sites/MCOD-MCPSubmissionPortal/SitePages/Contract%20Oversight.aspx>.