



Govin Newsom, Governor
State of California
Health and Human Services Agency
DEPARTMENT OF MANAGED HEALTH CARE
980 9th Street, Suite 500
Sacramento, CA 95814
Phone: 916-324-8176 | Fax: 916-255-5241
www.HealthHelp.ca.gov

March 14, 2024

Via eFile

Mr. Brian Ternan
Chairman, President & CEO
Health Net Community Solutions, Inc.
21281 Burbank Blvd.
Woodland Hills, CA 91367

FINAL REPORT OF A ROUTINE EXAMINATION OF HEALTH NET COMMUNITY SOLUTIONS, INC.

Dear Mr. Ternan:

Enclosed is the final report (Final Report) of a routine examination for the quarter ended March 31, 2023 of the fiscal and administrative affairs of Health Net Community Solutions, Inc. (Plan). The examination was conducted by the Department of Managed Health Care (Department) pursuant to Section 1382 of the Knox-Keene Health Care Service Plan Act of 1975.¹ The Department issued a preliminary report to the Plan on January 11, 2024. The Department accepted the Plan's electronically filed response on February 26, 2024.

The Final Report includes a description of the compliance efforts included in the Plan's February 26, 2024 response, in accordance with Section 1382(c).

Section 1382(d) states, "If requested in writing by the plan, the director shall append the plan's response to the final report issued pursuant to subdivision (c). The plan may modify its response or statement at any time and provide modified copies to the department for public distribution not later than 10 days from the date of notification from the department that the final report will be made available to the public. The addendum to the response or statement shall also be made available to the public."

Please indicate within 10 days from the date of the Plan's receipt of this letter whether the Plan requests the Department to append its response. If so, please indicate which portions of the Plan's response should be appended, and electronically file copies of

¹ References to "Section" are to sections of the Knox-Keene Health Care Service Plan Act of 1975, as codified in California Health and Safety Code section 1340 et seq.

those portions excluding information held confidential pursuant to Section 1382(c). If the Plan requests the Department to append a brief statement summarizing the Plan's response or wishes to modify any information provided to the Department in its February 26, 2024 response, please provide an addendum no later than 10 days from the date of the Plan's receipt of this letter. Please file this addendum electronically via the corrective action plan (CAP) system within the Department's eFiling web portal at <https://wpsso.dmhc.ca.gov/secure/login/>, as follows:

- From the main menu, select "eFiling."
- From the eFiling menu, select "Online Forms."
- From the Online Forms menu, select "Details" for "CAP # S23-R-426."
- Go to the "Messages" tab, then:
 - Select "Addendum to Final Report" (note this option will only be available for 10 days after the issuance of the Final Report).
 - Select the deficiency(ies) that are applicable.
 - Create a message for the Department.
 - Attach and upload all documents with the name "Addendum to Final Report."
 - Select "Send Message."

The Department finds that the Plan's compliance efforts are responsive to the deficiencies cited and the corrective actions required. Therefore, no further response is required.

Questions or problems related to the electronic transmission of any addendum should be directed to the Office of Financial Review administrative support team at 916-255-2345 or by e-mail at ofr_admin@dmhc.ca.gov.

The Department will make the Final Report available to the public in 10 days from the Plan's receipt of this letter. The Final Report will be located at the Department's web site at <http://www.dmhc.ca.gov/LicensingReporting/ViewFinancialExaminationReports.aspx>.

If there are any questions regarding the Final Report, please contact me at 916-403-9518 or by e-mail at Marcia.Davis@dmhc.ca.gov.

Sincerely,

SIGNED BY

Marcia Davis
Corporation Examiner IV, Supervisor
Office of Financial Review
Division of Financial Oversight

cc: Christy Bosse, Vice President and CA Compliance Officer, Health Net Community Solutions, Inc.
Pritika Dutt, CPA, Deputy Director, Office of Financial Review
Jennifer Clark, Supervising Examiner, Division of Financial Oversight
Sully Wong-Guerrero, Examiner, Division of Financial Oversight
Lorilee Ambrosini, Examiner, Division of Financial Oversight
John Lai, Attorney IV, Office of Plan Licensing
Chris Wordlaw, Staff Services Manager III, Office of Plan Monitoring
Chad Bartlett, Staff Services Manager II, Help Center

**STATE OF CALIFORNIA
DEPARTMENT OF MANAGED HEALTH CARE**

**OFFICE OF FINANCIAL REVIEW
DIVISION OF FINANCIAL OVERSIGHT**

FINAL REPORT OF A ROUTINE EXAMINATION

**OF
HEALTH NET COMMUNITY SOLUTIONS, INC.**

FILE NO. 933 0426

DATE OF FINAL REPORT: MARCH 14, 2024

SUPERVISING EXAMINER: JENNIFER CLARK

OVERSIGHT EXAMINER: MARCIA DAVIS

EXAMINER-IN-CHARGE: SULLY WONG-GUERRERO

FINANCIAL EXAMINERS:

**DANIEL FLORES
NYAMSUREN SANJAA
GETACHEW TAREKE**

BACKGROUND INFORMATION FOR HEALTH NET COMMUNITY SOLUTIONS, INC.

Date Plan Licensed:	June 13, 2005
Organizational Structure:	<p>Health Net Community Solutions, Inc. (Plan) is a for-profit, wholly owned subsidiary of Health Net, LLC (HNI), which is a wholly owned subsidiary of Centene Corporation, a publicly traded company.</p> <p>The Plan is a party to several administrative service agreements with HNI and its affiliates, which authorize certain services to be performed on behalf of and by the Plan.</p>
Type of Plan:	The Plan is a full-service health care service plan that provides health care services to individuals through government subsidized programs, including Medicare through its contract with the Centers for Medicare and Medicaid Services, and Medi-Cal through its contracts with the California Department of Health Care Services and subcontractor agreements.
Provider Network:	The Plan contracts with various providers, including medical groups, hospitals, and other providers of health care services. Professional providers receive capitation for their services, and institutional providers are reimbursed on a capitation, discounted fee-for-service, hospital per diem, and case rate basis.
Plan Enrollment:	The Plan reported 2,211,679 enrollees as of March 31, 2023.
Service Area:	All major counties in California.
Date of Prior Final Routine Examination Report:	February 2, 2021

FINAL REPORT OF A ROUTINE EXAMINATION OF HEALTH NET COMMUNITY SOLUTIONS, INC.

This is the final report (Final Report) for the quarter ended March 31, 2023 of a routine examination of the fiscal and administrative affairs of Health Net Community Solutions, Inc. (Plan). The examination was conducted by the Department of Managed Health Care (Department) pursuant to Section 1382 of the Knox-Keene Health Care Service Plan Act of 1975.¹ The Department issued a preliminary report (Preliminary Report) to the Plan on January 11, 2024. The Department accepted the Plan's electronically filed response on February 26, 2024.

This Final Report includes a description of the compliance efforts included in the Plan's February 26, 2024 response to the Preliminary Report, in accordance with Section 1382(c). The Plan's response is noted in italics within this Final Report.

The Department examined the Plan's financial report filed with the Department for the quarter ended March 31, 2023, as well as other selected accounting records and controls related to the Plan's various fiscal and administrative transactions.

The Department's findings are presented in this Final Report as follows:

- | | |
|-----------|------------------------------------|
| Part I. | Financial Statements |
| Part II. | Calculation of Tangible Net Equity |
| Part III. | Compliance Issue |

The Department finds that the Plan's compliance efforts are responsive to the deficiencies cited and the corrective actions required. Therefore, no further response is required.

¹ References to "Section" are to sections of the Knox-Keene Health Care Service Plan Act of 1975, as codified in California Health and Safety Code section 1340 et seq. References to "Rule" are to regulations promulgated pursuant to the Knox-Keene Health Care Service Plan Act of 1975 contained within title 28 of the California Code of Regulations.

PART I. FINANCIAL STATEMENTS

The Department's examination did not result in any adjustments or reclassifications to the Plan's financial statements for the quarter ended March 31, 2023, as filed with the Department. A copy of the Plan's financial statements can be viewed by selecting "Health Net Community Solutions, Inc." on the second drop-down menu of the Department's financial statement database available at <http://wps0.dmhc.ca.gov/fe/search/#top>.

No response is required to this Part.

PART II. CALCULATION OF TANGIBLE NET EQUITY (TNE)

Net Worth as reported by the Plan as of quarter ended March 31, 2023	\$1,187,504,424
Less: Intangible Assets and Goodwill – Net	<u>30,000,000</u>
TNE	1,157,504,424
Required TNE	<u>150,036,157</u>
TNE Excess per Examination	<u>\$1,007,468,267</u>

The Plan was in compliance with the TNE requirements of Rule 1300.76 as of March 31, 2023.

No response is required to this Part.

PART III. COMPLIANCE ISSUE

A. CHANGES IN PLAN PERSONNEL

Section 1352(c) and Rule 1300.52.2 state, in part, that a plan shall, within five days, file an amendment when there are changes in personnel of the plan. Changes in personnel refer to the addition or deletion of a director, trustee, principal officer, general partner, general manager or principal management persons, or persons occupying similar positions, or performing similar functions, or a substantial and material change in the duties or any such person.

The Department's examination disclosed that the Plan did not timely file changes in plan personnel as indicated in the table below.

Position Title	Reason	Effective Date	Filing Date	Days > 5 days
Medicare Program Officer	Retired	Not Filed	Not Filed	Not Filed
Sr. Vice President, Medicare Officer	New to Position	Not Filed	Not Filed	Not Filed

The Preliminary Report required the Plan to electronically file a new amendment to report the personnel changes with the Department. The cover page was to state that it was filed as a result of the recent financial examination. The Plan was required to provide evidence in its response to this Preliminary Report that the filing was submitted to the Department.

In addition, the Plan was required to implement corrective actions to ensure changes in plan personnel are filed with the Department within five days pursuant to the above Section and Rule, describe the corrective actions taken to the Department, state the date of implementation, and identify the management position(s) responsible for ensuring ongoing compliance.

The Plan responded as follows:

The Plan has implemented a corrective action plan to address the late and missing filing for key personnel changes. Effective March 1, 2024, the responsibility of filing personnel changes will transition to the CA Compliance Department. The required filings were completed under Filing No. 20240943.

The Department finds that the Plan's compliance effort is responsive to the deficiency cited and corrective action required. Therefore, no further response is required.