



KERN HEALTH SYSTEMS POLICY AND PROCEDURES			
Policy Title	Community Reinvestment	Policy #	22.11-P
Policy Owner	Health Equity Office	Original Effective Date	01/01/2025
Revision Effective Date		Approval Date	09/10/2025
Line of Business	<input checked="" type="checkbox"/> Medi-Cal <input type="checkbox"/> Medicare <input type="checkbox"/> Corporate		

I. PURPOSE

The purpose of this policy is to guide Kern Health Systems (KHS) in reinvesting a portion of its net income into local communities. This initiative is in line with the requirements set forth by the Department of Health Care Services (DHCS) in APL 25-004 Community Reinvestment.

DHCS mandates that Managed Care Plans (MCPs) contribute a minimum percentage of their annual net income to local communities. This policy aims to address unmet needs and promote health and well-being among KHS Members.

II. POLICY

KHS will consult with its Community Advisory Committees (CACs) and Local Health Jurisdictions (LHJs) to gather input and recommendations for its Community Reinvestment activities to promote community engagement. KHS's investments through this effort will target reducing health disparities and promoting improved health outcomes. KHS will focus on upstream causes of poor health, such as housing instability, food insecurity, poverty, and barriers to accessing health and social services to further align KHS's investments with positive health outcomes and equity. KHS will ensure that Community Reinvestment funds are not allocated towards activities included in its DHCS Contract or services covered under Medi-Cal to ensure the funding targets non-contract activities.

KHS, and its Qualifying Subcontractors as applicable, shall initiate investments in Community Reinvestment activities no later than the end of the Calendar Year (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 shall be fully allocated to the specific activities outlined in the approved Community Reinvestment Plan and expended by the end of the corresponding three-year period.

III. DEFINITIONS

TERMS	DEFINITIONS
Base Community Reinvestment	This is the minimum level of net income that a Plan with positive net is required to invest into initiatives that serve the communities in which the Plan operates, starting with net income based on CY 2024 Contract Revenues for Community Reinvestment activities initiated in CY 2026.
Quality Achievement Reinvestment	This refers to additional investments required in counties where the Plan does not meet quality performance thresholds. Starting with CY 2024, Kern Health Systems needs to allocate 7.5% of its annual net income for these initiatives.
Enforcement Tiers.	These are categories based on the Plan's quality performance measures. Counties are assigned to Tier 1, Tier 2, or Tier 3 based on how many measures fall below the Minimum Performance Level (MPL) by the DHCS.

IV. PROCEDURES

A. Effective Dates

1. KHS will start planning for Community Reinvestment in calendar year (CY) 2025.
2. Actual Community Reinvestment activities will begin in CY 2026.

B. Funding Allocation

Beginning in Calendar Year (CY) 2026, DHCS will annually calculate the Plan's minimum Community Reinvestment funding obligation in accordance with DHCS APL 25-004: Community Reinvestment Requirements.

1. Base Community Reinvestment:
 - a. KHS will allocate 5% of its annual net income if it is less than or equal to 7.5% of its Medi-Cal Contract Revenues.
 - b. KHS will allocate 7.5% of its annual net income if it exceeds 7.5% of its Medi-Cal Contract Revenues.
2. Quality Achievement Community Reinvestment:
 - a. If KHS falls in Enforcement Tier 2 or 3, the Plan will allocate an additional 7.5% of its annual net income.

3. Enforcement Tier 2 and Tier 3 Specific Funding Requirements

- a. For any county in which KHS is assigned to Enforcement Tier 2 or Tier 3, KHS will be subject to both the Base Community Reinvestment and the Quality Achievement Community Reinvestment requirements. KHS will allocate 100% of the Quality Achievement Community Reinvestment funds toward investments under the "Cultivating Improved Health" category for those counties.

4. Prohibited Use of Community Reinvestment Funds

Community Reinvestment obligations shall not be met through expenditures for the following:

- a. 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.
- b. Provision of carved-out Medi-Cal or state-funded services, even if those services are excluded from the Plan's primary or secondary operations contracts.
- c. Health care services or activities intended to improve health care quality, as defined in 42 Code of Federal Regulations (CFR) §438.8(e)(3).
- d. Administrative activities of KHS or its subcontractors, including indirect or overhead costs.
- e. Procedural or administrative activities directly related to Community Reinvestment planning, implementation, reporting, or stakeholder engagement.
- f. Member incentives or Member grants, including cash, gift cards, or other direct financial benefits offered to Members.

Community Reinvestment expenditures must strictly align with the DHCS-approved use categories and serve unmet community needs outside the scope of the KHS's Medi-Cal contract obligations.

C. Qualifying Subcontractors

KHS will notify Qualifying Subcontractors of their minimum Community Reinvestment funding obligations, and any corrections to such obligations, within 7 calendar days of receiving notice from DHCS.

1. KHS's subcontractors will also need to allocate funds:

- a. 5% of their annual net income if it is less than or equal to 7.5% of revenues under their Subcontractor Agreement with KHS.
- b. 7.5% of their annual net income if it exceeds 7.5% of revenues under their Subcontractor Agreement with KHS.

D. Mandatory Use Categories

1. Each Community Reinvestment activity will be aligned with and fall under at least one of the five DHCS-designated categories listed below:

- a. Cultivating Neighborhoods and Built Environment: Investments that create neighborhoods and environments promoting health, well-being, and safety.
- b. Cultivating a Health Care Workforce: Investments that build the next generation of health care workers, addressing workforce shortages and establishing a health care career pipeline for youth and young adults.
- c. Cultivating Well-Being for Priority Populations: Investments that address community-specific needs through tailored supports and services not covered under KHS's Managed Care Plan (MCP) Contract.
- d. Cultivating Local Communities: Investments that bolster the lives of individuals and contribute to the advancement and well-being of the community through education initiatives, employment and training programs, and initiatives to eradicate poverty.
- e. Cultivating Improved Health: Investments targeted toward upstream root causes of poor health, addressing immediate and long-term health-related needs as defined by the community.

E. Community Reinvestment Plan

Local Health Jurisdictions and County Behavioral Health will be included in the Community Reinvestment planning and decision-making process for activities based on net income for CY2025 and thereafter for both MCP's and Qualifying Subcontractors'.

1. The Community Reinvestment Plan describes the permitted Community Reinvestment activities for each three-year investment period beginning with CY 2026 and recurring every three years after.
 - a. The Plan will post the DHCS- approved Community Reinvestment Plan on its website and use templates included in APL 25-004 Appendix B for the submission.
2. KHS shall develop an initial Community Reinvestment Plan that includes:
 - a. KHS will provide a detailed description of the anticipated Community Reinvestment activities and the corresponding use categories.
 - b. KHS's activities will be aligned with community needs identified through the Community Health Assessment (CHA).
 - c. If applicable, identification of the CHIP activity each investment aligns with.
 - d. KHS will engage with its CACs and other stakeholders and provide a summary of engagement and recommendations and validate its plans.
 - i. Will provide identification of any recommendations not adopted and rationale.
 - e. KHS will engage its Chief Health Equity Officer during the Community Reinvestment planning process to ensure all activities are aligned with The Plans' health equity goals and priorities.
 - i. If applicable, a summary of Chief Health Equity Officer and QIHEC input will be included.
 - f. KHS will specify the expected dollar amount allocated for each activity and the populations that will benefit.
 - g. KHS will describe how it will measure and evaluate the impact of its activities.

- h. KHS's Community Reinvestment planning and decision-making process will include active engagement with Local Health Jurisdictions (LHJs) and County Behavioral Health agencies to ensure initiatives reflect local health priorities and behavioral health needs.
- i. KHS will include a signed attestation from local Public Health and County Behavioral Health Directors.
- j. KHS will coordinate with other MCPs operating within the same counties to collaboratively engage LHJs and align efforts during the Community Reinvestment planning process.

F. Subsequent Plan Submissions

- 1. KHS will allocate additional investments for each activity documented in the initial plan based on positive net income for the applicable CY.
- 2. Each subsequent Community Reinvestment Plan with the three-year investment period will include at the minimum: 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.
- 3. KHS will propose new or revised activities that meet all requirements established in this policy.

G. Implementation and Reporting

KHS will submit a Community Reinvestment Plan starting in early Q3 CY 2026 and annually thereafter, unless KHS and its Qualifying Subcontractors do not have positive net income for the applicable CY.

- 1. Initiation of Activities
 - a. KHS will start its Community Reinvestment activities by the close of CY 2026.
 - b. KHS will ensure all funds are expended by the end of the three-year period.

H. Community Reinvestment Report

- 1. KHS will post a Community Reinvestment Report on its website beginning in Quarter Two (Q2) CY 2030 and every three years thereafter.
- 2. The report will include detailed descriptions and outcomes of KHS's Community Reinvestment activities, which includes a signed letter from the Community Advisory Committee (CAC) describing the degree to which KHS engaged the CAC and other stakeholders in Community Reinvestment planning efforts and providing feedback regarding the completed Reinvestment activities.
- 3. The Community Reinvestment Report will detail the composite set of Community Reinvestment activities conducted, listed separately for MCP and its Qualifying Subcontractors, including:
 - a. The actual dollar amount spent on each Community Reinvestment activity by county.

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

I. Training

1. KHS will provide comprehensive training to all relevant staff on the Community Reinvestment policy and procedures.
2. Training will include:
 - a. Overview of DHCS APL 25-004 requirements.
 - b. Detailed explanation of funding allocations and mandatory use categories.
 - c. Guidance on engaging with CACs and LHJs.
 - d. Procedures for submitting Community Reinvestment Plans and Reports.
3. Training sessions will be conducted annually and as needed to ensure staff are fully informed and compliant with the policy.

J. Compliance and Oversight

1. KHS will ensure that its subcontractors comply with all applicable laws and regulations.
2. DHCS may impose Corrective Action Plans (CAP) and sanctions for non-compliance.

I. ATTACHMENTS

Attachment A:	Appendix B: Community Reinvestment Plan Template
Attachment B:	Appendix B, Exhibit 1: Attestation of Support from Public Health Director
Attachment C:	Appendix B, Exhibit 2: Attestation of Support from County Behavioral Health Director
Attachment D:	Appendix B, Attestation of Acknowledgement Template
Attachment E:	Appendix D, Community Reinvestment Report

II. REFERENCES

Reference Type	Specific Reference
All Plan Letter(s) (APL)	DHCS APL 25-004 Community Reinvestment Requirements

Other	Title 42 Code of Federal Regulations §438.8(e)(3)
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III. REVISION HISTORY

Action	Date	Brief Description of Updates	Author
Effective	01/01/2025	Policy was created to comply with DHCS APL 25-004.	HEO

IV. APPROVALS

Committees Board (if applicable)	Date Reviewed	Date Approved
Choose an item.		

Regulatory Agencies (if applicable)	Date Reviewed	Date Approved
Department of Health Care Services (DHCS)	APL 25-004 May FY25 AIR #1	06/25/2025

APPENDIX B, EXHIBIT 1: ATTESTATION OF SUPPORT FROM PUBLIC HEALTH DIRECTOR

Subject: Attestation of Support for Community Reinvestment Plan

I, the undersigned, as an officer of (county name), hereby attest that (MCP name's) Community Reinvestment Plan for investments anticipated in calendar year(s): (calendar year / calendar years):

- » Aligns with community needs identified in the most current CHA / CHIP: ☐ Yes ☐ No (If no, please briefly describe the rationale below):
- » Is informed by needs identified in the Behavioral Health Transformation planning process: ☐ Yes ☐ No (If no, please briefly describe the rationale below):
- » To the extent CHA/CHIP includes behavioral health needs as identified by the community, the County Behavioral Health Department agrees that the investment strategy is aligned with the CHA/CHIP: ☐ Yes ☐ No (If no, please briefly describe below):
- » Includes proposed investment activities that are agreeable to the County Behavioral Health Department: ☐ Yes ☐ No (If no, please briefly describe the rationale below):

By:

(Please type full name here)

(Please type title here)

(Signature)

(Date)

APPENDIX B, EXHIBIT 2: ATTESTATION OF SUPPORT FROM COUNTY BEHAVIORAL HEALTH DIRECTOR

Subject: Attestation of Support for Community Reinvestment Plan

I, the undersigned, as an officer of (county name), hereby attest that (MCP name's) Community Reinvestment Plan for investments anticipated in calendar year(s): (calendar year / calendar years):

- » Aligns with community needs identified in the most current CHA / CHIP: ☐ Yes ☐ No (If no, please briefly describe the rationale below):
- » Is informed by needs identified in the Behavioral Health Transformation planning process: ☐ Yes ☐ No (If no, please briefly describe the rationale below):
- » To the extent CHA/CHIP includes behavioral health needs as identified by the community, the County Behavioral Health Department agrees that the investment strategy is aligned with the CHA/CHIP: ☐ Yes ☐ No (If no, please briefly describe below):
- » Includes proposed investment activities that are agreeable to the County Behavioral Health Department: ☐ Yes ☐ No (If no, please briefly describe the rationale below):

By:

(Please type full name here)

(Please type title here)

(Signature)

(Date)

APPENDIX B, EXHIBIT 3: ATTESTATION OF ACKNOWLEDGMENT

Subject: Attestation of Acknowledgement of Community Reinvestment Plan

Local Public Health Director

I, the undersigned, as an officer of (county / city name), hereby attest that (MCP name) has informed the LHJ of its Community Reinvestment Plan and proposed investment activities based on CY 2024 net income:

By:

(Please type full name here)

(Please type title here)

(Signature)

(Date)

County Behavioral Health Director

I, the undersigned, as an officer of (county name), hereby attest that (MCP name) has informed the County Behavioral Health Department of its Community Reinvestment Plan and proposed investment activities based on CY 2024 net income:

By:

(Please type full name here)

(Please type title here)

(Signature)

(Date)

APPENDIX B, EXHIBIT 4: COMMUNITY REINVESTMENT PLAN

MCP/Subcontractor Name:

Description of Proposed Community Reinvestment Activities	
Question	Response
1) Provide a detailed description of the Community Reinvestment and the related use category or categories for the activity.	
2) Please indicate all counties of operation where investments for this activity will occur.	
3) Please specify the intended timeline for funding this activity (e.g., the CY 2026 – CY 2029 investment period based on CY 2024 – CY 2026 net income).	
4) Provide a description of how the activity is informed by the LHJ’s CHA. Please include a link or hard copy of the most recent CHA.	
5) If applicable, provide a description of how the activity is informed by the BHT community planning process.	
6) If applicable, identify the LHJ CHIP activity that the Community Reinvestment activity matches. Please include a link or hard copy of the most recent CHIP.	

Description of Proposed Community Reinvestment Activities	
Question	Response
<p>7) Provide a description of the anticipated benefits of the Community Reinvestment activity, populations expected to benefit, and alignment with guiding principles identified in the APL.</p> <p>Note: If this activity is intended to meet the MCP's Quality Achievement Community Reinvestment requirement, the MCP must indicate how the activity aligns with the "Cultivating Improved Health" category.</p>	
<p>8) Provide a description of the approach taken to engage the CAC in the Community Reinvestment planning process, including a summary of input and recommendations provided.</p>	
<p>9) If applicable, provide a description of the approach taken to engage other community stakeholders in the Community Reinvestment planning process, including a summary of stakeholders involved and any input or recommendations provided.</p>	
<p>10) Provide a description of any investments recommended by the CAC not included in the Community Reinvestment Plan.</p>	
<p>11) Provide a summary of input provided by the Chief Health Equity Officer on the Community Reinvestment Plan and/or planning efforts.</p>	

Description of Proposed Community Reinvestment Activities	
Question	Response
12) If applicable, provide a summary of input provided by the QIHEC on the Community Reinvestment Plan and/or planning efforts.	
13) Provide a description of how the Community Reinvestment activity will be measured and evaluated.	
14) If applicable, please provide the name of any Qualifying Subcontractors that intend to invest in this activity.	

APPENDIX D, COMMUNITY REINVESTMENT REPORT

(MCP Name) Community Reinvestment Activities in (County Name) for CY (Year) through CY (Year)

Description of Activity	Dollar Amount Invested	Alignment with State Defined Use Categories	Base or Quality Achievement Allocation?
<i>Ex) Investment in community garden</i>	<i>\$600,000</i>	<i>Cultivating Neighborhoods and Built Environment</i>	<i>Base Community Reinvestment</i>
Alignment of Community Reinvestment Activities with Guiding Principles			
<i>Ex) Investments informed by community members and limited access to healthy food as identified in CHA</i>			
Outcomes from Community Reinvestment Activities			
<i>Ex) Access to affordable produce for community members with nearest grocery store >10 miles away</i>			

APPENDIX D, COMMUNITY REINVESTMENT REPORT

(Subcontractor Name) Community Reinvestment Activities in (County Name) for CY (Year) through CY (Year)

Description of Activity	Dollar Amount Invested	Alignment with State Defined Use Categories	Base or Quality Achievement Allocation?
<i>Ex) Investment in community garden</i>	<i>\$600,000</i>	<i>Cultivating Neighborhoods and Built Environment</i>	<i>Base Community Reinvestment</i>
Alignment of Community Reinvestment Activities with Guiding Principles			
<i>Ex) Investments informed by community members and limited access to healthy food as identified in CHA</i>			
Outcomes from Community Reinvestment Activities			
<i>Ex) Access to affordable produce for community members with nearest grocery store > 10 miles away</i>			