



Policy: FF.1010
Title: **Shared Risk Pool**
Department: Finance
Section: Accounting

CEO Approval: /s/ Michael Hunn 05/23/2024

Effective Date: 07/01/2008
Revised Date: 05/01/2024

Applicable to: ☒ Medi-Cal
☐ OneCare
☐ PACE
☐ Administrative

I. PURPOSE

This policy outlines the process for CalOptima Health's administration of the Shared Risk Pool with a Shared Risk Group.

II. POLICY

- A. CalOptima Health shall establish a Shared Risk Pool for a Shared Risk Group in accordance with the Contract for Health Care Services and the terms and conditions of this Policy.
- B. CalOptima Health shall establish a Shared Risk Pool each fiscal year (July 1 through June 30) during the term of a Shared Risk Group's Contract for Health Care Services.
- C. The Shared Risk Budget shall include:
 - 1. The Hospital Budget Capitation Allocation for Members assigned to the Shared Risk Group within the applicable period;
 - 2. Reinsurance recovery amounts as set forth in CalOptima Health Policy FF.1007: Health Network Reinsurance Coverage; and
 - 3. Supplemental OB Delivery Care payments for deliveries on or before June 30, 2023, as set forth in CalOptima Health Policy FF.1005f: Special Payments: Supplemental OB Delivery Care Payment. For deliveries after June 30, 2023, the Shared Risk Budget shall include Supplemental OB Delivery Care payments in accordance with terms and conditions set forth in the Shared Risk Group's Contract.
- D. Effective July 1, 2023, the Shared Risk Budget shall include any amounts for Health Network Members eligible for the California Children's Services (CCS) Program.
- E. Shared Risk Expenses shall include:
 - 1. Claims paid for Shared Risk Services provided to Members assigned to the Shared Risk Group;
 - 2. An estimate of Incurred But Not Reported (IBNR) expenses for Shared Risk Services; and

3. Administrative expenses at a rate established in the Contract for Health Care Services.
- F. Shared Risk Expenses shall not include:
1. Reimbursement for a High Cost Exclusion Item as set forth in CalOptima Health Policy FF.1005c: Special Payments – High Cost Exclusion Items.
 2. Any expenses for services rendered prior to July 1, 2023, attributable to the Health Network Members who are eligible for the CCS Program.
- G. Quarterly Reporting - CalOptima Health shall report the status of the Shared Risk Pool to its corresponding Shared Risk Group within forty-five (45) calendar days following the end of each quarter as follows:
1. Quarter Ending September 30: Due November 15.
 2. Quarter Ending December 31: Due February 15.
 3. Quarter Ending March 31: Due May 15.
 4. Quarter Ending June 30: Due August 15.
- H. Semi-Annual Reconciliation and Settlement - CalOptima Health shall reconcile and settle the Shared Risk Pool by February 28 following the immediately preceding semi-annual period of July 1 through December 31.
1. If, at the end of the first semi-annual period of the fiscal year, CalOptima Health determines that the Shared Risk Pool is in surplus, CalOptima Health shall pay the Shared Risk Group an amount equal to sixty percent (60%) of that surplus, less any deficits carried forward from the previous annual settlement. Any surplus distributions are an advance against the projected final surplus. The remaining forty percent (40%) of the surplus shall remain in the Shared Risk Pool.
 2. If, at the end of that semi-annual period, CalOptima Health determines that the Shared Risk Pool is in deficit, no advance payment shall be made to the Shared Risk Group.
- I. Annual Reconciliation and Settlement - CalOptima Health shall reconcile and report the status of the Shared Risk Pool by October 31 following the end of each fiscal year. The Shared Risk Group will have thirty (30) calendar days from the date of receipt of the annual report to notify CalOptima Health of any objections to the calculations of the surplus or deficit, as detailed in Section III.C.4. of this Policy.
1. After issuance of the final Annual Shared Risk Program Report, if CalOptima Health determines that the Shared Risk Pool is in surplus, CalOptima Health shall pay the Shared Risk Group an amount equal to sixty percent (60%) of that surplus, less any advance amounts paid at the semi-annual reconciliation period as described in Section II.H.1. of this Policy, and less any deficits carried forward from the previous annual settlement. CalOptima Health shall retain the balance of the Shared Risk Pool.
 2. After issuance of the final Annual Shared Risk Program Report, if CalOptima Health determines that the Shared Risk Pool is in deficit, CalOptima Health shall carry forward an amount equal to sixty percent (60%) of that deficit into the next fiscal year's semi-annual and/or

annual reconciliation, along with any additional deficits carried forward from the previous annual settlement, except as otherwise established in the Contract for Health Care Services.

- J. If there is a significant change in risk pool performance, CalOptima Health reserves the right to meet with the Shared Risk Group in order to discuss and understand the reason for the significant change.
- K. If there is continued deterioration of performance of the Shared Risk Pool, CalOptima Health may request a Corrective Action Plan (CAP) from the Shared Risk Group.
- L. If CalOptima Health determines that a Shared Risk Group has Shared Risk Pool deficits in two (2) successive fiscal years, CalOptima Health may terminate the Shared Risk Group's Contract for Health Care Services.
- M. In the event that CalOptima Health or a Shared Risk Group terminates the Contract for Health Care Services, CalOptima Health shall settle the Shared Risk Pool within one hundred twenty (120) calendar days following the date of contract termination, in accordance with Section III.D. of this Policy.
- N. Upon identification of a payment error, Shared Risk Groups must submit written notification on a timely basis in order for CalOptima Health to seek necessary Provider recoupment. CalOptima Health cannot request recoupment from a Provider after more than three hundred sixty-five (365) calendar days from the date of CalOptima Health's original claims payment.
- O. If a Health Network identifies an overpayment of a semi-annual or annual settlement payment, the Health Network shall return the overpayment within sixty (60) calendar days after the date on which the overpayment was identified and shall notify CalOptima Health's Accounting Department in writing of the reason for the overpayment. CalOptima Health shall coordinate with the Health Network on the process to return the overpayment.

III. PROCEDURE

A. Quarterly Shared Risk Pool Reporting

- 1. Within forty-five (45) calendar days following the end of each quarter, as detailed in section II.G. of this Policy, CalOptima Health shall provide a Shared Risk Group with a written report of the status of the Shared Risk Pool.
- 2. The report shall include:
 - a. An annualization of the aggregate amount of the Shared Risk Budget and Shared Risk Expenses for all months to date during that fiscal year; and
 - b. An estimate of the projected Shared Risk Pool deficit or surplus at the end of the fiscal year.

B. Semi-Annual Shared Risk Pool Reconciliation and Settlement

- 1. No later than February 28 of each year, CalOptima Health shall settle the Shared Risk Pool for the immediately preceding semi-annual period July 1 through December 31.
 - a. CalOptima Health shall calculate the Shared Risk Budget for the semi-annual period July 1 through December 31. The Shared Risk Budget shall include all components detailed in

Sections II.C. and II.D. of this Policy related to Members assigned to the Shared Risk Group within the semi-annual period, and for dates of service within the semi-annual period.

- b. CalOptima Health shall calculate Shared Risk Expenses for the semi-annual period July 1 through December 31. The Shared Risk Expenses shall include all components detailed in Sections II.E. and II.F. of this Policy for dates of service within the semi-annual period.
 - c. CalOptima Health shall reduce Shared Risk Expenses for the semi-annual period by:
 - i. Any applicable copayments, deductibles, or third-party payments collected by CalOptima Health or a Provider for Shared Risk Services provided to Members assigned to the Shared Risk Group within the semi-annual period; and
 - ii. Any recoveries, including overpayments, for dates of service within the semi-annual period related to Shared Risk Services provided to Members assigned to the Shared Risk Group.
2. CalOptima Health shall compute and settle the semi-annual Shared Risk Pool surplus or deficit by deducting the Shared Risk Expenses from the Shared Risk Budget for the semi-annual period.
 - a. If CalOptima Health determines that the Shared Risk Pool is in surplus, CalOptima Health shall pay the Shared Risk Group an amount equal to sixty percent (60%) of that surplus, less any deficits from the previous annual settlement. Any surplus distributions are an advance against the projected final surplus. The remaining forty percent (40%) of the surplus shall remain in the Shared Risk Pool.
 - b. If CalOptima Health determines that the Shared Risk Pool is in deficit, no advance payment shall be made to the Shared Risk Group.

C. Annual Shared Risk Pool Reconciliation and Settlement

1. No later than October 31 of each year, CalOptima Health shall provide the Shared Risk Group with an Annual Shared Risk Program Report. The Annual Shared Risk Program Report shall show reconciliation of allocations, deposits, expenses, and disbursements during the immediately preceding fiscal year, and the status of the Shared Risk Pool.
 - a. CalOptima Health shall calculate the Shared Risk Budget for the annual reconciliation in accordance with Sections II.C. and II.D. of this Policy. The Shared Risk Budget for the fiscal year shall include:
 - i. The Hospital Budget Capitation Allocation for Members assigned to the Shared Risk Group within that fiscal year, including any retroactivity within ninety (90) calendar days after the end of the fiscal year;
 - ii. Reinsurance recovery amounts for dates of service within that fiscal year and identified within ninety (90) calendar days after the end of the fiscal year; and
 - iii. Supplemental OB Delivery Care payments for dates of service within that fiscal year and identified within ninety (90) calendar days after the end of the fiscal year.

- b. CalOptima Health shall calculate Shared Risk Expenses for the annual reconciliation in accordance with Sections II.E. and II.F. of this Policy. Shared Risk Expenses for the fiscal year shall include:
 - i. Claims for Shared Risk Services for dates of service within that fiscal year and paid within ninety (90) calendar days following the end of the fiscal year;
 - ii. An estimate of IBNR expenses for Shared Risk Services rendered within that fiscal year, based on historical claims for Shared Risk Services for dates of service within that fiscal year and paid up to ninety (90) calendar days following the end of the fiscal year; and
 - iii. Administrative expenses as established in the Contract for Health Care Services.
 - c. Shared Risk Expenses shall not include:
 - i. Reimbursement for a High Cost Exclusion Item as set forth in CalOptima Health Policy FF.1005c: Special Payments – High Cost Exclusion Items.
 - d. CalOptima Health shall reduce Shared Risk Expenses for the fiscal year by:
 - i. Any applicable copayments, deductibles, or third-party payments collected by CalOptima Health or a Provider for Shared Risk Services provided to Members assigned to the Shared Risk Group during that fiscal year within ninety (90) calendar days after the end of the fiscal year; and
 - ii. Any recoveries, including overpayments, for dates of service within that fiscal year related to Shared Risk Services provided to Members assigned to the Shared Risk Group and received within ninety (90) calendar days after the end of the fiscal year.
 - e. If CalOptima Health identifies any Shared Risk Expenses past ninety (90) calendar days following the end of the fiscal year, CalOptima Health shall deduct such Shared Risk Expenses from the Shared Risk Budget as part of the subsequent fiscal year's update for that Shared Risk Period pursuant to Section III.C.3. of this Policy.
2. CalOptima Health shall compute the annual Shared Risk Pool surplus or deficit by deducting the Shared Risk Expenses from the Shared Risk Budget for the fiscal year.
- a. If CalOptima Health determines that the Shared Risk Pool is in surplus, the Annual Shared Risk Program Report shall reflect that the amount payable to the Shared Risk Group will be an amount equal to sixty percent (60%) of that surplus, less any advance amounts paid at the semi-annual reconciliation period as described in Section III.B.2.a. of this Policy, and less any deficits carried forward from the previous annual settlement. CalOptima Health shall retain the balance of the Shared Risk Pool.
 - b. If CalOptima Health determines that the Shared Risk Pool is in deficit, the Annual Shared Risk Program Report shall reflect that CalOptima Health shall carry forward an amount equal to sixty percent (60%) of that deficit into the next fiscal year's semi-annual and/or annual reconciliation, along with any additional deficits carried forward from the previous annual settlement, except as otherwise established in the Contract for Health Care Services.

3. Each Annual Shared Risk Program Report shall include refreshed reports from the previous two (2) annual shared risk periods. CalOptima Health shall refresh the Annual Shared Risk Program Report at the time of the following shared risk period's annual settlement to update IBNR and actual claims payment for previous shared risk periods. After two (2) years, the refreshed Annual Shared Risk Program Report should not contain IBNR and shall be considered final. (e.g., FY16 Shared Risk Period [July 1, 2015-June 30, 2016] will be final October 31, 2018).
4. If, upon review of the Annual Shared Risk Program Report, the Shared Risk Group objects to the calculations and determination, the Shared Risk Group may complete and submit the Risk Pool Claims Objection Form and any supporting documentation to the CalOptima Health Accounting Department within thirty (30) calendar days from the date of receipt of the Annual Shared Risk Program Report.
 - a. If CalOptima Health does not receive any written objection from the Shared Risk Group within thirty (30) calendar days of receipt of the Annual Shared Risk Program Report, CalOptima Health shall settle the Shared Risk Pool and apply any surplus or deficit within fifteen (15) calendar days after the expiration of the review period, no later than December 15. Such settlement shall be considered final.
 - b. If CalOptima Health receives written notice of objection from a Shared Risk Group within the objection period, CalOptima Health shall re-evaluate its calculations based on additional documentation provided by the Shared Risk Group and provide a final Annual Shared Risk Program Report to the Shared Risk Group within forty-five (45) calendar days after receipt of the written objection.
 - c. CalOptima Health shall settle the Shared Risk Pool based on this final Annual Shared Risk Program Report and apply any surplus or deficit within fifteen (15) calendar days after the date of issuance of the final Annual Shared Risk Program Report.

D. Shared Risk Pool Settlement upon Termination

1. Within one hundred twenty (120) calendar days after the effective date of termination of the Contract for Health Care Services with a Shared Risk Group, CalOptima Health shall provide the terminated Shared Risk Group with a Final Reconciliation and Settlement Report.
 - a. CalOptima Health shall calculate the Shared Risk Budget for the reconciliation upon termination in accordance with Sections II.C. and II.D. of this Policy. The Shared Risk Budget for the reconciliation upon termination shall include:
 - i. The Hospital Budget Capitation Allocation for Members assigned to the Shared Risk Group within that fiscal year and up to the effective date of termination, including any retroactivity within ninety (90) calendar days after the effective date of termination;
 - ii. Reinsurance coverage amounts for dates of service within the fiscal year and up to the effective date of termination, identified no later than ninety (90) calendar days after the effective date of termination; and
 - iii. OB Delivery Care payments for dates of service within that fiscal year and up to the effective date of termination, identified within ninety (90) calendar days after the effective date of termination.

- b. CalOptima Health shall calculate Shared Risk Expenses for the reconciliation upon termination in accordance with Sections II.E and II.F of this Policy. Shared Risk Expenses for the reconciliation upon termination shall include:
 - i. Claims for Shared Risk Services for dates of service within that fiscal year and up to the effective date of termination, paid within ninety (90) calendar days following the effective date of termination;
 - ii. An estimate of IBNR expenses for Shared Risk Services rendered within that fiscal year and up to the effective date of termination, based on historical claims for Shared Risk Services for dates of service within that fiscal year and paid up to ninety (90) calendar days following the effective date of termination; and
 - iii. Administrative expenses as established in the Contract for Health Care Services.
 - c. Shared Risk Expenses shall not include:
 - i. Reimbursement for a High Cost Exclusion Item as set forth in CalOptima Health Policy FF.1005.c: Special Payments – High Cost Exclusion Items.
 - d. CalOptima Health shall reduce Shared Risk Expenses for the fiscal year by:
 - i. Any applicable copayments, deductibles, or third-party payments collected by CalOptima Health or a Provider for Shared Risk Services provided to Members assigned to the Shared Risk Group during that fiscal year within ninety (90) calendar days after the effective date of termination; and
 - ii. Any recoveries, including overpayments, for dates of service within that fiscal year and up to the effective date of termination related to Shared Risk Services provided to Members assigned to the Shared Risk Group and received within ninety (90) calendar days after the effective date of termination.
2. CalOptima Health shall compute the final Shared Risk Pool surplus or deficit by deducting the Shared Risk Expenses from the Shared Risk Budget for the final fiscal year.
- a. If CalOptima Health determines that the Shared Risk Pool is in surplus, the Final Shared Risk Program Report shall reflect that the amount payable to the Shared Risk Group will be an amount equal to sixty percent (60%) of that surplus, less amounts paid at the semi-annual reconciliation period (if applicable), and less any deficits from the previous annual settlement, if not already subtracted at the semi-annual reconciliation period. CalOptima Health shall retain the balance of the Shared Risk Pool.
 - b. If CalOptima Health determines that the Shared Risk Pool is in deficit, the Final Shared Risk Program Report shall reflect that the Shared Risk Group shall not be responsible for any portion of that deficit.
3. If, upon review of the Final Shared Risk Program Report, the Shared Risk Group objects to the calculations and determination, the Shared Risk Group may complete and submit the Risk Pool Claims Objection Form and any supporting documentation to the CalOptima Health Accounting Department within thirty (30) calendar days from the date of receipt of the Final Shared Risk Program Report.

- a. If CalOptima Health does not receive any written objection from the Shared Risk Group within thirty (30) calendar days from the date of receipt of the Final Shared Risk Program Report, CalOptima Health shall settle the Shared Risk Pool and apply any surplus or deficit within fifteen (15) calendar days after the expiration of the review period. Such settlement shall be considered final.
- b. If CalOptima Health receives written notice of objection from the Shared Risk Group, CalOptima Health shall re-evaluate its calculations based on additional documentation provided by the Shared Risk Group and provide any revisions to the Final Shared Risk Program Report to the Shared Risk Group within forty-five (45) calendar days after receipt of the written objection.
- c. CalOptima Health shall settle the Shared Risk Pool based on the revised Final Shared Risk Program Report and apply any surplus or deficit within fifteen (15) calendar days after the date of issuance of the revised Final Shared Risk Program Report.

IV. ATTACHMENT(S)

A. Risk Pool Claims Objection Form

V. REFERENCE(S)

- A. CalOptima Health Contract with the Department of Health Care Services (DHCS) for Medi-Cal
- B. CalOptima Health Contract for Health Care Services
- C. CalOptima Health Policy FF.1005c: Special Payments – High-Cost Exclusion Items
- D. CalOptima Health Policy FF.1005f: Special Payments: Supplemental OB Delivery Care Payment
- E. CalOptima Health Policy FF.1007: Health Network Reinsurance Coverage
- F. CalOptima Health Policy FF.2003: Coordination of Benefits

VI. REGULATORY AGENCY APPROVAL(S)

Date	Regulatory Agency	Response
03/14/2011	Department of Health Care Services (DHCS)	Approved as Submitted
04/04/2023	Department of Health Care Services (DHCS)	File and Use

VII. BOARD ACTION(S)

Date	Meeting
10/02/2014	Regular Meeting of the CalOptima Board of Directors
10/04/2018	Regular Meeting of the CalOptima Board of Directors
06/02/2020	Regular Meeting of the CalOptima Board of Directors

VIII. REVISION HISTORY

Action	Date	Policy	Policy Title	Program(s)
Effective	07/01/2008	FF.1010	Shared Risk Pool	Medi-Cal
Revised	07/01/2009	FF.1010	Shared Risk Pool	Medi-Cal
Revised	07/01/2010	FF.1010	Shared Risk Pool	Medi-Cal
Revised	09/01/2014	FF.1010	Shared Risk Pool	Medi-Cal
Revised	08/01/2016	FF.1010	Shared Risk Pool	Medi-Cal
Revised	05/01/2017	FF.1010	Shared Risk Pool	Medi-Cal

Action	Date	Policy	Policy Title	Program(s)
Revised	10/04/2018	FF.1010	Shared Risk Pool	Medi-Cal
Revised	06/04/2020	FF.1010	Shared Risk Pool	Medi-Cal
Revised	07/01/2021	FF.1010	Shared Risk Pool	Medi-Cal
Revised	05/01/2022	FF.1010	Shared Risk Pool	Medi-Cal
Revised	07/01/2023	FF.1010	Shared Risk Pool	Medi-Cal
Revised	05/01/2024	FF.1010	Shared Risk Pool	Medi-Cal

IX. GLOSSARY

Term	Definition
California Children's Services (CCS) Program	A State and county program providing Medically Necessary services to treat CCS-Eligible Conditions.
Contracted CalOptima Health Hospital	A hospital that has entered into a CalOptima Health Hospital Services Contract to provide hospital services to CalOptima Health Direct Members.
Contract for Health Care Services	The written instrument between CalOptima Health and Physicians, Hospitals, Health Maintenance Organizations (HMO), or other entities. Contract shall include all applicable DHCS Medi-Cal Managed Care Division Policy Letters and All Plan Letters, and any Memoranda of Understanding entered into by CalOptima Health that are binding on a Physician Hospital Consortium (PHC), a physician group under a shared risk contract, or an HMO.
Coordination of Benefits (COB)	A method for determining the order of payment for medical or other care/treatment benefits where the primary health plan pays for covered benefits as it would without the presence of a secondary health plan.
Corrective Action Plan (CAP)	A plan delineating specific and identifiable activities or undertakings that address and are designed to correct program deficiencies or problems identified by formal audits or monitoring activities by CalOptima Health, the State, or designated representatives. Health Networks and Providers may be required to complete a CAP to ensure that they are in compliance with statutory, regulatory, contractual, CalOptima Health policy, and other requirements identified by CalOptima Health and its regulators.
Department of Health Care Services (DHCS)	The single State department responsible for the administration of the Medi-Cal Program, California Children's Services (CCS), Genetically Handicapped Persons Program (GHPP), and other health related programs as provided by statute and/or regulation.
Division of Financial Responsibility (DOFR)	A matrix that identifies how CalOptima Health identifies the responsible parties for components of medical associated with the provision of Covered Services. The responsible parties include, but are not limited to, Physician, Hospital, CalOptima Health and the County of Orange.
High Cost Exclusion Item	Specific high-cost items that are excluded from a Contracted Hospital's outpatient reimbursement or inpatient per diem rate.
Hospital Budget Capitation Allocation	The amount equal to the Hospital Risk Pool Capitation (PMPM) set forth in the contract multiplied by the number of Members assigned to the Shared Risk Physician.
Incurred But Not Reported (IBNR)	An estimate of claims that have been incurred for medical services provided, but for which claims have not yet been received by the Health Network.
Member	A Medi-Cal eligible beneficiary as determined by the County of Orange Social Services Agency, the California Department of Health Care Services (DHCS) Medi-Cal Program, or the United States Social Security Administration, who is enrolled in the CalOptima Health program.
Provider	Any individual or entity that is engaged in the delivery of services, or ordering or referring for those services, and is licensed or certified to do so.
Shared Risk Budget	The total amount that CalOptima Health allocates to the Shared Risk Pool to pay for Shared Risk Services set forth in the DOFR of the contract.

Term	Definition
Shared Risk Expenses	Includes: <ol style="list-style-type: none"> 1. Amounts paid for Shared Risk Services provided to Members assigned to the Shared Risk Group; 2. An estimate of Incurred but Not Reported (IBNR) expenses; 3. Administrative expenses at a rate established in the Contract for Health Care Services; and 4. Any reinsurance premiums paid by CalOptima Health allocable to the Shared Risk Group.
Shared Risk Group (SRG)	A Health Network who accepts delegated clinical and financial responsibility for professional services for assigned Members, as defined by written contract and enters into a risk sharing agreement with CalOptima Health as the responsible partner for facility services.
Shared Risk Pool	The risk sharing program, under which the risk for the provision of Shared Risk Services to Members is shared and allocated between CalOptima Health and Physician.