MINUTES

REGULAR MEETING
OF THE
CALOPTIMA HEALTH BOARD OF DIRECTORS'
FINANCE AND AUDIT COMMITTEE

September 17, 2026

A Regular Meeting of the CalOptima Health Board of Directors' (Board) Finance and Audit Committee (FAC) was held on September 17, 2026, at CalOptima Health, 505 City Parkway West, Orange, California. The meeting was held in person and via Zoom webinar. The meeting recording is available on CalOptima Health's website.

Chair Isabel Becerra called the meeting to order at 3:01 p.m., and Director Blair Contratto led the Pledge of Allegiance.

CALL TO ORDER

Quorum was declared present as follows:

Members Present: Isabel Becerra, Chair, and Blair Contratto

Members Absent: Brian Helleland

Others Present: Michael Hunn, Chief Executive Officer; Yunkyung Kim, Chief Operations Officer; Nancy Huang, Chief Financial Officer; John Tanner, Chief Compliance Officer; Eric Rustad, Executive Director, Finance; James Steele, Senior Director, Information Security; Stelian Damu, Baker Tilly; Ashley Merda, Baker Tilly; Nimar Kaushik, Baker Tilly; Tina Knapp, Clerk of the Board; Ruby Nunez, Deputy Clerk of the Board; and Pamela Reichardt, Executive Assistant

MANAGEMENT REPORTS

1. Chief Financial Officer Report

Nancy Huang, Chief Financial Officer, provided an update on the Board of Directors' June 2026 request for a report on medical capitation rebasing, the shared risk pool, and CalOptima Health's network reinsurance program. She noted that these financial mechanisms are intended to promote fiscal responsibility, mitigate risk, and support long-term partnerships with network providers.

Ms. Huang reported that June shared risk pool results showed surpluses for all three medical shared risk groups and for three of the four OneCare groups. She also advised that staff are updating the shared risk pool contract and policy in response to the Department of Health Care Services medical loss ratio review. She noted that the proposed revisions are intended to ensure compliance with regulatory requirements by aligning incentive arrangements, including shared risk pool distributions, with clinical quality improvement and financial accountability objectives. Proposed policy and

contract updates are scheduled for review by the Quality Assurance Committee in October and final Board review and approval in November.

2. Cybersecurity Update

James Steele, Senior Director, Information Security provided a cybersecurity update, including quarterly metrics, emerging threats, and CalOptima Health's security posture. He reported no major cybersecurity incidents or operational disruptions during Quarter 2 of 2026 and no incidents requiring Board-level reporting. Staff identified 27 third-party business email compromise incidents involving business partners in 2026 so far and have worked with affected partners to address them. Mr. Steele also highlighted cybersecurity trends involving ransomware and artificial intelligence and reviewed CalOptima Health's monitoring and prevention measures. He noted that the organization maintains a layered cybersecurity defense program, including continuous testing, vulnerability management, monitoring, automation, and established incident response processes.

INVESTMENT ADVISORY COMMITTEE UPDATE

3. Treasurer's Report

Ms. Huang presented the second quarter (April through June 2026) investment report, noting that the portfolio totaled $3.9 billion as of June 30, 2026, including $2.2 billion in short-term operating accounts and $1.7 billion in Board-designated reserves. She noted that reserve levels remained within Board policy and exceeded regulatory requirements at 3.77 times the consolidated monthly revenue. Ms. Huang also reported that the tangible net equity reserve was 105% of the regulatory minimum. She reported that the portfolio achieved a 0.7% net return for the quarter and 3.7% year-to-date, with both short-term and fixed-income investments outperforming their benchmarks.

PUBLIC COMMENTS

There were no requests for public comment.

CONSENT CALENDAR

4. Meeting Minutes
   a. Approve the minutes of the May 28, 2026, Regular Meeting of the CalOptima Health Board of Directors Finance and Audit Committee

   b. Receive and File Minutes of the April 27, 2026, Regular Meeting of the CalOptima Health Board of Directors' Investment Advisory Committee

Action: ***On motion of Director Contratto, seconded by Director Becerra, the Finance and Audit Committee approved the Consent Calendar as presented.***

AYES:	**Isabell Becerra, Chair; Blair Contratto**
ABSENT:	**Brian Helleland**
ABSTENTIONS:	**None**
RECUSALS:	**None**

DISCUSSION ITEMS

5. Recommend that the Board of Directors Approve, Accept, Receive, and File the Fiscal Year 2025-26 CalOptima Health Audited Financial Statements

Ms. Huang provided an update on the FY 2025-26 Audited Financial Statement, noting that interim audit work was completed in May 2026 and fieldwork in July and August 2026. Ms. Huang explained that updated Governmental Accounting Standards Board (GASB) 103 guidance requires the management discussion and analysis (MD&A) section of the audit report to include three years of financial information instead of two. Ms. Huang stated that the updated MD&A would be submitted to the full Board for review and approval at the October 1, 2026, meeting. Ms. Huang introduced representatives from Baker Tilly, who presented the financial audit for fiscal year ending June 30, 2026. The auditors reported that the audit was completed as planned and identified no material weaknesses, significant deficiencies, or exceptions. They recommended finalizing and issuing the audited financial statements, subject to FAC approval. The federally required single audit remains pending until the compliance supplement is released. Auditors also reviewed key audit areas, required communications, and new GASB reporting requirements increased for explanatory analysis in management's discussion and analysis and for capital-asset roll-forward disclosures.

Action: ***On motion of Director Contratto, seconded by Chair Becerra, the Finance and Audit Committee recommended that the Board of Directors approve, accept, receive, and file the fiscal year 2025-26 CalOptima Health Audited Financial Statements***

AYES:	**Isabell Becerra, Chair; Blair Contratto**
ABSENT:	**Brian Helleland**
ABSTENTIONS:	**None**
RECUSALS:	**None**

6. Recommend that the Board of Directors Approve the CalOptima Health 2026-27 Revised Operating Budget

Ms. Huang presented the revised budget for January through June 2027, highlighting two significant Medi-Cal changes: the transition of members with unsatisfactory immigration status (UIS) to fee-for-service Medi-Cal beginning January 1, 2027, and changes to the private hospital-directed payment program (PDHP). She reported that the UIS transition is projected to reduce average enrollment by approximately 101,342 members, or about 15% of the Medi-Cal population. As a result, revenue is expected to decrease by $341.2 million and medical costs by $323.1 million.

Ms. Huang reported that the PDHP transitioned from direct payment to at-risk payment. She noted that the managed care final rule requirement had no impact on enrollment, but the transition will reduce both revenue and medical expenses by an estimated $427.2 million with no net budget impact.

Additionally, Ms. Huang reported that Covered California open enrollment runs from November 1, 2026, through January 31, 2027. Staff will evaluate enrollment results against budget assumptions and reassess resource needs as enrollment trends become clearer. Any significant variances or resource requirements will be brought back to the FAC for consideration. Ms. Huang noted that staff will continue to closely monitor Covered California performance and provide regular updates, including actual-to-budget variance analyses, through quarterly financial reports.

Action: ***On motion of Director Contratto, seconded by Chair Becerra, the Finance and Audit Committee recommended that the Board of Directors approve the CalOptima Health 2026-27 Revised Operating Budget.***

AYES:	**Isabell Becerra, Chair; Blair Contratto**
ABSENT:	**Brian Helleland**
ABSTENTIONS:	**None**
RECUSALS:	**None**

7. Recommend Reappointment and Chair Reappointment to the CalOptima Health Board of Directors' Investment Advisory Committee

Action: ***On motion of Director Contratto, seconded by Chair Becerra, the Finance and Audit Committee recommended the reappointment and Chair reappointment to the CalOptima Health Board of Directors' Investment Advisory Committee.***

AYES:	**Isabell Becerra, Chair; Blair Contratto**
ABSENT:	**Brian Helleland**
ABSTENTIONS:	**None**
RECUSALS:	**None**

8. Recommend Reappointments to the CalOptima Health Board of Directors' Investment Advisory Committee

Action: ***On motion of Director Contratto, seconded by Chair Becerra, the Finance and Audit Committee recommended reappointments to the CalOptima Health Board of Directors' Investment Advisory Committee***

AYES:	**Isabell Becerra, Chair; Blair Contratto**
ABSENT:	**Brian Helleland**
ABSTENTIONS:	**None**
RECUSALS:	**None**

INFORMATION ITEMS

The following items were accepted as presented.

9. July 2026 Financial Summary

10. Quarterly Operating and Capital Budget Update

11. CalAIM Program Summary

12. Quarterly Reports to the Finance and Audit Committee
    a. Net Asset Analysis
    b. Enrollment Trend Report

c. Shared Risk Pool Performance Report
d. Health Network Financial Compliance Review Update

COMMITTEE MEMBER COMMENTS

None.

ADJOURNMENT

Hearing no further business, Chair Becerra adjourned the meeting at 4:25 p.m.

Pam Reichardt
Executive Assistant

Approved on: 11/19/2026