COVERED CALIFORNIA

Policy and Action

September 17, 2026 Board Meeting

Policy and Action Items

01 Audit Committee Charter – **Action**

02 Proposed Emergency Eligibility and Enrollment Regulations – **Action**

03 Federal Policy Landscape and Perspectives – **Discussion**

04 Overview of HR 1 Medicaid Requirements – **Discussion**

Audit Committee Charter

Alicia Watts, Acting Supervising Management Auditor
Program Integrity Division

Action

Audit Committee Charter: Independent Oversight for Stronger Governance

CALIFORNIA GOVERNMENT CODE §13886(a)

Any governing body that oversees a state agency that performs or reviews internal audits shall establish an audit committee that generally meets the frameworks recommended by the American Institute of Certified Public Accountants, as set forth in the publication entitled "AICPA Audit Committee Toolkit: Government Organizations."

Why the Charter Matters to the Board

- **Mandate:** Establishes the Board's clear oversight of legal, regulatory, internal-policy compliance, and the performance and independence of the Office of Audit Services (OAS).
- **Preserves Audit Independence and Objectivity:** Ensures the Chief Audit Executive (CAE) is functionally accountable to the Audit Committee.
- **Strengthen Accountability:** Promotes governance and exercises effective oversight responsibilities.

Audit Committee Oversight Responsibilities

- **Set Direction and Resources:** Discuss with CAE OAS authority, role, scope and services; review and approve the Internal Audit Charter, risk-based audit plan, and OAS budget.
- **Monitor Risk and Controls:** Review significant findings, management responses, audit difficulties, changes in scope, internal controls including computerized information-system controls, and regulatory matters.
- **Ensure Quality and Effective Leadership:** Ensure a quality assurance and improvement program and review results; approve appointment/removal of the CAE; and review and approve CAE performance.
- **Maintain Effective Communication and Accountability:** Meet at least twice annually; meet privately with the CAE at least annually and as needed; report activities, issues, and recommendations to the Board.

Action Requested: Approval of Audit Committee Charter

PUBLIC COMMENT
Call: (877) 336-4440
Participant Code: 6981308

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Written comments can be submitted to *BoardComments@covered.ca.gov*

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Proposed Emergency Eligibility and Enrollment Regulations

Katie Ravel, Director
Policy, Eligibility & Research Division

Action

Background

- Covered California was granted emergency rulemaking authority by the Legislature through January 1, 2030.
- Covered California proposes using the emergency rulemaking process to update its individual Exchange eligibility and enrollment regulations, as necessary, to comply with recent federal changes set forth in CMS's 2027 Notice of Benefit and Payment Parameters (NBPP) that have taken effect despite pending legal challenges, including certain provisions implementing H.R. 1.
- These regulations are the result of ongoing collaboration and consultation with the California Departments of Social Services, Health Care Services, Managed Health Care, and Insurance, as well as consumer advocates, qualified health plan (QHP) issuers, and other stakeholders.

Overview of Changes

- **Advanced Premium Tax Credit (APTC) eligibility changes for lawfully present individuals, beginning with the 2027 plan year**:
    - Limit APTC eligibility to U.S. citizens, U.S. nationals, and certain eligible noncitizens, as required by H. R. 1.
    - Add eligible noncitizen status verification requirements.
- **Failure-to-reconcile (FTR) process**: Reinstate a one-year FTR process for APTC eligibility for consumers who do not file and reconcile past APTC and add enrollee noticing, beginning with the 2028 plan year, as required by H. R. 1.
- Reinstate the automatic 60-day ROP extension for individuals with income inconsistencies, as its removal in the 2025 Marketplace Integrity Rule was recently vacated by the Maryland District Court.
- Make clarifying revisions throughout the regulations, including correcting typos and adding missing references.

Next Steps

- Government Code section 100504(a)(6) requires the Board to discuss proposed regulations at a properly noticed meeting before adopting them.
    - The board discussed the proposed regulations at the August 20, 2026 Board meeting.
- The Office of Legal Affairs now requests the Board to formally adopt this regulation package so it can be filed with the Office of Administrative Law (OAL).
    - Covered California will issue an advanced notice 5 working days before submitting the regulation package to OAL.
    - Following the submission to OAL, a public comment period will commence for the first 5 days after submission. This period allows the public to submit comments on the proposed regulations directly to OAL

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Federal Policy Landscape and Perspectives

Chris Jennings
Jennings Policy Strategies, Inc.

Discussion

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COVERED CALIFORNIA

Overview of HR 1 Medicaid Requirements

Yingjia Huang, Deputy Director,
Health Care Benefits and Eligibility
Department of Health Care Services

Discussion

New Work and Community Engagement Requirements in Medi-Cal

- **H.R. 1** establishes Medicaid **work and community engagement requirements** as a new condition of eligibility for members in the "New Adult Group."
- California must implement work and community engagement requirements by **January 1, 2027**, meaning individuals in this group must demonstrate compliance with or meet an exclusion or exception from the requirements to be determined eligible for Medi-Cal.
- **CMS issued an interim final rule** on June 1 that establishes the operational framework for work and community engagement requirements. The rule became final on July 31.

Individuals in the New Adult Group:

(1) Ages 19-64

(2) Not pregnant

(3) Not enrolled in or entitled to Medicare Part A or B

(4) Not otherwise eligible for another mandatory Medi-Cal eligibility group

(5) Have income less than 138% of the federal poverty level, which is $22,025 for an individual and $45,540 for a family of four.

Key Guidance Under the Interim Final Rule (1 of 2)

- **Defines Qualifying Activities:** Provides more granular definitions for each qualifying compliance activity in more detail (e.g., defines community service, adds in-kind and unpaid to work definition, and explains how half-time education will be calculated).
- **States Must Screen for Specified Exclusion First:** Before applying work requirements, states must check whether someone qualifies for an exclusion, such as being medically frail or a parent of a child under age 14.
- **Medical Frailty:** Departs from statutory definition and narrows medical frailty exclusion by requiring that qualifying conditions "significantly impair" an individual's ability to work.

Key Guidance Under the Interim Final Rule (2 of 2)

- **Short-Term Hardship Exceptions:** Establishes a lookback period (one month in California) for these exceptions and provides more granular definitions.
- **Self-Attestation:** Allows states to accept self-attestation in 2027, but limits use in 2028 and beyond.
- **Noticing and Outreach**: Specifies when and under what circumstances states must conduct noticing and outreach to members.
- **Good Faith Waivers:** Clarifies that CMS may approve good faith waivers for up to six months at a time and projects approving these requests in only two states.

DHCS Implementation Guiding Principles

- **Automate to Protect Coverage.** Maximize the use of data sources to confirm eligibility without burdening members and counties. Reduce paperwork, streamline verifications, and safeguard coverage stability.
- **Communicate with Clarity and Connection.** Implement an outreach and education campaign that is culturally relevant, linguistically accurate, and written in plain language to build trust and help members, their families, and caregivers understand the changes.
- **Simplify the Renewal Experience.** Modernize and streamline the Medi-Cal renewal process with clearer, member-friendly forms (first in the New Adult Group, and later for all members) and with six-month renewal steps that are easier to navigate.
- **Educate and Train Those Who Serve Medi-Cal Members.** Deliver comprehensive training on all H.R. 1 provisions for county eligibility workers. Provide clear policy guidance, practical tools, and ongoing technical assistance so counties, plans, providers and DHCS Coverage Ambassadors can confidently support members and avoid error on member cases.
- **Provide Timely and Transparent Communication to Members.** Share information on H.R. 1 changes early on and via multiple channels (mail, text, outbound phone calls, etc.) so members can build awareness, anticipate changes to their coverage, and have ample preparation time to meet new requirements.

Required Process for Evaluating if an Individual is Required to Demonstrate Compliance with Work and Community Engagement Requirements

Step 1

Before applying work and community engagement requirements, states must check whether someone qualifies for an exclusion, such as being medically frail, an American Indian/Alaska Native, parent of a child under age 14, or compliant with Temporary Assistance for Needy Families.

Step 2

Individuals who are subject to work and community engagement requirements may be excepted under:

- *Mandatory Exceptions:* For example, under age 19 or incarcerated in the last three months); OR
- *Short-Term Hardship Exceptions.*

Step 3

If an individual does not meet a mandatory or short-term hardship exception, they must demonstrate compliance with a qualifying activity (e.g., work, community engagement, work program, or half-time educational program).

Medical Frailty Exclusion

- The rule confirms that states must use medical codes and other reliable data to identify medically frail individuals; however, **medical codes and claims do not convey information about ability to work.**
- **Further guidance from CMS is needed** to build out processes that link the severity of the condition to the individual's ability to work.
- With the narrowing of the definition, **eligible individuals may lose coverage** if they cannot readily access a provider or obtain the required documentation.

NOTE:

- *Medical Frailty Self-Attestation:*
  - Allowable in 2027.
  - In 2028 and beyond, allowable once per enrollment period, with documentation required thereafter if data is unavailable.
- *Verification Period:*
  - At state discretion, medical frailty can be reverified for up to 12 months at a time.

Short-Term Hardship Exception

California will offer all short-term hardship exceptions.

- Inpatient (and Similar) Care
- Medical Travel
- Declared Emergency
- High Unemployment

- **Individuals must request** the inpatient (and similar) care and medical travel exceptions.
- **California must automate** the declared emergency and high unemployment exceptions and grant them to individuals based on residence.
- **The rule requires a lookback period for these exceptions**, which could lead to gaps in coverage.
  - For example, an individual hospitalized in July who applies for Medi-Cal and requests a short-term hardship exception must demonstrate that they met an exception or complied with work and community engagement requirements in June to be eligible for coverage in July.

Verification Standards

<table>
<tr><th>Verifying</th><th>In 2027</th><th>In 2028 and Beyond</th></tr>
<tr><td rowspan="2">Specified Excluded Individual</td><td rowspan="2">If data are unavailable, may require documentation or accept other information (e.g., self-attestation).</td><td>» If available data are not enough, require documentation (when reasonably available).
» If documentation is not available, accept other information to verify eligibility (e.g., self-attestation). State cannot deny or terminate coverage solely due to lack of documents.</td></tr>
<tr><td>For Medical Frailty Only: Self-attestation allowed once per enrollment period; after that, require documentation if data are unavailable.</td></tr>
<tr><td>Applicable Individual Exceptions</td><td colspan="2">If application or renewal form indicates the person qualifies for an exception (including a specified exclusion), may accept self-attestation. This option does not apply to all specified excluded individuals (e.g., medically frail, inmates, or veterans with a disability rated as total).</td></tr>
<tr><td>Applicable Individual Compliance</td><td>If data are unavailable, may require documentation or accept other information (e.g., self-attestation).</td><td>» If available data are not enough, require documentation (when reasonably available).
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</table>

Noticing and Outreach

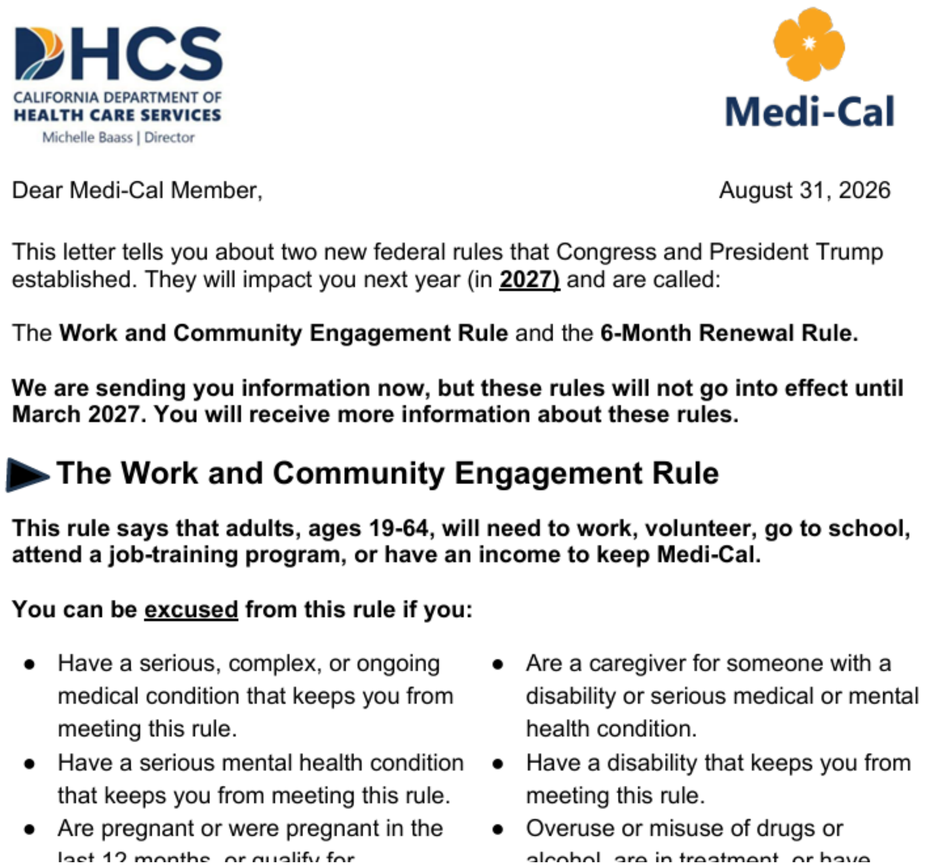
The Interim Final Rule notes that states must conduct multiple-modality,* targeted outreach to all individuals eligible for and enrolled in the New Adult Group and provides specific guidance on content to include.

- **Initial Outreach:** Four months prior to the work and community engagement requirements implementation date (8/31/2026).
- **Outreach Upon Enrollment:** For individuals enrolled after the initial outreach is sent, but before the state implements work and community engagement requirements.
- **Periodic Outreach:** On an ongoing basis following enrollment, tied to certain events (e.g., to provide 10-days' advance notice upon the loss of specified excluded status for a member).
- **Ad Hoc Outreach:** On an ad hoc or routine basis.

**Via mail (or e-mail if elected by the individual) and one other modality.*

Federally Required Outreach Letter – Sent 8/31/2026

- Sent to 4.8 million members subject to this requirement
- Federally required



DHCS
CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES
Michelle Baass | Director

Medi-Cal

Dear Medi-Cal Member,

August 31, 2026

This letter tells you about two new federal rules that Congress and President Trump established. They will impact you next year (in **2027)** and are called:

The **Work and Community Engagement Rule** and the **6-Month Renewal Rule.**

We are sending you information now, but these rules will not go into effect until March 2027. You will receive more information about these rules.

The Work and Community Engagement Rule

This rule says that adults, ages 19-64, will need to work, volunteer, go to school, attend a job-training program, or have an income to keep Medi-Cal.

You can be excused from this rule if you:

- Have a serious, complex, or ongoing medical condition that keeps you from meeting this rule.
- Have a serious mental health condition that keeps you from meeting this rule.
- Are pregnant or were pregnant in the last 12 months, or qualify for
- Are a caregiver for someone with a disability or serious medical or mental health condition.
- Have a disability that keeps you from meeting this rule.
- Overuse or misuse of drugs or alcohol, are in treatment, or have

Appendix

Specified Excluded vs. Applicable Individuals

Specified Excluded Individuals *(not subject to WCER; evaluated in month of application)*	***Applicable Individuals*** *(subject to WCER)*	
	Exceptions *[evaluated in lookback month(s)]*	**Qualifying Activities** *[evaluated in lookback month(s)]*
• **Medically frail individuals** • **Participants in a drug addiction or alcohol treatment and rehabilitation program** • Parents, guardians, caretaker relatives, or family caregivers of a dependent child under age 14, or of a disabled individual • Veterans with a disability rated as total under 38 U.S.C. § 1155 • Members of a household receiving Supplemental Nutrition Assistance Program (SNAP) and not exempt from SNAP work requirements • Individuals compliant with Temporary Assistance for Needy Families (TANF) work reporting requirements • American Indians and Alaska Natives • Former foster care youth under age 26 [i.e., individuals eligible under the former foster care youth (FFCY) eligibility group] • Inmates of a public institution • Pregnant individuals or those entitled to postpartum Medi-Cal coverage	**Mandatory Exceptions:** • Under age 19 • Entitled to or enrolled in Medicare Part A or enrolled in Medicare Part B • Described in a mandatory eligibility group (e.g., parents/caretaker relatives within certain incomes, individuals receiving Supplemental Security Income) • Incarcerated at some point in the three-month period prior to the relevant month • Specified excluded individuals (if relevant during the lookback month) **Optional Short-Term Hardships Exceptions:** • **Receiving inpatient or institutional care*** • **Travel outside one's community for medical care for themselves or a dependent*** • Living in a county with a federal emergency or disaster declaration • Living in a county with high local unemployment **Individual must request exception.*	• Work (at least 80 hours) • Community service (at least 80 hours) • Participation in a work program (at least 80 hours) • Educational enrollment (at least half time) • Any combination of the above listed activities (for a total of at least 80 hours) • Income of at least $580/month (or for seasonal workers, an average $580/month income over a six-month period)

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