



Policy and Procedure No: CO 15.4	Revision No: 4
Division: Care Management	
Department: Compliance	
Title: PHC-CA Annual Risk Assessment	
Effective Date: 11/1/2009	
Supersedes Policy No: CO 15.0, CO 15.1, CO 15.2, CO 15.3	
Reviewed/Revised by: Sandra Holzner	Review/Revision Date: 12/12/2025
Approving Committee: Compliance Committee	Date: 12/15/2025
Executive Oversight Committee Date: 12/16/2025	

Purpose:

In alignment with the Office of Inspector General (OIG) Compliance Program Guidance and the U.S. Sentencing Guidelines, and in support of the seven elements of an effective compliance program, PHC California (the Health Plan) has established and implemented a centralized risk assessment and internal review process. This process is designed to identify and mitigate risks associated with the Health Plan’s participation in Federal and state health care programs, including, but not limited to, risks related to the submission of claims for items and services provided to Medicare and Medicaid beneficiaries.

On an annual basis, the Compliance Department conducts a comprehensive risk assessment and internal review process that:

1. Identifies and prioritizes compliance and operational risks;
2. Develops internal audit and compliance monitoring work plans addressing the identified risk areas;
3. Executes the Internal Audit and Compliance Monitoring Work Plans;
4. Develops corrective action plans in response to audit and monitoring findings; and
5. Tracks the implementation of corrective actions to evaluate their effectiveness and ensure sustained compliance.

Policy:

1. In accordance with California Department of Health Care Services (DHCS) contractual requirements and applicable state and federal regulations, the Compliance Officer or designee conducts a comprehensive Annual Risk Assessment at least once per year.
2. This process serves as the basis for developing AHF’s internal audit and compliance monitoring work plan, including oversight activities applicable subcontractors or downstream entities. The risk assessment is designed to ensure that AHF fulfills its obligations under its Medi-Cal managed care contract and promotes a culture of continuous quality improvement and regulatory compliance. The assessment will include objective measures to evaluate adherence to regulatory requirements and internal controls. In performing the risk assessment, the Compliance Officer shall consider the following:

- a. Statutory, regulatory, and contractual requirements, including those set forth in Title 42 of the Code of Federal Regulations, the Welfare and Institutions Code, and DHCS All Plan Letters (APLs);
 - b. AHF's internal policies and procedures and their alignment with DHCS expectations;
 - c. The operational and clinical impact of identified risks on Medi-Cal member access, quality of care, and service delivery; and
 - d. Historical compliance findings, audit results, and previously identified deficiencies, including those arising from DHCS, DMHC, CMS audits and internal investigations.
1. Risk assessments shall be periodically reviewed and updated to ensure the continued accuracy and relevancy of baseline data used to identify, assess, and quantify risks. Reassessments will account for changes in regulatory requirements, operational processes, and emerging trends that may impact compliance with DHCS contractual obligations.

Procedure:

The Compliance Officer, in coordination with the Compliance Department, shall conduct the organization's formal Risk Assessment process during the fourth quarter of each fiscal year. The goal of the Risk Assessment is to systematically identify, evaluate, and prioritize potential compliance risks that may affect the Health Plan's operations, particularly in the context of its participation in federal and state healthcare programs, including Medi-Cal.

The Risk Assessment process shall include the following activities:

1. Review the following:
 - a. U.S. Department of Health and Human Services (HHS) Office of Inspector General ([OIG](#)) [Work Plan](#) and periodic updates to identify audit areas potentially applicable to the Health Plan.
 - b. OIG audit results;
 - c. Corporate Integrity Agreements;
 - d. Department of Justice (DOJ) settlement agreements;
 - e. Advisory opinions;
 - f. Fraud alerts;
 - g. CMS Audit Results and Enforcement Actions
 - h. DHCS Audit Results and Enforcement Actions
 - i. DMHC Audit Results and Enforcement Actions
 - j. Previous internal and external audit results

- k. Areas of Operation with previous compliance issues
 - l. Regulatory changes and emerging legislation
 - m. Previous Risk Assessments
2. Conducting a survey of the Health Plan Leadership and key individuals to identify potential risks across domains:
- a. Claims Payment Accuracy
 - b. Clinical Operations;
 - c. Quality of Care;
 - d. Provider Network and Credentialing;
 - e. Privacy and Security;
 - f. Finance
 - g. Encounter/Claim Integrity;
 - h. Marketing
 - i. Beneficiary Communications;
 - j. Licensure & Accreditation;
 - k. Record Retention;
 - l. Payment Integrity;
 - m. Regulatory Compliance and Oversight;
 - n. Policies & Procedures;
 - o. Staffing and Training;
 - p. Delegation Oversight;
 - q. Fraud, Waste, and Abuse.
3. Risk Prioritization and Ranking
- a. The Risk Analysis and Ranking process provides a structured, objective, and repeatable methodology:
 - i. Categorize each identified risk into the domains listed above.
 - ii. Score each risk using objective criteria (1–5 scale):

1. Likelihood of occurrence.
 2. Impact on compliance, operations, quality, member safety, and financial integrity.
 3. Regulatory exposure (potential penalties, sanctions, contract risk, reporting obligations). Calculate a Composite Risk Score = Likelihood × Impact.
- iii. Prioritize risks by composite score; incorporate risk appetite, strategic priorities, and regulatory urgency (e.g., DHCS notices or audit findings).
 - iv. Action Planning for high-priority risks: define mitigation actions, owners, timelines, resources, monitoring metrics, and expected outcomes.
4. The Compliance Department then utilizes the prioritize risks to develop the annual Internal Auditing and Monitoring Work Plan and presents this to the Care Management Compliance Committee (CMCC) and the Executive Oversight Committee (EOC) of the Board of Directors for review and approval.
 5. The Compliance Department implements the annual Internal Audit Plan and Compliance Monitoring Plan, evaluates results, and collaborates with leadership to develop and execute corrective actions. It manages remediation and verifies the effectiveness of each Corrective Action Plan (CAP) until full resolution and closure.

Definitions:

1. Auditing: Independent, objective examinations to evaluate control design and effectiveness.
2. Corrective Action Plan (CAP): A documented set of actions to remediate findings, with timelines and measures of effectiveness.
3. Monitoring: Ongoing reviews of processes and controls to validate continued compliance.
4. Risk Assessment: A systematic process to identify, analyze, and prioritize risks affecting compliance, operations, quality, and financial integrity.

Monitoring:

The Compliance Department reassesses high-risk areas quarterly or upon significant regulatory and/or operational changes; adjust rankings and plans accordingly.

This policy is updated, as necessary, reviewed and approved annually by the Care Management Compliance Committee (CMCC).

Reference(s):

1. 42 C.F.R. §423.501

