

Attachment 2 – Performance Standards with Penalties

In this 2026-2028 QHP Issuer Contract, Covered California will continue to leverage the Quality Transformation Initiative as the primary financial incentive for quality and health equity performance and improvement. This Attachment 2 – Performance Standards with Penalties specifies performance standards in the areas of health disparities, collaboration across QHP Issuers and with community, data quality and completeness, oral health, and primary care utilization that are critical to Covered California meeting its mission.

The total amount at risk for Contractor’s failure to meet the Performance Standards is equal to 0.2% of the total Gross Premium for each applicable Plan Year (At-Risk Amount). The amount at risk for each Performance Standard is a percent of the total At-Risk Amount for each Plan Year. Penalties will be determined on an annual basis at the end of each Calendar Year, based on Contractor’s final year-end data for each Performance Standard. Where applicable, performance is assessed for each product (HMO, PPO, EPO) the Contractor offers. Penalties are weighted by enrollment in the product for Contractors with multiple products. Covered California has specified below when the At-Risk Amount or the performance requirements differ by product.

This table represents a summary of the Performance Standards with Penalties which are detailed further in this Attachment:

Performance Standards with Penalties		Percent of At-Risk Amount 2026-2028
Health Disparities	1. Reducing Health Disparities: Demographic Data Collection – Enrollee Race and Ethnicity Self-Identification	10%
	2. Reducing Health Disparities: Demographic Data Collection – Enrollee Spoken and Written Language	10%
Collaboration	3. Collaboration Across QHP Issuers and with Community	10%
Data	4. Healthcare Evidence Initiative (HEI) Data	40%
Oral Health	5. Pediatric Oral Evaluation, Dental Services (OEV-CH-A) (NQF #2517)	5%
	6. Pediatric Topical Fluoride for Children, Dental Services (TFL-CH-A) (NQF #2528)	5%
Utilization and Primary Care	7. Utilization and Primary Care: Overall Engagement with Members	10%
	8. Utilization and Primary Care: Monitoring Continuity of Care	10%

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During the term of this Agreement, Contractor shall meet or exceed the Performance Standards identified in this Attachment. If Contractor ~~is not contracted with Covered California for Plan Year 2026, and executes a contract term of 2027-2028 or 2028~~ recently contracted with Covered California for the first time, Contractor shall meet the ~~specified~~ Alternate Standard, if specified, for each performance standard during its first two Plan Years contracted with Covered California. Contractor shall be responsible for payment of penalties for Contractor's failure to meet the Performance Standards in accordance with the terms set forth in Article 7 of the Agreement and this Attachment. Contractor shall submit the data required by the Performance Standards by the date specified by Covered California. Some of the data required applies to a window of time. Some of the data represents a point in time. This measurement timing is described in more detail in the sections within this Attachment and further specified in methodology documents distributed for the applicable Measurement Year.

Contractor shall monitor and track its performance each month against the Performance Standards and, as requested, provide Covered California with a detailed Monthly Performance Report in a mutually-agreeable format. Contractor must report on Covered California business only and report Contractor's Enrollees in Covered California for the Individual Exchange separate from Contractor's Enrollees in Covered California for Small Business. Except as otherwise specified below in the Performance Standards Table, the reporting period for each Performance Standard shall be one calendar month. All references to Days shall be calendar days and references to time of day shall be to Pacific Standard Time.

If Contractor fails to meet any Performance Standard in any calendar month (whether or not the failure is excused), Covered California may request and Contractor shall (a) investigate and report on the root cause of the problem; (b) develop a corrective action plan (where applicable); (c) to the extent within Contractor's control, remedy the cause of the performance failure and resume meeting the affected Performance Standards; (d) implement and notify Covered California of measures taken by Contractor to prevent recurrences, if the performance failure is otherwise likely to recur; and (e) make written recommendations to Covered California for improvements in Contractor's procedures.

When the results of the Performance Standards are calculated, Covered California will provide Contractor with a Final Contractor Performance Standard Evaluation Report, along with an invoice, within sixty (60) Days of receipt of the Performance Standards data requirements. Contractor shall remit payment either to Covered California within thirty (30) Days of receiving the Final Contractor Performance Standard Evaluation Report and invoice, or, if directed by Covered California, to an alternative entity that Covered California determines is able to support improvement on Performance Standard and Contractor's quality performance identified on the invoice.

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If Contractor does not agree with the Final Contractor Performance Standard Evaluation Report, Contractor may dispute the Report in writing within thirty (30) Days of receipt of that Report. The written notification of dispute shall provide a detailed explanation of the basis for the dispute. Covered California shall review and provide a written response to Contractor's dispute within thirty (30) Days of receipt of Contractor's notification of dispute. If Contractor still disputes the findings of Covered California, Contractor may pursue additional remedies in accordance with Section 13.1 of the Agreement.

Contractor shall not be responsible for any failure to meet a ~~Performance~~ Performance Standard if and to the extent that the failure is excused pursuant to Section 13.7 of the Agreement (Force Majeure), or the parties agree that the lack of compliance is due to Covered California's failure to properly or timely perform (or cause to be properly or timely performed) any responsibility, duty, or other obligation under this Agreement, provided that Contractor timely notifies Covered California of the problem and uses commercially reasonable efforts to perform and meet the Performance Standards notwithstanding Covered California's failure to perform or delay in performing.

If Contractor wishes to avail itself of one of these exceptions, Contractor must notify Covered California in its response to the performance report identifying the failure to meet such Performance Standard. This response must include: (a) the identity of the Performance Standard that is subject to the exception, and (b) the circumstances that gave rise to the exception in sufficient detail to permit Covered California to evaluate whether Contractor's claim of exception is valid.

~~Notwithstanding anything to the contrary herein, in no event shall any failure to meet a Customer Satisfaction Performance Standard fall within an exception.~~

The parties may adjust, suspend, or add Performance Standards from time to time, upon written agreement of the parties, without an amendment to this contract.

Covered California and Contractor shall work together to periodically review and adjust the specific measures consistent with any applicable Federal regulations.

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Performance Standards with Penalties

Definitions for Performance Standards: 1 – 8

Measurement Year: The Calendar Year that activity being assessed is performed.

Reporting Year: The Calendar Year that performance data is reported to Covered California.

Assessment Year: The Calendar Year that performance data is evaluated, and Measurement Year performance level is determined.

When used to assess HEI Data submissions, the following definitions shall apply:

Full and Regular: All files, records, and portions of expected files for the intended period are present; formats match those in specifications or otherwise agreed to by Covered California, its HEI Vendor, and the data supplier; and data volumes, counts, and sums approximate the data supplier's historical patterns, or their deviation can be explained and justified by business circumstances identified by the data supplier.

Incomplete: A file or part of a file is missing, or critical data elements are not provided as per assessment methodology.

Irregular: Unexpected file or data element formatting, or record volumes or data element counts or sums deviate significantly from historical submission patterns for the data supplier.

Late: Contractor does not submit monthly HEI submission pursuant to the deadlines in the 2026-2028 HEI Data Submission Schedule.

Non-Usable: HEI Vendor cannot successfully include submitted HEI data in its database build or HEI Vendor's or Covered California's analysts determine that critical components of the submitted data cannot be used or relied upon in subsequent analytic work.

Establish a Baseline: Requested data is submitted to Covered California at a time and in a format specified, allowing Covered California to calculate a performance benchmark of a value greater than zero for comparison in future Assessment Years.

Baseline Rate: The performance benchmark established by Covered California using Contractor's data submissions for the applicable Performance Standard.

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Performance Standard 1	
1. Reducing Health Disparities: Demographic Data Collection – Enrollee Race and Ethnicity Self-Identification – Attachment 1, Article 1.01	
<p>a) Contractor must collect Enrollee self-reported race and ethnicity data for at least eighty percent (80%) of its Covered California Enrollees. Contractor must demonstrate compliance by including valid, acceptable, and reasonable race and ethnicity attributes for at least 80% of Enrollees in its Healthcare Evidence Initiative (HEI) data submissions.</p> <p>See separate methodology document for lists of valid and acceptable standard values and reasonableness criteria.</p>	
Measurement Years 2026, 2027, 2028	
<p>Contractor does not meet or exceed the 80% target for self-reported racial and ethnic data for Enrollees: 10% penalty</p> <p>Contractor meets or exceeds the 80% target for self-reported racial and ethnic data for Enrollees: no penalty</p>	
<p>b) Alternate Standard: Contractor must collect self-reported race and ethnicity data during the first Measurement Year it is contracted with Covered California, and include valid race and ethnicity attributes for its Enrollees in HEI data submissions.</p> <p>Contractor must collect <u>Enrollee</u> self-reported race and ethnicity data <u>for at least eighty percent (80%) of its Covered California Enrollees</u> during the second Measurement Year it is contracted with Covered California, and include valid and reasonable race and ethnicity attributes for its Enrollees. <u>Contractor must demonstrate compliance by including valid, acceptable, and reasonable race and ethnicity attributes for at least 80% of Enrollees in its Healthcare Evidence Initiative (HEI) data submissions.</u></p> <p>See separate methodology document for lists of valid standard values and reasonableness criteria.</p>	

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Performance Standards with Penalties
Performance Standard 2
2. Reducing Health Disparities: Demographic Data Collection – Enrollee Spoken or Written Language – Attachment 1, Article 1.01
<p>a) Contractor must include valid, acceptable, and reasonable spoken or written language attributes for Enrollees in its HEI submissions.</p> <p>See separate methodology document for lists of valid and acceptable standard values and reasonableness criteria.</p>
<p>Measurement Years 2026, 2027, 2028</p> <p>Contractor does not include valid, acceptable, and reasonable spoken or written language attributes for Enrollees in its HEI submissions: 10% penalty</p> <p>Contractor includes valid, acceptable, and reasonable spoken or written language attributes for Enrollees in its HEI submissions: no penalty</p>
<p>b) Alternate Standard: Contractor must collect spoken and written language data during the first Measurement Year it is contracted with Covered California, and include valid spoken or written language attributes for its Enrollees in HEI data submissions.</p> <p>Contractor must collect spoken and written data during the second Measurement Year it is contracted with Covered California, and include valid, <u>acceptable</u>, and reasonable spoken or written data attributes for its Enrollees.</p> <p>See separate methodology document for lists of valid standard values and reasonableness criteria.</p>

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Performance Standards with Penalties
Performance Standard 3
3. Collaboration Across QHP Issuers and With Community – Attachment 1, Articles 1.03, 2.01, 2.02, 2.03, 2.04, 3.01, 3.05, 4.01, 4.02
<p>a) Contractor must annually attend and engage in 80% or more of equity focused learning sessions, working groups, and community engagement activities, specified by Covered California during the Plan Year.</p> <p>Such specified events may include: hosted learning sessions, working groups, clinical leaders' forums and roundtables, performance meetings, and carrier calls designated by the Health Equity and Quality Transformation Division. Additionally, Contractor-led collaborative QHP Issuer and community engagement activities submitted and approved by Covered California may count toward this requirement.</p>
<p>Measurement Years 2026, 2027, 2028:</p> <p>Contractor attends and engages in fewer than 80% annually of Covered California specified events and required collaborative QHP Issuer and community engagements: 10% penalty</p> <p>Contractor attends and engages in greater than or equal to 80% annually of Covered California convenings and required collaborative QHP Issuer and community engagements: no penalty</p>
<p>b) Alternate Standard: Contractor does not attend and engage in at least 80% of Covered California specified events and collaborative QHP Issuer, community engagements, and implementation activities designated for newly contracted QHP Issuers. 10% penalty</p> <p>Contractor must attend and engage in 80% of Covered California specified events and collaborative QHP Issuer, community engagements, and implementation activities designated for newly contracted QHP Issuers. no penalty</p>

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Performance Standard 4
4. Data Submission specific to HEI in Attachment 1, Article 5.02.1
a) Contractor must complete Full and Regular submissions of data according to the standards outlined in Attachment 1, Article 5.02.1 and Attachment 1, Article 1.02.1.
Measurement Years 2026, 2027, 2028
Incomplete, Late, or Non-useable submission of HEI data: 40% penalty
Full and Regular submission of HEI data: no penalty
b) Alternate Standard: <u>Contractor must submit data according to the standards outlined in Attachment 1, Article 5.02.1 and Attachment 1, Article 1.02.1, and participate in data quality meetings with Covered California staff and Merative representatives during the first Measurement Year it is contracted with Covered California.</u>
Contractor does not submit Full and Regular data in its second Measurement Year contracted with Covered California. 40% penalty
Contractor submits Full and Regular data in its second Measurement Year contracted with Covered California. No penalty

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Performance Standards with Penalties		
Performance Standard 5		
5. Pediatric Oral Evaluation, Dental Services (OEV-CH-A) (NQF #2517)		
<p>b) a) Contractor shall Establish a Baseline and meet or exceed the specified performance standard for the Pediatric Oral Evaluation, Dental Services (OEV-CH-A) (NQF #2517) measure.</p>		
Measurement Year 2026	Measurement Year 2027	Measurement Year 2028
<p>Contractor does not Establish a Baseline for this measure: 5% penalty</p> <p>Contractor Establishes a Baseline for this measure: no penalty</p>	<p>Contractor demonstrates an increase of less than 10% over the Baseline Rate: 5% penalty</p> <p>Contractor demonstrates an increase of 10% or more over the Baseline Rate: no penalty</p>	<p>Contractor demonstrates an increase of less than 15% over the Baseline Rate: 5% penalty</p> <p>Contractor demonstrates an increase of 15% or more over the Baseline Rate: no penalty</p>
<p>b) Alternate Standard: <u>Contractor must submit pediatric dental data during the first Measurement Year it is contracted with Covered California.</u></p> <p>Contractor must Establish a Baseline for this measure in the second Measurement Year it is contracted with Covered California.</p> <p>Contractor does not Establish a Baseline for this measure during its second Measurement Year contracted with Covered California: 5% penalty.</p> <p>Contractor Establishes a Baseline for this measure during its second <u>Measurement Year it is</u> contracted <u>with Covered California-year</u>: no penalty.</p>		

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Performance Standard 6		
6. Pediatric Topical Fluoride for Children, Dental Services (TFL-CH-A) (NQF #2528)		
<p>a) Contractor shall Establish a Baseline and meet or exceed the specified performance standard for the Pediatric Topical Fluoride for Children, Dental Services (TFL-CH-A) (NQF #2528) measure.</p>		
Measurement Year 2026	Measurement Year 2027	Measurement Year 2028
<p>Contractor does not Establish a Baseline: 5% penalty</p> <p>Contractor Establishes a Baseline for this measure: no penalty</p>	<p>Contractor demonstrates an increase of less than 10% over the Baseline Rate: 5% penalty</p> <p>Contractor demonstrates an increase of 10% or more over the Baseline Rate: no penalty</p>	<p>Contractor demonstrates an increase of less than 15% over the Baseline Rate: 5% penalty</p> <p>Contractor demonstrates an increase of 15% or more over the Baseline Rate: no penalty</p>
<p>b) Alternate Standard: <u>Contractor must submit pediatric dental data during the first Measurement Year it is contracted with Covered California.</u></p> <p>Contractor must Establish a Baseline for this measure in the second Measurement Year it is contracted with Covered California.</p> <p>Contractor does not Establish a Baseline for this measure during its second Measurement Year contracted with Covered California: 5% penalty.</p> <p>Contractor Establishes a Baseline for this measure during its second Measurement Year contracted with Covered California: no penalty.</p>		

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Performance Standards with Penalties		
Performance Standard 7		
7. Utilization and Primary Care: Overall Engagement with Members - Attachment 1, Article 4.01.2		
<p>a) Contractor must monitor and increase the portion of Covered California Enrollees with twelve months of continuous enrollment <u>in Contractor’s QHP throughout the prior Plan Year</u> with at least one medical or prescription drug claim each Plan Year.</p>		
<p>Measurement Year 2026</p>	<p>Measurement Year 2027</p>	<p>Measurement Year 2028</p>
<p>Contractor does not Establish a Baseline: 10% penalty</p> <p>Contractor shall Establish a Baseline for Enrollee utilization of services: no penalty</p>	<p>Contractor demonstrates an increase in utilization of less than 5% over the Baseline Rate: 10% penalty</p> <p>Contractor demonstrates (a) an increase of 5% or more over the Baseline Rate or (b) a Baseline Rate of over 80%: no penalty</p>	<p>Contractor demonstrates an increase in utilization of less than 10% over the Baseline Rate: 10% penalty</p> <p>Contractor demonstrates (a) an increase of 10% or more over the Baseline Rate or (b) a Baseline Rate of over 80%: no penalty</p>
<p>b) Alternate Standard: <u>Contractor must monitor the portion of its Covered California Enrollees with at least one medical or prescription drug claim during its first year contracted with Covered California.</u></p> <p>Contractor must Establish a Baseline for utilization in the second Measurement Year it is contracted with Covered California.</p> <p>Contractor does not Establish a Baseline for utilization during its second Measurement Year contracted with Covered California: 5% penalty.</p> <p>Contractor Establishes a Baseline for this measure during its second Measurement Year contracted with Covered California: No penalty.</p>		

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Performance Standard 8		
8. Utilization and Primary Care: Monitoring Continuity of Care - Attachment 1, Article 4.01.2		
<p>a) Contractor must monitor the continuity of care index for Covered California Enrollees and Establish a Baseline. Contractor must plan and implement efforts to improve its continuity of care index, if it does not achieve a continuity of care index of at least 0.7 <u>for at least 7060% of Enrollees</u>. The continuity of care index measures Covered California Enrollees with continuous enrollment <u>in Contractor’s QHP for 12 months throughout the prior Plan Year</u> with two or more primary care visits with any primary care clinician <u>during that Plan Year</u>.</p>		
Measurement Year 2026	Measurement Year 2027	Measurement Year 2028
<p>Contractor establishes a Baseline of less than 0.7 <u>for at least 7060% of Enrollees</u> and does not report to Covered California on planned improvement activities: 10% penalty</p> <p>Contractor reviews Baseline Rate and (a) reports to Covered California on planned improvement activities or (b) achieves a continuity of care index of at least 0.7% <u>for at least 7060% of Enrollees</u>: no penalty</p>	<p>Contractor has a Baseline Rate of less than 0.7 <u>for at least 6070% of Enrollees</u> and does not implement and report to Covered California on continuity of care improvement activities: 10% penalty.</p> <p>Contractor (a) implements and reports to Covered California on continuity of care improvement activities or (b) achieved a continuity of care index of at least 0.7 <u>for at least 6070% of Enrollees</u>: no penalty.</p>	<p>Contractor has a Baseline Rate of less than 0.7 <u>for at least 6070% of Enrollees</u> and demonstrates an increase in continuity of care of less than 10% over the Baseline Rate: 10% penalty</p> <p>Contractor demonstrates (a) an increase of 10% or more over the Baseline Rate or (b) a Baseline Rate of at least 0.7 <u>for at least 6070% of Enrollees</u>: no penalty</p>
b) Alternate Standard:		

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Contractor must monitor continuity of care for its Covered California Enrollees during the first Measurement Year contracted with Covered California.

Contractor establishes a Baseline of less than 0.7 for at least 60-70% of Enrollees and does not report to Covered California on planned improvement activities during its second Measurement Year contracted with Covered California: **10% penalty**

Contractor reviews Baseline Rate and (a) reports to Covered California on planned improvement activities or (b) achieves a continuity of care index at least 0.7 for at least 60-70% of Enrollees during its second Measurement Year contracted with Covered California. **No penalty**