



**Ventura County Medi-Cal Managed
Care Commission (VCOMMCC) dba
Gold Coast Health Plan
Executive / Finance Committee Meeting**

Executive Conference Room, 711 E. Daily Drive, Suite 106, Camarillo, CA
Thursday, August 7, 2014
3:00 p.m.

AGENDA

CALL TO ORDER / ROLL CALL

PUBLIC COMMENT A Speaker Card must be completed and submitted to the Clerk of the Board by anyone wishing to comment:

- **Public Comment** - Comments regarding items not on the agenda but within the subject matter jurisdiction of the Commission.
- **Agenda Item Comment** - Comments within the subject matter jurisdiction of the Commission pertaining to a specific item on the agenda. The speaker is recognized and introduced by the Commission Chair during Commission's consideration of the item.

1. APPROVE MINUTES

a. [July 10, 2014 Regular Executive / Finance Meeting Minutes](#)

2. ACCEPT AND FILE ITEMS

- a. [CEO Update](#)
b. [June Financials](#)

COMMENTS FROM COMMISSIONERS

Meeting Agenda available at <http://www.goldcoasthealthplan.org>

ADMINISTRATIVE REPORTS RELATING TO THIS AGENDA AND MATERIALS RELATED TO AN AGENDA ITEM SUBMITTED TO THE COMMISSION AFTER DISTRIBUTION OF THE AGENDA PACKET ARE AVAILABLE FOR PUBLIC REVIEW DURING NORMAL BUSINESS HOURS AT THE OFFICE OF THE CLERK OF THE BOARD, 711 E. DAILY DRIVE, SUITE #106, CAMARILLO, CA.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT TRACI AT (805) 437-5509. REASONABLE ADVANCE NOTIFICATION OF THE NEED FOR ACCOMMODATION PRIOR TO THE MEETING (48 HOURS ADVANCE NOTICE IS PREFERABLE) WILL ENABLE US TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING.

**Ventura County Medi-Cal Managed Care Commission (VCMCC) dba Gold Coast Health Plan
August 7, 2014 Executive / Finance Committee Meeting Agenda (*continued*)**

PLACE: Executive Conference Room, 711 E. Daily Drive, Suite 106, Camarillo, CA

TIME: 3:00 p.m.

ADJOURNMENT

Unless otherwise determined, the next regular meeting of the Executive / Finance Committee will be held on September 4, 2014 at 3:00 p.m. in the Executive Conference Room at 711 E. Daily Drive, Suite 106, Camarillo, CA.

**Ventura County Medi-Cal Managed Care Commission
(VCOMMCC) dba Gold Coast Health Plan (GCHP)
Executive / Finance Committee Meeting Minutes**

July 10, 2014

(Not official until approved)

CALL TO ORDER

Chair Araujo called the meeting to order at 3:05 p.m. in the Executive Conference Room at Gold Coast Health Plan, 711 E. Daily Drive, Suite 106, Camarillo, CA 93010.

COMMITTEE MEMBERS PRESENT

David Araujo, MD, Ventura County Medical Center Family Medicine Residency Program

David Glycer, Private Hospitals / Healthcare System

Dee Pupa, Ventura County Medical Health System

ABSENT / EXCUSED

Antonio Alatorre, Clinicas del Camino Real, Inc.

Gagan Pawar, MD, Clinicas del Camino Real, Inc.

STAFF IN ATTENDANCE

Michael Engelhard, CEO

Michelle Raleigh, CFO

Robert Hernandez, Legal Counsel

Traci R. McGinley, Clerk of the Board

Guillermo Gonzalez, Government Affairs Director

Steve Lalich, Communications Director

Allen Maithel, Controller

Al Reeves, MD, CMO

Lyndon Turner, Financial Analysis Director

Ruth Watson, COO

PUBLIC COMMENTS

None.

1. APPROVE MINUTES

a. May 7, 2014 Special Meeting Minutes

Committee Member Glycer moved to approve the May 7, 2014 Special Meeting Minutes. Committee Member Pupa seconded. The motion carried with the following vote:

AYE: Araujo, Glycer and Pupa.

NAY: None.

ABSTAIN: None.

ABSENT: Alatorre and Pawar.

2. ACCEPT AND FILE ITEMS

a. CEO Update

CEO Engelhard reviewed the written report with the Committee.

Discussion was held regarding ACA 1202: how some provider's may have been overpaid based on how their original billings were submitted. GCHP will discuss with the Commission whether the Plan needs to go back to those providers to collect overpayments based on an updated State methodology.

b. May Financials

CFO Raleigh reviewed the May financials and noted that new Members are driving the costs and revenue.

Discussion was held regarding the TNE levels and comparisons to risk based capital (RBC).

c. Financial Auditor 2014 Client Service and Audit Plan (presented by McGladrey)

Steve Draxler and Carrie Esler of McGladrey reviewed the report submitted to the Committee.

Discussion was held regarding the LULAC allegations, Carrie Esler advised the Committee that McGladrey is ensuring that controls are in place and will report back to the Committee. Steve Draxler added that McGladrey would like to see the report from Moss-Adams, LLP that is conducting the financial investigation, or meet with them regarding this matter.

Committee Member Pupa moved to accept the file the CEO Update, May Financials and McGladrey's 2014 Client Service and Audit Plan. Committee Member Glycer seconded. The motion carried with the following vote:

AYE: Araujo, Glycer, and Pupa.
NAY: None.
ABSTAIN: None.
ABSENT: Alatorre and Pawar.

3. INFORMATIONAL ITEMS

a. Quarterly Update to Auditor's Recommendations

CFO Raleigh reviewed the update with the Committee.

Committee Member Glycer asked in which department McGladrey believes the payroll function should reside. Steve Draxler responded that he believes it should reside in the Human Resources department, as is currently the practice at GCHP.. However, while there is not a right or wrong answer to where payroll should reside (in Finance versus

Human Resources), McGladrey does review what controls management has in place and if the processes are appropriate. Discussion was held regarding GCHP's process. Steve Draxler indicated that the key is having proper segregation of duties in the payroll functions with one department inputting the information and a different department reviewing it.

COMMENTS FROM COMMITTEE MEMBERS

None.

ADJOURNMENT

Meeting adjourned at 4:28 p.m.

AGENDA ITEM 2a

To: Gold Coast Health Plan Executive / Finance Committee

From: Michael Engelhard, Chief Executive Officer

Date: August 7, 2014

Re: CEO Update

OPERATIONS

August 2014 Membership Summary

Gold Coast Health Plan experienced moderate growth on the August Enrollment file, adding 1,316 members to the Plan. Although the membership increase was much smaller than the preceding months, it did bring GCHP to another significant milestone, topping an enrollment mark of 160,000 members. GCHP's membership as of August 1, 2014 is 160,427, which represents an increase of 39,915 members since January 1, 2014 (approximately 33% growth). The cumulative new membership since January 1st is summarized as follows:

- L1 (Low Income Health Plan) – 7,839
- M1 (Adult Expansion) – 15,606
- 7U (CalFresh Adults) – 3,453
- 7W (CalFresh Children) – 667
- Traditional Medi-Cal – 11,030

GCHP continues to see growth in the Adult Expansion category (M1), adding an additional 2,979 members in August. We are starting to see the impact to eligibility redeterminations, which were put on hold from January to June, as members are moving from transitional aid codes to traditional aid codes. One example of this would be the LIHP transition members, where eligibility was reported as 7,975 in June and is now 7,726 in August.

PHARMACY UPDATE

Part D – Share of Cost (SOC)

The Pharmacy Director has been conducting audits and implementing a comprehensive PBM vendor oversight program. As a result of these audits, certain issues were identified.

The first issue is the payment of copays and co-insurance of drugs that are covered under Medicare. Medicare offers a low income subsidy, or Extra Help, for all dual Medicare-Medicaid members. Through this program, a Member will pay no more than \$2.55 for each generic

medication and no more than \$6.35 for each brand medication. Because of the subsidies, Medicaid managed care plans may not cover the member's cost share. GCHP has been paying for Member's cost share since the Plan inception.

The second issue is the payment of drugs for Members who have a share of cost. The share of cost is defined as a monthly dollar amount that some Medi-Cal subscribers must pay, or agree to pay, toward their medical expenses before they qualify for Medi-Cal benefits. The share of cost is determined by the county welfare department is assessed for Members who have incomes too high to qualify for Medi-Cal, but too low to cover health care costs. The PBM previously had not set-up any block in the system to prevent claims from being covered for Members that have a share of cost, but have not yet met their share of cost and become a GCHP Member.

It appears that both issues were a result of instructions provided by the Plan during the PBM system set up in 2011. Both issues will be corrected in the PBM's adjudication software on October 1, 2014.

The Department of Health Care Services (DHCS) was notified regarding both issues on June 9, 2014. The notification included a summary of the issues and the plan for member and provider communication. To date, GCHP has not received any feedback from DHCS regarding the issue or the member notification pieces.

Provider and pharmacy communication have begun with articles regarding the issues placed in both the Provider Operations Bulletin and the Pharmacy Newsletter. Member notifications for all Medicare Part D eligible members (any member that has Part A, Part B, or Part D) will be sent the week of August 11, 2014 and again at the beginning of September.

AGENDA ITEM 2b

To: Gold Coast Health Plan Executive / Finance Committee

From: Michelle Raleigh, Chief Financial Officer

Date: August 7, 2014

Re: June 2014 Financials

SUMMARY

Staff is presenting the attached June 2014 financial statements of Gold Coast Health Plan (Plan) for review by the Executive / Finance Committee.

BACKGROUND / DISCUSSION

The Plan staff has prepared the June 2014 financial package, including balance sheet, income statements and statements of cash flows.

FISCAL IMPACT

Year-To-Date Results

On a year-to-date basis, the Plan's net income is approximately \$25.8 million compared to \$16.5 million assumed in the budget. These operating results have contributed to a Tangible Net Equity (TNE) level of approximately \$37.7 million, which exceeds both the budget of \$28.4 million (by \$9.3 million) and the State minimum required TNE amount of \$19.5 million (by \$18.1 million).

Note the TNE minimum requirement is no longer being phased-in since the Plan just completed its third year of operations, which is the period of time the State phases-in the minimum TNE requirement. Please note the Plan's TNE amounts noted in the financial package include the \$7.2 million in lines of credit with the County of Ventura. Also, as of the end of the FY 2013-14, the Plan's TNE is:

- 193% of the minimum State-required TNE level and
- 156% of the minimum State-required TNE level, excluding the lines of credit of \$7.2 million.

Comparative Results across Fiscal Years

Membership - For FY 2013-14, average monthly members were approximately 27,480 greater (or approximately 330,000 member months) than in FY 2012-13. The growth was primarily due to expansion in the Targeted Low Income Children (TLIC) and Adult Expansion (AE) member categories whose membership as a percentage of total membership rose from less

than 6% at June 30, 2013 to more than 29% at June 30, 2014. The TLIC population included the children transitioning from the State's Healthy Families population in August, 2013. The AE population included the transition of the County's Low Income Health Population (LIHP) in January, 2014 and other related State expansions under the Affordable Care Act (ACA).

Revenue - This membership expansion was a significant contributor to the 30% or \$93.8 million increase in revenue for FY 2013-14 over FY 2012-13. The average revenue rate per-member-per-month (PMPM) was approximately 2% higher in the closing year, compared to FY 2012-13 as a result of the Plan enrolling a different mix of members and due to the ACA 1202 funds (i.e., funds used to pay qualifying providers rates at effective Medicare levels for specific services) received for January 1, 2013 - June 30, 2013.

Health Care Costs - Health care costs for FY 2013-14 were 27% or \$76.3 million higher than in FY 2012-13, mostly associated with the aforementioned expansion in the TLIC and AE member categories. Also adding to health care costs were:

- The expansion of the mental health benefit provided to the Plan's members (added in connection with ACA) in January, 2014. The expense for this new service totaled \$1.5 million.
- The ACA 1202 amounts noted above have been reflected in the financials as all being paid out to providers.

The medical loss ratio (MLR) for the current year is 87% versus 89% in FY 2012-13. The MLR is calculated by dividing health care costs by total revenue and is decreased for the current year due to the revenue growth.

Administrative Expenses - Operating expenses for the closing year were approximately 10% or \$2.5 million higher than in FY 2012-13. The increases were driven primarily from:

- expenses dependent on membership (e.g. ACS, Beacon Health Strategies),
- additional personnel, and
- infrastructure costs necessary to support expanded operations.

Offsetting these operating expenses were savings achieved through less reliance on consulting services, specifically the State monitor.

The administrative cost ratio (ACR) for the year ended June 30, 2014 was 6.5% as compared to 7.6% for FY 2012-13. The ACR is calculated by dividing administrative expenses by total revenue and the decrease for the current year versus FY 2012-13 resulted from operating efficiencies as well as revenue growth caused by expanded membership.

June 2014 Results and Comparative Results to Budget

Membership - June membership of 157,168 exceeded budget by 22,167 members. As in the prior months, the Adult / Family and AE categories are driving membership growth. Current

membership is 23% better than at December 31, 2013 and is more than 48% higher year-over-year.

Revenue - June and YTD net revenue were \$46.5 and \$409.0 million, which exceeded their budgeted amounts of \$38.3 and \$390.0 million, by \$8.3 and \$19.2 million, respectively. On a per-member-per-month (PMPM) basis, net revenue was \$296.03 PMPM which was \$12.87 PMPM better than budget of \$283.16 PMPM. For YTD, PMPM was \$263.22 versus \$258.14 PMPM for budget. The favorable to budget revenue performance for both June and YTD resulted from membership growth being greater than anticipated in total, with significantly more members than expected in higher capitation rate cells and the ACA 1202 payments.

Specific variances for the month of June include:

- AE membership exceeded budget by approximately 8,700 members, generating an additional \$6.5 million in revenue as compared with budget.
- The Adult / Family category also produced excess revenue of \$0.8 million through a positive membership variance of approximately 10,600.
- The remaining variance is due to differences in mix of the population.

Other notable items impacting revenue include:

- The Plan received a one-time payment in connection with implementation of Amendment #11 rates which adjusted revenue for the period January 2014 through March 2014. Upon further review of the documentation from the State, the Plan needed to adjust financials accordingly:
 - Premium - The impact of implementing these rates for the January – March time period had a net increase in revenue of \$1.2 million.
 - AB 97 Reserve for Rate Reduction - Since the Amendment #11 rates had already been reduced to reflect the AB 97 provider rate reductions, the AB 97 reserve held by the Plan for January - March time period could be released, adding approximately \$1.3 million back to revenue.
 - CBAS - Amendment #11 rates included payments for community based adult services (CBAS); rates were not paid through a separate CBAS payment as in the past. Therefore, previously recorded separate CBAS revenues were reversed resulting in reducing revenue by \$2.5 million.

Note: estimates were used for June's enrollment and associated revenue because State documentation commonly provided with the capitation check was not available in time for the month-end close.

Health Care Costs - Health care costs for June were \$37.1 million or \$2.7 million more than budget. Year-to-date health care costs were \$356.7 million compared to a budgeted \$346.5

million. On a PMPM basis, June health care costs were \$236.37 PMPM versus a budgeted amount of \$255.42. Year-to-date, actual costs were \$229.58 PMPM as compared to \$229.52 PMPM in the budget.

Causes for the June total dollar variance to budget include:

- Membership growth - Increases in membership over budget accounted for approximately \$5.6 million of negative variance. Much of the membership growth occurred in a high-cost aid category (AE).
- Capitation - Increased due to the implementation of capitation arrangements for the majority of the AE members, effective June 1. The new capitation payments, worth approximately \$0.53 million were not known during the completion of the budget.
- Inpatient - Reserves had been increased in May after reviewing hospital data such as census reports. June data suggested that inpatient census appeared to be normalizing. Consequently, approximately \$0.9 million of the reserve was released.
- LTC / SNF - Reserves of approximately \$0.4 million related to AB 1629 rate increases were added to the existing amounts in place from prior months. The Plan received additional information from the State which resulted in a better estimate of expected rate increases pursuant to AB 1629 related to months prior to the system implementation of the new rates.
- Pharmacy - Pharmacy expense has risen substantially, due in part to the new Hepatitis C drug (Sovaldi) as well as through the growing AE population. However, the increase in utilization among the new population has not achieved the rate as expected in the revised budget.
- Other Fee for Service - This category, which is a combination of five services, is greatly impacted by a high expected PMPM in the AE population. Consequently, the expenses (and related reserves) have been driven by the growth in membership.
- Reinsurance - The overall rise in health care costs was mitigated by the receipt of over \$1.2 million in recoveries. For the year, recoveries amounted to nearly \$2.5 million.

As disclosed in prior months, the current financials continue to reflect an estimated 85% MLR for overall medical expenses specific to the AE population. However, the additional reserve still results in total expenses that are below budget for this new population, because pharmacy expenses have been less than budget. Based on the 85% MLR requirement for this population, the medical expense reserve was increased by approximately \$2.0 million in June, bringing the YTD total reserve to \$8.1 million (this is reflected in the pharmacy row of the income statement). Other services reflect a 91% MLR per the State's estimates and will be evaluated as claims data is received. The Plan consulted with its audit firm and obtained agreement with the way the Plan is increasing the reserve in response to this contract provision.

Administrative Expenses - For the month, overall operational costs were in line with budgeted expenses, with actual expenses being approximately \$132,000 more than budget. Expenses driven by membership (e.g. ACS, Beacon Health Strategies) resulted in expenses being \$183,000 more than budget. Legal expenses are also \$88,000 over budget. Savings of \$78,000 were realized from lower personnel expenses due to timing of new hires. Interest expense was favorable to budget, due to recovery from providers. For the year, operating expenses were in line with expectations and was only \$247,000 or less than 1% over budget.

Cash + Medi-Cal Receivable - The total of Cash and Medi-Cal Premium Receivable balances of \$160.0 million reported as of June 30, 2014 included a MCO Tax component amounting to \$15.0 million. Excluding the impact of the tax, the total of Cash and Medi-Cal Receivable balance as of June 30, 2014 was \$145.0 million, or \$52.0 million better than the budgeted level of \$93.0 million.

Note the State Capitation Premium Receivable for May and June was still outstanding at June 30, 2014. The May receivable was settled in July while the June receivable was received on August 1, 2014. The payment delays were caused by a system conversion at DHCS

Physician ACA 1202 Payable Liability - The balance for this liability at June 30 is approximately \$3.2 million and represents funds received from the State related to ACA 1202 legislation allowing for additional funding to qualifying providers. The Plan is awaiting additional guidance from the State and the Commission before distributing supplemental payments to qualifying providers. ACA 1202 medical expense also includes for a small amount to be eventually retained by the Plan to cover administration costs. Once the funds are distributed or further guidance is provided, the portion that is retained by the Plan will be recognized on the income statement.

Deferred Rent Liability - Generally, the lease payments for the new office facility increase over the lease term. According to GAAP, lease expense under such lease agreements should be recorded on a straight-line basis. As such, the deferred rent balance represents the difference between what was paid and amortized using a straight-lining lease expense for the office rent. The deferred rent liability balance at June 30 is approximately \$72,000, and is included in Other Long-Term Liabilities.

Potential Post-Closing Adjustments

The Plan is aware of the following items that may adjust FY 2013-14 results through post-close adjustments:

- Revenue - Note revenue for June is based on DHCS contract amendment #11 rates which are the same rates used to compute revenue since January. Final rates for FY 2013-14 are currently being confirmed with the State. An adjustment to current year revenue will be made to reflect the new rates once the final rates are known.

- Also, as noted above, because June's enrollment data aligning with the payment received was not available in time for the month-end close, an estimate was used to compute the revenue (and Medi-Cal receivable).
- IBNP - the incurred but not paid (IBNP) liability amount is subject to review by the Plan's actuaries and external accountants and further adjustment may be necessary based on their reviews. As noted above, the Plan did not receive all appropriate documentation in time for the June close from the State. This resulted in additional estimating of the IBNP as of June 30, 2014. The Plan continues to receive inquiries from VCMC about a potential claims submission backlog that occurred when that provider transitioned to a new electronic records system. It is unclear how large the potential claims backlog continues to be and the Plan is continuing to analyze information that could impact IBNP.

RECOMMENDATION

Staff requests that the Executive / Finance Committee recommend approval of the June, 2014 financial statements to the Commission.

CONCURRENCE

N/A

Attachment

June 2014 Financial Package



FINANCIAL PACKAGE

For the month ended June 30, 2014

TABLE OF CONTENTS

- Financial Overview
- Membership
- Income Statement/PMPM Income Statement by Month
- YTD Income Statement
- Comparative Balance Sheet
- Cash & Medi-Cal Receivable Trend
- Paid Claims and IBNP

APPENDIX

- Statement of Cash Flows
- YTD Cash Flows
- Total Expenditure Composition
- Pharmacy Cost & Utilization Trends

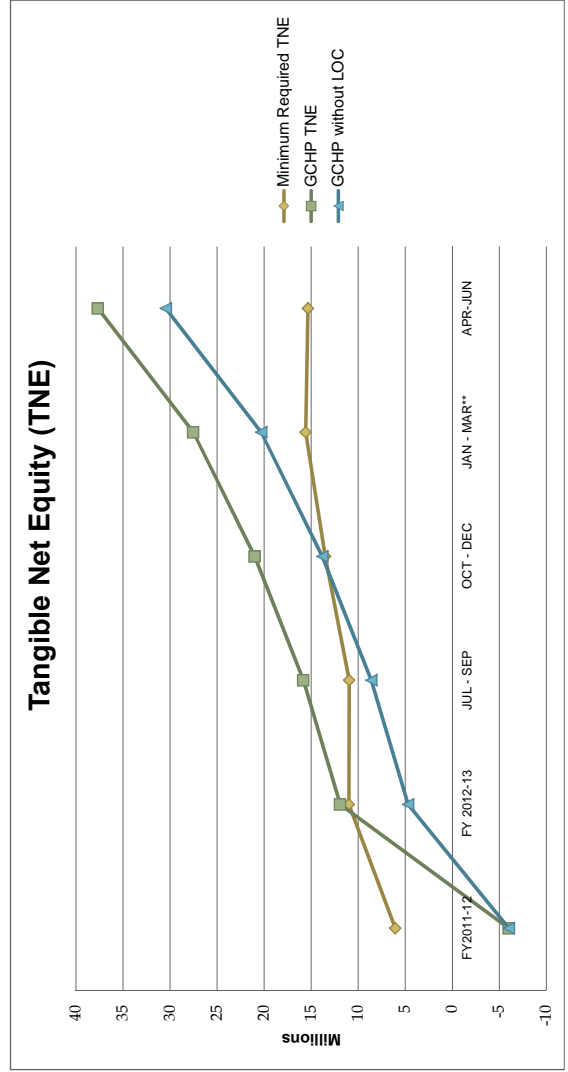
Financial Overview

Description	UNAUDITED FY 2013-14 Actual										Budget Comparison				
	AUDITED*		AUDITED*		AUDITED*		AUDITED*		AUDITED*		Budget YTD		Variance Fav/(Unfav)		Variance Fav/(Unfav) %
	FY2011-12	FY 2012-13	JUL - SEP	OCT - DEC	JAN - MAR**	APR-JUN	YTD	Budget YTD	Variance Fav/(Unfav)	Variance Fav/(Unfav) %	Budget YTD	Variance Fav/(Unfav)	Variance Fav/(Unfav) %		
Member Months	1,258,189	1,223,895	347,079	362,021	397,467	447,093	1,553,660	1,509,746	43,914	2.9%	1,509,746	43,914	2.9%		
Revenue	304,635,932	315,119,611	81,988,709	84,070,466	112,028,121	130,864,339	408,951,624	389,732,567	19,219,058	4.9%	389,732,567	19,219,058	4.9%		
<i>pppm</i>	242.12	257.47	236.22	232.23	281.86	292.70	263.22	258.14	5.07	2.0%	258.14	5.07	2.0%		
Health Care Costs	287,353,672	280,382,704	71,875,533	72,867,512	98,914,423	113,026,921	356,684,395	346,522,089	(10,162,306)	(2.9)%	346,522,089	(10,162,306)	(2.9)%		
<i>pppm</i>	228.39	229.09	207.09	201.28	248.86	252.80	229.58	229.52	(0.05)	(0.0)%	229.52	(0.05)	(0.0)%		
% of Revenue	94.3%	89.0%	87.7%	86.3%	88.3%	86.4%	87.2%	88.9%	-1.7%	-1.9%	88.9%	-1.7%	-1.9%		
Admin Exp	18,891,320	24,013,927	6,202,007	6,014,475	6,697,110	7,687,941	26,501,533	26,749,142	247,608	0.9%	26,749,142	247,608	0.9%		
<i>pppm</i>	15.01	19.62	17.87	16.61	16.60	17.20	17.06	17.72	0.66	3.7%	17.72	0.66	3.7%		
% of Revenue	6.2%	7.6%	7.6%	7.2%	5.9%	5.9%	6.5%	6.9%	0.4%	5.6%	6.9%	0.4%	5.6%		
Net Income	(1,609,063)	10,722,980	3,911,169	5,185,469	6,516,582	10,149,477	25,765,696	16,461,336	9,304,360	56.5%	16,461,336	9,304,360	56.5%		
<i>pppm</i>	(1.28)	8.76	11.27	14.33	16.40	22.70	16.58	10.90	5.68	52.1%	10.90	5.68	52.1%		
% of Revenue	-0.5%	3.4%	4.8%	6.2%	5.8%	7.8%	6.3%	4.2%	2.1%	49.2%	4.2%	2.1%	49.2%		
100% TNE	16,769,368	16,138,440	16,112,437	16,056,217	18,539,458	18,276,423	19,517,407	19,085,070	422,337	2.2%	19,085,070	422,337	2.2%		
% TNE Required	36%	68%	68%	84%	84%	84%	100%	100%	100%	100%	100%	100%	100%		
Minimum Required TNE	6,036,972	10,974,139	10,956,457	13,487,223	15,573,145	15,352,195	19,517,407	19,085,070	422,337	2.2%	19,085,070	422,337	2.2%		
GCHP TNE	(6,031,881)	11,891,099	15,802,268	20,990,738	27,507,320	37,656,797	37,656,797	28,352,436	9,304,361	32.8%	28,352,436	9,304,361	32.8%		
TNE Excess / (Deficiency)	(12,068,853)	916,960	4,845,810	7,503,516	12,997,168	22,304,601	18,139,390	9,257,366	8,882,024	95.9%	9,257,366	8,882,024	95.9%		

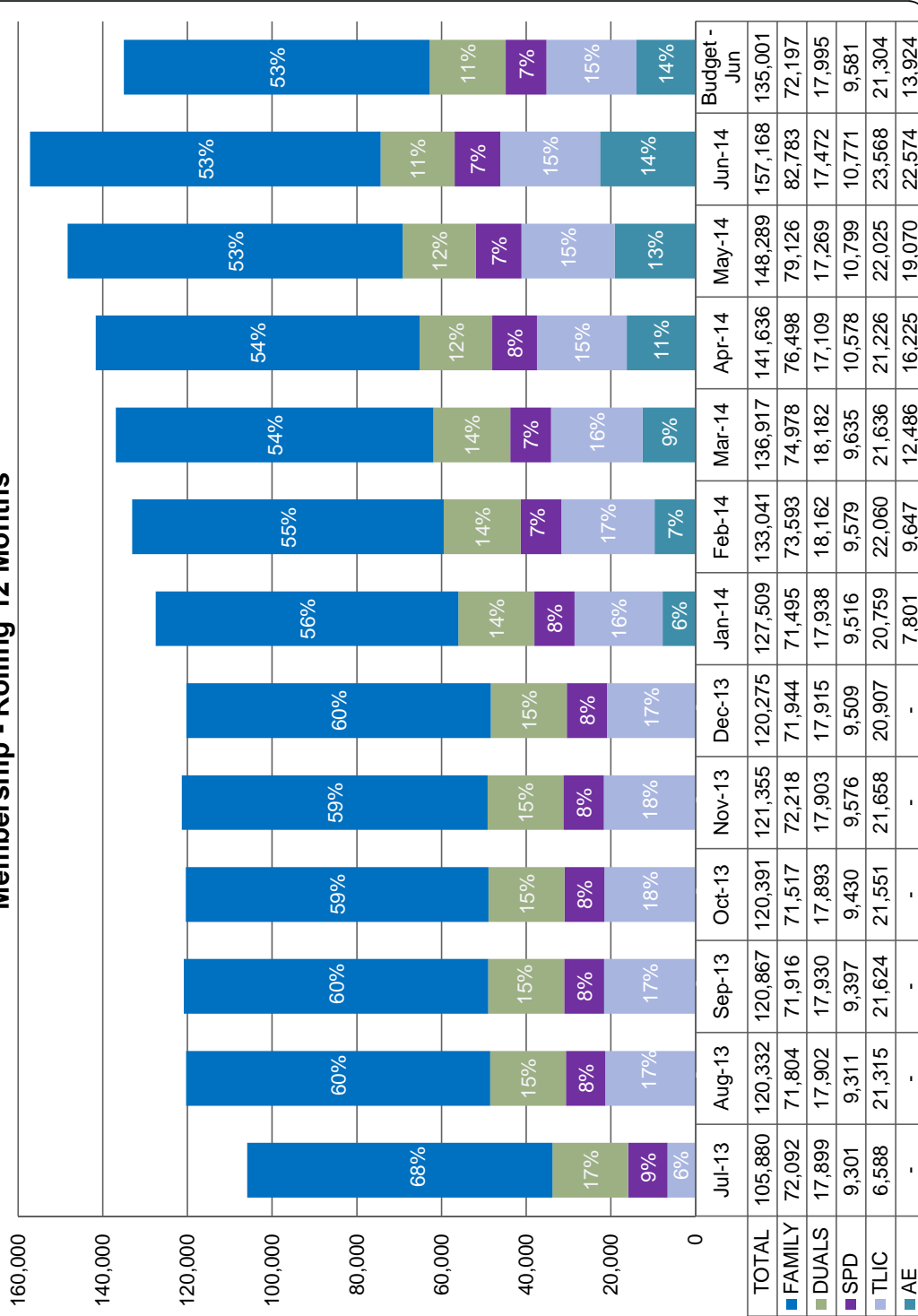
Note: TNE amount includes \$7.2 million related to the Lines of Credit (LOC) from Ventura County.

* Audited amounts reflect financial adjustments made by auditors, but exclude presentation reclassifications without P&L impact (i.e. reporting package kept the same).

**ACA 1202 payment (\$5.2 million) received from State in January was added back to revenue and health care cost in the month of January (in the June package). This is a change from prior months because the State has finalized the ACA 1202 payment methodology.



Membership - Rolling 12 Months



SPD = Seniors and Persons with Disabilities TLIC = Targeted Low Income Children AE = Adult Expansion

Note: Beginning in Apr '14 actual membership reflects new Duals definition as implemented by DHCS. Prior months and budget have not been restated.

Income Statement Monthly Trend

	FY2013-14 Monthly Trend			Current Month		
	MAR 2014	APR 2014	MAY 2014	JUNE 2014		Variance
				Actual	Budget	Fav/(Unfav)
Membership (includes retro members)	136,917	141,636	148,289	157,168	135,001	22,167
Revenue:						
Premium	\$ 39,652,832	\$ 42,486,972	\$ 45,197,814	\$ 47,173,118	\$ 40,008,794	\$ 7,164,324
Reserve for Rate Reduction	(440,736)	-	-	1,253,837	(257,796)	1,511,634
MCO Premium Tax	(1,529,127)	(1,672,942)	(1,779,698)	(1,954,702)	(1,575,346)	(379,355)
Total Net Premium	37,682,970	40,814,030	43,418,115	46,472,254	38,175,651	8,296,602
Other Revenue:						
Interest Income	17,728	16,425	12,448	16,066	13,203	2,863
Miscellaneous Income	38,333	38,333	38,333	38,333	38,333	0
Total Other Revenue	56,061	54,759	50,782	54,399	51,536	2,863
Total Revenue	37,739,031	40,868,789	43,468,897	46,526,653	38,227,188	8,299,465
Medical Expenses:						
Capitation (PCP, Specialty, Kasier, NEMT & Visior	1,704,134	1,797,876	1,851,892	2,438,071	1,672,605	(765,466)
FFS Claims Expenses:						
Inpatient	7,940,779	9,670,256	9,002,937	6,708,899	7,492,396	783,497
LTC/SNF	7,256,361	6,106,318	8,116,213	7,439,023	6,068,491	(1,370,532)
Outpatient	2,631,325	3,845,231	3,312,183	3,062,231	3,417,512	355,281
Laboratory and Radiology	609,596	512,307	629,923	800,113	533,349	(266,764)
Physician ACA 1202	102,189	-	-	-	-	-
Emergency Room	975,817	1,127,040	1,093,890	1,514,158	1,055,816	(458,342)
Physician Specialty	2,433,750	2,572,332	2,306,001	2,046,830	2,675,808	628,978
Mental Health Services	254,043	248,532	297,327	298,328	191,969	(106,359)
Pharmacy	5,648,117	6,255,595	7,006,271	7,534,160	6,502,191	(1,031,968)
Other Medical Professional	218,265	200,064	224,924	251,042	188,935	(62,107)
Other Medical Care	3,645	331	-	387	-	(387)
Other Fee For Service	3,250,414	3,791,877	4,329,381	4,800,761	3,413,714	(1,387,048)
Transportation	79,919	111,272	77,615	142,371	89,403	(52,968)
Total Claims	31,404,220	34,441,155	36,396,665	34,598,303	31,629,583	(2,968,720)
Medical & Care Management Expense	828,605	896,582	921,915	1,363,457	973,010	(390,447)
Reinsurance	308,761	319,404	(120,034)	(934,004)	206,551	1,140,555
Claims Recoveries	(33,912)	(389,784)	(237,943)	(316,634)	-	316,634
Sub-total	1,103,455	826,202	563,938	112,819	1,179,561	1,066,742
Total Cost of Health Care	34,211,809	37,065,232	38,812,496	37,149,193	34,481,749	(2,667,444)
Contribution Margin	3,527,222	3,803,556	4,656,402	9,377,460	3,745,439	5,632,021
General & Administrative Expenses:						
Salaries and Wages	584,952	585,889	662,308	592,779	664,392	71,612
Payroll Taxes and Benefits	144,143	152,089	158,128	152,969	159,084	6,115
Travel and Training	7,364	8,647	7,786	13,484	19,138	5,654
Outside Service - ACS	1,044,479	1,127,533	1,167,563	1,179,130	1,022,033	(157,098)
Outside Services - Other	82,663	81,293	214,869	103,733	78,078	(25,655)
Accounting & Actuarial Services	29,239	17,051	(7,071)	35,136	20,833	(14,302)
Legal	71,044	33,293	134,879	124,593	36,340	(88,253)
Insurance	12,120	11,990	11,949	11,914	15,095	3,181
Lease Expense - Office	28,979	226,981	63,318	92,081	64,355	(27,726)
Consulting Services	57,096	71,630	35,325	128,446	127,977	(468)
Translation Services	5,197	1,963	5,152	4,711	2,417	(2,294)
Advertising and Promotion	(790)	1,300	-	9,010	15,596	6,586
General Office	73,897	126,456	91,250	107,081	97,180	(9,901)
Depreciation & Amortization	7,015	14,711	15,108	15,133	53,474	38,341
Printing	21,503	12,008	1,312	6,227	11,696	5,469
Shipping & Postage	464	1,945	318	237	2,950	2,713
Interest	27,738	22,754	35,144	(49,375)	4,320	53,695
Total G & A Expenses	2,197,102	2,563,313	2,597,338	2,527,289	2,394,959	(132,330)
Net Income / (Loss)	\$ 1,330,120	\$ 1,240,243	\$ 2,059,063	\$ 6,850,171	\$ 1,350,479	\$ 5,499,691

MPPM Income Statement Comparison

	MAR 2014	APR 2014	MAY 2014	JUNE 2014		Variance
				Actual	Budget	Fav/(Unfav)
Membership (includes retro members)	136,917	141,636	148,289	157,168	135,001	22,167
Revenue:						
Premium	289.61	299.97	304.80	300.14	296.36	3.78
Reserve for Rate Reduction	(3.22)	-	-	7.98	(1.91)	9.89
MCO Premium Tax	(11.17)	(11.81)	(12.00)	(12.44)	(11.67)	(0.77)
Total Net Premium	275.22	288.16	292.79	295.69	282.78	12.90
Other Revenue:						
Interest Income	0.13	0.12	0.08	0.10	0.10	0.00
Miscellaneous Income	0.28	0.27	0.26	0.24	0.28	(0.04)
Total Other Revenue	0.41	0.39	0.34	0.35	0.51	(0.16)
Total Revenue	275.63	288.55	293.14	296.03	283.16	12.87
Medical Expenses:						
<u>Capitation (PCP, Specialty, Kasier, NEMT & Visior</u>	12.45	12.69	12.49	15.51	12.39	3.12
FFS Claims Expenses:						
Inpatient	58.00	68.28	60.71	42.69	55.50	12.81
LTC/SNF	53.00	43.11	54.73	47.33	44.95	(2.38)
Outpatient	19.22	27.15	22.34	19.48	25.31	5.83
Laboratory and Radiology	4.45	3.62	4.25	5.09	3.95	(1.14)
Physician ACA 1202	0.75	-	-	-	-	-
Emergency Room	7.13	7.96	7.38	9.63	7.82	(1.81)
Physician Specialty	17.78	18.16	15.55	13.02	19.82	6.80
Mental Health Services	1.86	1.75	2.01	1.90	1.42	(0.48)
Pharmacy	41.25	44.17	47.25	47.94	48.16	0.23
Other Medical Professional	1.59	1.41	1.52	1.60	1.40	(0.20)
Other Medical Care	0.03	0.00	-	0.00	-	(0.00)
Other Fee For Service	23.74	26.77	29.20	30.55	25.29	(5.26)
Transportation	0.58	0.79	0.52	0.91	0.66	(0.24)
Total Claims	229.37	243.17	245.44	220.14	234.29	14.16
Medical & Care Management Expense	6.05	6.33	6.22	8.68	7.21	(1.47)
Reinsurance	2.26	2.26	(0.81)	(5.94)	1.53	7.47
Claims Recoveries	(0.25)	(2.75)	(1.60)	(2.01)	-	2.01
Sub-total	8.06	5.83	3.80	0.72	8.74	8.02
Total Cost of Health Care	249.87	261.69	261.74	236.37	255.42	19.05
Contribution Margin	25.76	26.85	31.40	59.67	27.74	31.92
General & Administrative Expenses:						
Salaries and Wages	4.27	4.14	4.47	3.77	4.92	1.15
Payroll Taxes and Benefits	1.05	1.07	1.07	0.97	1.18	0.21
Travel and Training	0.05	0.06	0.05	0.09	0.14	0.06
Outside Service - ACS	7.63	7.96	7.87	7.50	7.57	0.07
Outside Services - Other	0.60	0.57	1.45	0.66	0.58	(0.08)
Accounting & Actuarial Services	0.21	0.12	(0.05)	0.22	0.15	(0.07)
Legal	0.52	0.24	0.91	0.79	0.27	(0.52)
Insurance	0.09	0.08	0.08	0.08	0.11	0.04
Lease Expense - Office	0.21	1.60	0.43	0.59	0.48	(0.11)
Consulting Services	0.42	0.51	0.24	0.82	0.95	0.13
Translation Services	0.04	0.01	0.03	0.03	0.02	(0.01)
Advertising and Promotion	(0.01)	0.01	-	0.06	0.12	0.06
General Office	0.54	0.89	0.62	0.68	0.72	0.04
Depreciation & Amortization	0.05	0.10	0.10	0.10	0.40	0.30
Printing	0.16	0.08	0.01	0.04	0.09	0.05
Shipping & Postage	0.00	0.01	0.00	0.00	0.02	0.02
Interest	0.20	0.16	0.24	(0.31)	0.03	0.35
Total G & A Expenses	16.05	18.10	17.52	16.08	17.74	1.66
Net Income / (Loss)	9.71	8.76	13.89	43.59	10.00	33.58

Income Statement
For The Twelve Months Ended June 30, 2014

	June '13 Year-To-Date	June '14 Year-To-Date		Variance
	Actual	Actual	Budget	Fav/(Unfav)
Membership (includes retro members)	1,223,895	1,553,660	1,509,746	43,914
Revenue				
Premium	\$ 319,435,701	\$ 425,644,611	\$ 407,361,397	\$ 18,283,214
Reserve for Rate Reduction	1,914,156	(842,917)	(2,365,457)	1,522,541
MCO Premium Tax	(7,339,439)	(16,462,166)	(15,859,554)	(602,612)
Total Net Premium	314,010,417	408,339,528	389,136,385	19,203,143
Other Revenue:				
Interest Income	114,009	153,143	136,181	16,962
Miscellaneous Income	995,185	458,953	460,000	(1,047)
Total Other Revenue	1,109,194	612,096	596,181	15,915
Total Revenue	315,119,611	408,951,624	389,732,567	19,219,058
Medical Expenses:				
<u>Capitation (PCP, Specialty, Kaiser, NEMT & Vision)</u>	11,159,035	20,215,862	19,145,335	(1,070,527)
<u>FFS Claims Expenses:</u>				
Inpatient	56,836,456	72,969,510	72,503,824	(465,686)
LTC/SNF	78,149,888	85,518,201	77,019,440	(8,498,761)
Outpatient	30,804,439	36,675,590	36,970,231	294,641
Laboratory and Radiology	2,541,419	4,149,740	3,856,216	(293,524)
Physician ACA 1202	6,143,374	5,373,618	-	(5,373,618)
Emergency Room	25,758,126	10,845,533	10,396,918	(448,615)
Physician Specialty	-	24,665,694	26,823,322	2,157,628
Mental Health Services	-	1,556,523	1,151,086	(405,437)
Pharmacy	41,118,154	55,354,634	56,882,945	1,528,311
Other Medical Professional	2,884,039	2,094,288	1,911,582	(182,706)
Other Medical Care	5,713	7,657	-	(7,657)
Other Fee For Service	18,435,685	31,595,067	29,162,455	(2,432,611)
Transportation	2,625,381	1,064,208	1,020,585	(43,623)
Total Claims	265,302,675	331,870,263	317,698,604	(14,171,659)
Medical & Care Management Expense	7,557,484	10,120,504	9,949,637	(170,867)
Reinsurance	(141,858)	(2,418,872)	(271,487)	2,147,386
Claims Recoveries	(3,494,632)	(3,103,361)	-	3,103,361
Sub-total	3,920,994	4,598,270	9,678,150	5,079,880
Total Cost of Health Care	280,382,704	356,684,395	346,522,089	(10,162,306)
Contribution Margin	34,736,907	52,267,230	43,210,478	9,056,752
General & Administrative Expenses:				
Salaries and Wages	5,056,803	6,701,978	6,977,458	275,480
Payroll Taxes and Benefits	1,254,386	1,630,199	1,643,302	13,103
Travel and Training	67,666	100,152	198,271	98,119
Outside Service - ACS	10,963,938	12,247,215	11,816,565	(430,650)
Outside Service - RGS	23,674	-	-	-
Outside Services - Other	538,615	886,421	677,932	(208,488)
Accounting & Actuarial Services	406,111	266,443	217,446	(48,997)
Legal	450,167	865,816	507,287	(358,529)
Insurance	104,670	142,851	147,974	5,123
Lease Expense - Office	213,692	628,720	620,908	(7,812)
Consulting Services	3,271,648	1,175,797	1,520,840	345,043
Translation Services	22,860	47,876	33,227	(14,648)
Advertising and Promotion	10,541	34,379	190,615	156,236
General Office	996,755	1,122,019	1,210,646	88,627
Depreciation & Amortization	50,789	104,005	267,097	163,092
Printing	72,360	110,786	206,366	95,580
Shipping & Postage	58,272	49,429	212,659	163,230
Interest	450,981	321,666	300,548	(21,118)
Other/ Miscellaneous Expenses		65,781	-	(65,781)
Total G & A Expenses	24,013,927	26,501,533	26,749,142	247,608
Net Income / (Loss)	\$ 10,722,981	\$ 25,765,696	\$ 16,461,336	\$ 9,304,360

Comparative Balance Sheet

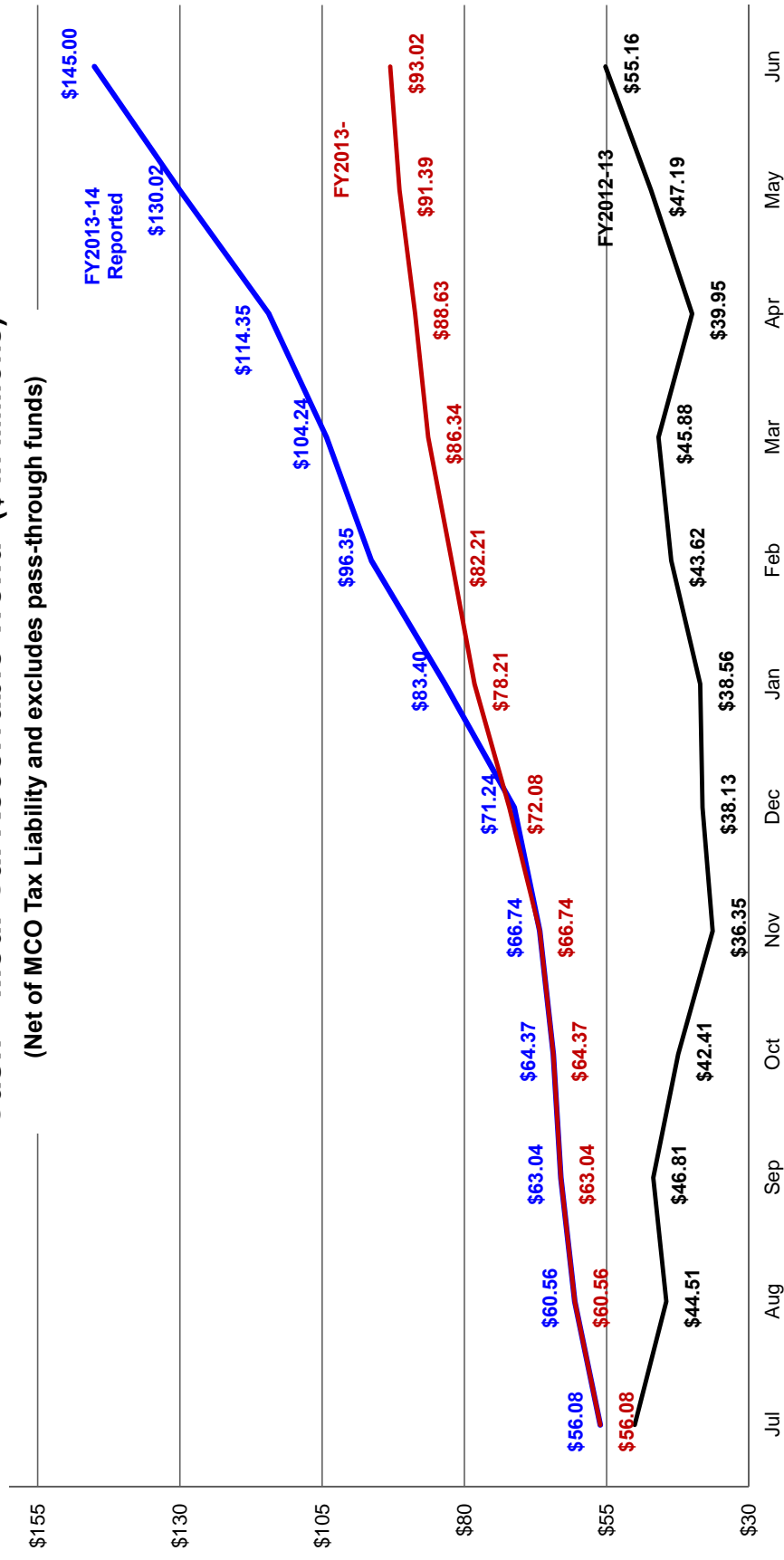
	6/30/14	5/31/14	4/30/14	Audited FY 2012-13
ASSETS				
Current Assets				
Total Cash and Cash Equivalents	\$ 60,176,698	\$ 91,842,018	\$ 72,576,000	\$ 50,817,760
Medi-Cal Receivable*	99,807,123	51,784,771	53,513,432	11,683,076
Provider Receivable	395,129	294,941	238,327	1,161,379
Other Receivables	1,458,481	174,521	173,225	300,397
Total Accounts Receivable	101,660,733	52,254,233	53,924,983	13,144,852
Total Prepaid Accounts	1,151,757	490,734	529,986	324,419
Total Other Current Assets	81,719	81,719	91,719	10,000
Total Current Assets	163,070,907	144,668,704	127,122,687	64,297,030
Total Fixed Assets	1,163,269	1,664,873	1,636,170	230,913
Total Assets	\$ 164,234,176	\$ 146,333,576	\$ 128,758,857	\$ 64,527,943
LIABILITIES & FUND BALANCE				
Current Liabilities				
Incurring But Not Reported	\$ 89,252,777	\$ 80,814,694	\$ 71,277,003	\$ 29,901,103
Claims Payable	9,482,660	8,746,221	5,259,002	9,748,676
Capitation Payable	2,054,265	1,485,425	1,444,901	1,002,623
Physician ACA 1202 Payable	3,222,776	3,222,776	3,357,133	-
AB85 Payable	1,411,679	595,883	590,735	-
Accrued Premium Reduction	842,917	2,096,754	2,096,754	-
Accounts Payable	2,875,629	1,979,072	1,430,185	1,751,419
Accrued ACS	-	1,145,296	1,149,054	422,138
Accrued Expenses	655,679	737,643	608,902	477,477
Accrued Premium Tax	14,985,060	12,996,920	11,188,973	7,337,759
Accrued Interest Payable	42,062	39,744	37,061	9,712
Current Portion of Deferred Revenue	460,000	460,000	460,000	460,000
Accrued Payroll Expense	760,032	708,187	574,926	605,937
Current Portion Of Long Term Debt	-	-	-	(0)
Other Current Liabilities	-	-	-	-
Total Current Liabilities	126,045,534	115,028,617	99,474,627	51,716,843
Long-Term Liabilities				
Other Long-term Liability	71,845	-	-	-
Deferred Revenue - Long Term Portion	460,000	498,333	536,667	920,000
Notes Payable	7,200,000	7,200,000	7,200,000	7,200,000
Total Long-Term Liabilities	7,731,845	7,698,333	7,736,667	8,120,000
Total Liabilities	133,777,380	122,726,950	107,211,294	59,836,843
Beginning Fund Balance	4,691,101	4,691,101	4,691,101	(6,031,881)
Net Income Current Year	25,765,696	18,915,526	16,856,462	10,722,981
Total Fund Balance	30,456,797	23,606,626	21,547,563	4,691,100
Total Liabilities & Fund Balance	\$ 164,234,176	\$ 146,333,576	\$ 128,758,857	\$ 64,527,943

FINANCIAL INDICATORS

Current Ratio	1.29 : 1	1.26 : 1	1.28 : 1	1.24 : 1
Days Cash on Hand	46	67	55	58
Days Cash + State Capitation Receivable	121	104	95	72
Days Cash + State Capitation Rec (less Tax Liab)	110	95	87	63

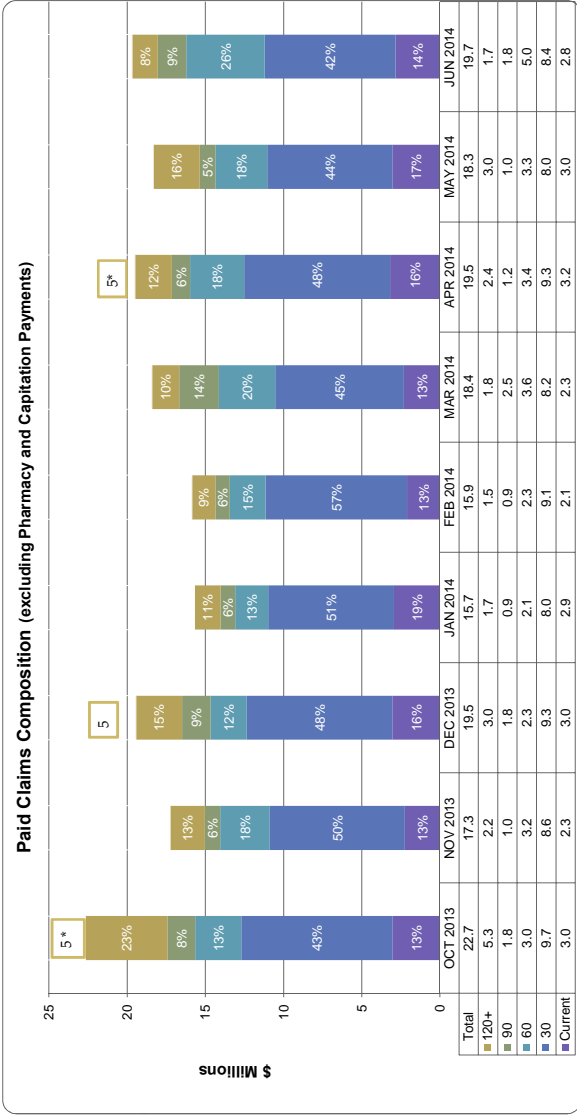
Cash + Medi-Cal Receivable Trend (\$ in Millions)

(Net of MCO Tax Liability and excludes pass-through funds)



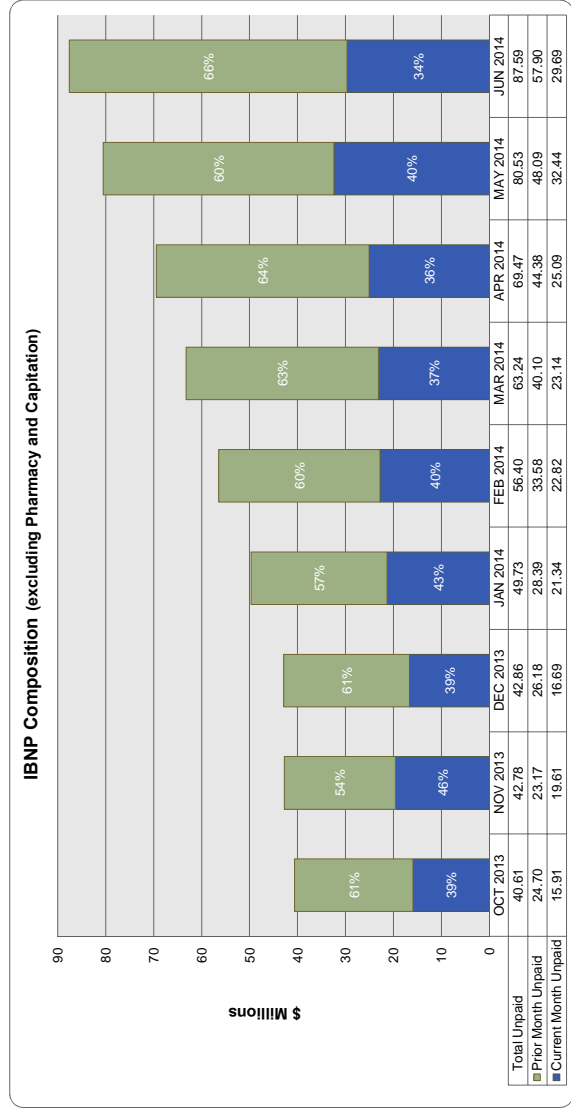
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Note: Paid Claims Composition - reflects adjusted medical claims payment lag schedule.

* Months Indicated with 5* represent months for which there were 5 claim payments. For all other months, 4 claim payments were made.



Note: IBNP Composition - reflects updated medical cost reserve calculation plus total system claims payable.



For the month ended June 30, 2014

APPENDIX

- Statements of Cash Flow
- YTD Cash Flow
- Total Expenditure Composition
- Pharmacy Cost & Utilization Trends

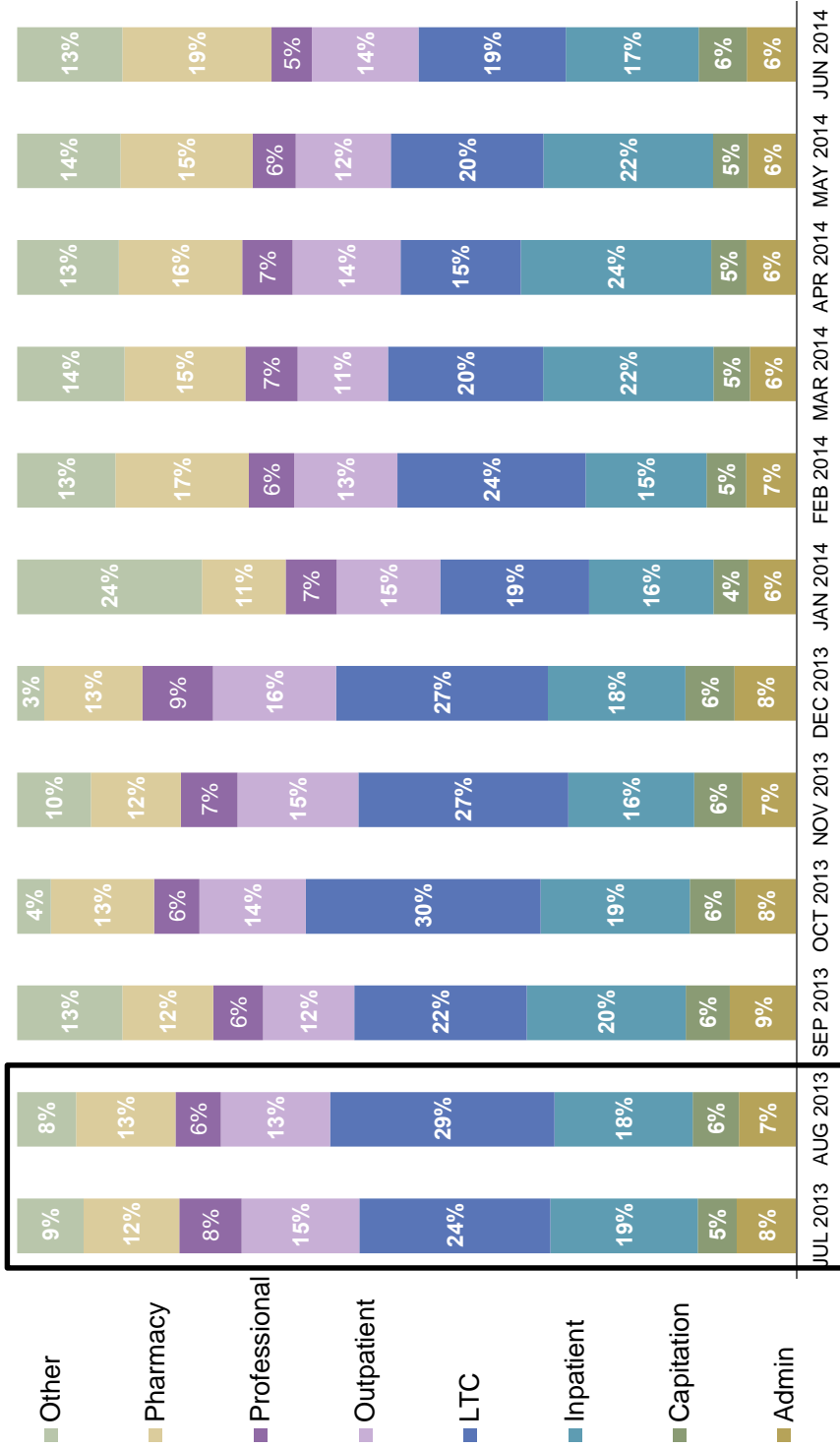
Statement of Cash Flows - Monthly

	JUNE '14	MAY '14	JUN'13
Cash Flow From Operating Activities			
Collected Premium	\$ -	\$ 47,033,424	\$ 52,138,834
Miscellaneous Income	16,066	12,448	8,594
State Pass Through Funds	-	610,463	34,346,474
<u>Paid Claims</u>			
Medical & Hospital Expenses	(19,798,531)	(18,074,838)	(17,277,826)
Pharmacy	(5,842,805)	(5,481,933)	(4,009,168)
Capitation	(1,913,772)	(1,813,549)	(1,162,302)
Reinsurance of Claims	(352,660)	(336,485)	(240,430)
State Pass Through Funds Distributed	(684,016)	-	(34,346,474)
Paid Administration	(3,093,374)	(2,609,727)	(2,616,623)
MCO Tax Received / (Paid)			829,564
Net Cash Provided/ (Used) by Operating Activities	(31,669,093)	19,339,804	27,670,643
Cash Flow From Investing/Financing Activities			
Proceeds from Line of Credit			-
Repayments on Line of Credit	-	-	-
Net Acquisition of Property/Equipment	3,774	(73,786)	(31,026)
Net Cash Provided/(Used) by Investing/Financing	3,774	(73,786)	(31,026)
Net Cash Flow	\$ (31,665,320)	\$ 19,266,019	\$ 27,639,617
Cash and Cash Equivalents (Beg. of Period)	91,842,018	72,576,000	23,068,235
Cash and Cash Equivalents (End of Period)	60,176,698	91,842,018	50,817,760
	\$ (31,665,320)	\$ 19,266,018	\$ 27,749,525
Adjustment to Reconcile Net Income to Net Cash Flow			
Net (Loss) Income	6,850,171	2,059,063	4,109,976
Loss on asset disposal	-	-	-
Depreciation & Amortization	(64,170)	45,083	11,407
Decrease/(Increase) in Receivables	(49,406,500)	1,670,751	22,788,941
Decrease/(Increase) in Prepays & Other Current As	(99,024)	49,252	769,972
(Decrease)/Increase in Payables	(714,584)	680,609	(1,578,838)
(Decrease)/Increase in Other Liabilities	33,512	(38,333)	(121,667)
Changes in Withhold / Risk Incentive Pool	-	-	-
Change in MCO Tax Liability	1,988,140	1,807,947	1,433,012
Changes in Claims and Capitation Payable	1,305,279	3,527,743	1,913,029
Changes in IBNR	8,438,082	9,537,691	(1,655,189)
	(31,669,093)	19,339,804	27,670,643
Net Cash Flow from Operating Activities	\$ (31,669,093)	\$ 19,339,804	\$ 27,670,643

Statement of Cash Flows - YTD

	<u>JUNE 2014 YTD</u>	<u>JUNE 2013 YTD</u>
Cash Flow From Operating Activities		
Collected Premium	\$ 338,499,858	\$ 336,042,267
Miscellaneous Income	153,143	114,009
State Pass Through Funds	63,097,322	34,346,474
<u>Paid Claims</u>		
Medical & Hospital Expenses	(216,089,157)	(233,904,478)
Pharmacy	(49,803,946)	(44,681,081)
Capitation	(19,161,321)	(10,411,964)
Reinsurance of Claims	(3,537,842)	(2,772,746)
State Pass Through Funds Distributed	(61,900,697)	(34,346,474)
Payment of Withhold / Risk Sharing Incentive	-	
Paid Administration	(31,191,217)	(26,392,574)
Repay Initial Net Liabilities	-	
MCO Taxes Received / (Paid)	(8,951,052)	175,900
Net Cash Provided/(Used) by Operating Activities	11,115,090	18,169,335
Cash Flow From Investing/Financing Activities		
Proceeds from Line of Credit	-	7,200,000
Repayments on Line of Credit	-	
Net Acquisition of Property/Equipment	(1,756,152)	(105,674)
Net Cash Provided/(Used) by Investing/Financing	(1,756,152)	7,094,326
Net Cash Flow	\$ 9,358,939	\$ 25,263,661
Cash and Cash Equivalents (Beg. of Period)	50,817,760	25,554,098
Cash and Cash Equivalents (End of Period)	60,176,698	50,817,760
	\$ 9,358,939	\$ 25,263,662
Adjustment to Reconcile Net Income to Net Cash Flow		
Net Income/(Loss)	25,765,696	10,722,981
Depreciation & Amortization	197,169	50,789
Decrease/(Increase) in Receivables	(88,515,881)	24,077,897
Decrease/(Increase) in Prepays & Other Current Assets	(337,057)	226,378
(Decrease)/Increase in Payables	6,544,091	265,810
(Decrease)/Increase in Other Liabilities	(389,309)	(960,000)
Change in MCO Tax Liability	7,647,300	6,734,859
Loss on asset disposal	65,781	
Changes in Claims and Capitation Payable	785,626	(239,586)
Changes in IBNR	59,351,674	(22,709,792)
	11,115,090	18,169,335
Net Cash Flow from Operating Activities	\$ 11,115,090	\$ 18,169,335

Total Expense Composition



In May 2013, GCHP changed its method of distributing Health Care Costs (HCC) across categories of service. Prior months utilized an allocation methodology. The methodology was updated to utilize payment information by different categories of services. Further changes have been made with the assumption of the TLIC population and its affect on various categories of service. Therefore, the months of May - August represent the transitioning to a new methodology.

Beginning January 2014, "Other" category includes ACA 1202 physician supplement and mental health expenses.

Pharmacy Cost Trend

