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

2240 E. Gonzales, Suite 200, Oxnard, CA 93036
Wednesday, January 9, 2013
2:30 p.m.

AGENDA

CALL TO ORDER, WELCOME AND ROLL CALL

PUBLIC COMMENT / CORRESPONDENCE

1. **APPROVE MINUTES**
   a. November 1, 2012 Regular Meeting Minutes

2. **ACCEPT AND FILE ITEMS**
   a. CEO Update
   b. October and November Financials

3. **APPROVAL ITEMS**
   a. DHCS Contract Amendment for Healthy Families

4. **INFORMATIONAL ITEMS**
   a. 06/30/12 Audit Results
   b. Draft FY 2012-13 Revised Budget
   c. Financial Forecast Submitted to DHCS
   d. Pending Capitation Rate Issues
   e. Medical Management System Replacement

CLOSED SESSIONS:

Closed Session Conference with Legal Counsel – Existing Litigation pursuant to Government Code Section 54956.9(a) (1 case) Sziklai v. Gold Coast Health Plan *et al* VCSC Case No. 56-2012-00428086-CU-WT-VTA

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

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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, 2220 E. GONZALES ROAD, SUITE 200, OXNARD, CA.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT TRACI AT 805/981-5340. 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

Closed Session Conference with Real Property negotiators pursuant to Government Code Section 54956.8.
Property: 1701 Lombard Street, Oxnard, CA
Agency Designated Representatives: Nancy Kierstyn Schreiner, legal counsel, Michael Engelhard, CEO, Michael Slater (CBRE) real estate agent
Negotiating Parties: Jim Gloyd (Becker Group)
Under Negotiation: Price and terms of payment of proposed lease.

RETURN TO OPEN MEETING

Announcements from Closed Session, if any.

COMMENTS FROM COMMITTEE MEMBERS

ADJOURN

Unless otherwise determined by the Executive Finance Committee, the next regular meeting will be held on February 7, 2013 at 3:00 p.m. at 2240 E. Gonzales Road, Suite 230, Oxnard, CA 93036.

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Ventura County Medi-Cal Managed Care Commission (VCMMCC) dba Gold Coast Health Plan (GCHP) Executive / Finance Committee Meeting Minutes
November 1, 2012
(Not official until approved)

CALL TO ORDER

Chair Gonzalez called the meeting to order at 3:07 p.m. in Suite 280 at the Ventura County Public Health Building located at 2240 E. Gonzalez Road, Oxnard, CA 93036.

ROLL CALL

COMMITTEE MEMBERS PRESENT
Anil Chawla, Clinicas del Camino Real, Inc.
David Glyer, Private Hospitals / Healthcare System
Robert Gonzalez, Ventura County Medical Health System
Roberto Juarez, Clinicas del Camino Real, Inc.
Catherine Rodriguez, Ventura County Medical Health System

STAFF IN ATTENDANCE
Michael Engelhard, CEO
Sonia DeMarta, Interim CFO
Nancy Kierstyn Schreiner, Legal Counsel
Traci R. McGinley, Clerk of the Board
Guillermo Gonzalez, Government Affairs Director
Cassie Undlin, Interim COO

PUBLIC COMMENTS

None.

1. APPROVE MINUTES

a. September 20, 2012 Special Meeting Minutes

Committee Member Glyer moved to approve the September 20, 2012 Special Meeting Minutes. Committee Member Chawla seconded. The motion carried, with Committee Member Juarez abstaining. **Approved 4-0.**

b. October 4, 2012 Regular Meeting Minutes

Committee Member Glyer moved to approve the October 4, 2012 Regular Meeting Minutes. Committee Member Chawla seconded. The motion carried. **Approved 5-0.**

2. CONSENT ITEM

a. Extension of Tatum Contract

Chair Gonzalez requested that the item be pulled for discussion.

CEO Engelhard explained that this would extend Debbie Rieger's contract through the end of November. Staff is down to a few finalists and believes they are in the final stages of interviewing candidates for the IT Director, but has not yet extended an offer. Debbie Rieger has done a good job managing ACS, handling GCHP's IT and reporting needs. To not approve her at this critical juncture would leave a major hole inside the organization, in both the organization as a whole and in meeting the Corrective Action Plan (CAP).

Further discussion was held regarding the cost of the contract, the role Debbie Rieger has played and the IT Director position. It was noted that she has worked on the Specialty Contract, reporting capabilities, Milliman, Verisk HEDIS, Ad Hoc reporting, IKA ACS communication / mapping.

Committee Member Juarez moved to approve the extension of the Tatum Contract for IT Consultant Debbie Rieger to November 30, 2012. Committee Member Glyer seconded. The motion carried. **Approved 5-0.**

3. CEO UPDATE

CEO Engelhard reviewed his written report.

Discussion was held regarding the large financial impact proper aid code designation of members could have on the Plan, especially LTC aid codes.

4. APPROVAL ITEMS

a. Consideration of 2013 Meeting Schedule

Discussion was held regarding possible meeting dates. Committee Members stressed their concern about the lag of financials to the Committee Meetings. It was determined that CEO Engelhard would review the time it takes to get financials to the Committee to see when meetings might be scheduled.

5. ACCEPT AND FILE ITEMS

a. September Financials

Interim CFO DeMarta noted that the reports are draft, before audit adjustments, and that the September figures were prepared with the new methodology for the IBNR. There are several audit adjustments that will need to be made back to June, an additional $8 million, for a total of $15 million adjustment for the IBNR.

A question was asked regarding the Accrued Premium Reduction - AB97 10% rate cuts. Staff believes that the accrual related to the LTC cuts will be able to partially offset the IBNR since those cuts will be repaid by the state.

There was discussion regarding claims inventory, claims processing and claims process trending.

Chair Gonzalez noted that it does not appear logical that the Plan has received only 5/6 of the claims expected as Providers would be contacting GCHP if 1/6 of their revenue was missing.

Chair Gonzalez stated that it will get fixed, but an important piece is how GCHP explains this to others.

Mark Abernathy, BRG, stated that it is not uncommon to have a lag of 12 months on claims, as some are paid, adjusted and repaid. Medical Claims Expense on a monthly basis is just under $20 million. Few dollars paid any in the most current month of operations (October for the data presented at this meeting).

Committee Members noted that there had been issues with trying to send Members to out of area providers as they were not willing to see them due to unpaid claims. Interim COO Undlin reported that UCLA would not provide approvals regardless; UCLA and GCHP had gone through and reviewed the issues. Committee Member Chawla noted that they had experience with City of Hope, USC and UCLA.

CEO Engelhard stressed that GCHP may not find everything that went wrong. However, the costs going forward should be more in line with expectations. That will take time to work through the IBNR model.

Chair Gonzalez suggested having a presentation around IBNR, including some education. CEO Engelhard responded that a presentation would be provided to the Board.

Interim CFO DeMarta reported that GCHP continues to incur interest expenses above budget. Committee Member Chawla asked if the high level of interest expense was due to ACS. CEO Engelhard responded that at this time GCHP has not been able to determine how much is due to the way the system was set up versus ACS not handling claims properly. Further discussion was held regarding the interest expenses and claims.

Interim CFO DeMarta reviewed the Income Statement Comparison regarding General and Administrative Expenses.

CEO Engelhard noted that GCHP received a report from BRG showing that the Plan has Members in LTC facilities that it may not have budgeted for because it did not have them in the right aid categories. Staff needs to ensure that member aid codes are accurate so the Plan can get properly reimbursed for them.

Interim CFO DeMarta reviewed the Cash Flow statement with the remaining cash of approximately $20 million.

Committee Member Chawla moved to approve and file the September Financials. Committee Member Rodriguez seconded. The motion carried. **Approved 5-0.**

ADJOURN TO CLOSED SESSION – GC § 54956.9
Conference with Legal Counsel-Anticipated Litigation Pursuant to Government Code Section 54956.9 (1 Case)

The Committee adjourned to Closed Session at 5:09 p.m.

RETURN TO OPEN SESSION

The Regular Meeting reconvened at 5:45 p.m. Legal Counsel Kierstyn Schreiner noted that there was no announcement.

COMMITTEE MEMBER COMMENTS

Committee Member Juarez acknowledged Sonia DeMarta for stepping forward and agreeing to assist Gold Coast Health Plan in any way possible during the last several months. He also noted that the Commission has had the best financials since its inception.

CEO Engelhard stated that he feels fortunate that the Plan will have both Sonia DeMarta and Michelle Raleigh as its financial leaders.

ADJOURNMENT

The meeting adjourned at 5:47 p.m.

AGENDA ITEM 2a

To: Gold Coast Health Plan Executive / Finance Committee Meeting

From: Michael Engelhard, CEO

Date: January 9, 2013

Re: CEO Update

DHCS Update

- Corrective Action Plan: The final deadline for submissions listed in the CAP is December 31, 2012 and GCHP completed the work on all but two items. Those items are:

    - 60% Auto Adjudication Rate: the CAP identified this as a target rate for claims to be auto adjudicated by the claims system. This figure a target figure given to GCHP that is not a contract requirement nor an industry standard figure. Given this, GCHP has improved the AA rate from under 20% earlier this year to more than 35% by the second week of December 2012. GCHP has been working with ACS using Six Sigma project principles to achieve an AA rate of greater than 60% before the end of FY2012-13.
    - Hiring of a Chief Operating Officer: the CAP identified five key positions that were to be hired, including COO and CFO. Four of the five positions have been filled. The COO recruitment continues and staff is working to finding the right candidate for this important position.

    Some key achievements since the receipt of the CAP on October 4, 2012 are:

    - Financial Plan / TNE Recovery Plan: Staff developed a detailed financial plan showing how it will become TNE compliant. The plan was submitted on December 11, 2012. Details will be discussed as a report in Section 4c of the Commission materials.
    - Claims Inventory Reduction: In August 2012, the number of claims sitting in inventory rose back to more than 60,000. The CAP set a target of 15,000 claims in inventory. In late December, the claims inventory was under 15,000 claims, a reduction of nearly 75% from the August high.
    - Submission of Encounter Data (35C Files): to date, GCHP has submitted claims / encounter data to DHCS for the four months of July – October 2012. All this data has been reviewed and approved by DHCS. The submission schedule for these files continues into 2013.

- Hiring of Key Staff: the Plan has filled four key positions. The professionals filling these positions have brought expertise and stability to the Plan.

Compliance: The Department of Health Care Services (DHCS) auditors were onsite the week of December 10th, 2012 conducting a routine medical audit. The audit includes looking at all facets of medical management, access and availability, grievance and appeals, quality improvement, delegation oversight and administrative capacity. The Plan anticipates a formal exit conference, which will review the preliminary report by the auditors in February 2013.

- Compliance continues to work with all staff on corrective action items, and the Plan continues to adhere to the deadlines requested by the department.

Operations Update

- Claims Processing:
  - Inventory was reduced to under 15,000 claims. This represents three day's worth of claims receipts.
  - Turnaround times continue to improve with 98% of claims being paid within 30 days for November and December as compared to 82% for period of July-December 2012. The state requirement is 90% within 30 days.
  - New claims editing software was implemented in January 2013.
  - The auto-adjudication rate at the end of December is about 35%, an improvement from under 20% earlier this year, but the Plan is working with ACS to get this rate to above 60% by the end of this fiscal year.
  - Claims Recovery work on overpayments and duplicate payments has begun.
  - Audit of the claims system configuration will be completed this week. The resource performing audit has direct Medi-Cal managed care plan experience.
  - Inventory Trend Comparison and Inventory Trend Graph are attached.

- IT:
  - December - Production implementation of Milliman MedInsight for analytical reporting - System loaded with plan data back to July 2011; end user training conducted, and data validation in progress.
  - December - Verisk test data file submission for 2013 HEDIS reporting
  - December - Filled IT open position – Jackie Attebery in Business Systems Analyst role.

- Customer Service: graphs on call center statistics and grievance and appeals are attached.

Government Relations

- Healthy Families Program Transition to Medi-Cal:

    - California Assembly Bill (AB) 1494 mandates the transition of HFP beneficiaries to Medi-Cal managed care. Approximately 863,000 children are expected to transition into Medi-Cal managed care between January and September 2013.
    - Phase 1a of the four-phase transition of the Healthy Families Program (HFP) to Medi-Cal is scheduled to begin January 1, 2013. DHCS sent the federally required 30-day notice to beneficiaries involved in the Phase 1a transition on December 1, 2012.
    - Ventura County's HFP beneficiaries will transition to GCHP in Phase III, scheduled to begin August 1, 2013.
    - On December 31, 2012, DHCS received federal approval from CMS to implement the transition of the Healthy Families Program to Medi-Cal effective January 1, 2013.

- Healthy Families Program Contract Amendment: To comply with AB 1494, DHCS requires that Gold Coast Health Plan amend its Medi-Cal contract with DHCS. The proposed contract amendment requires GCHP to report to DHCS on specified transition implementation issues including: the number of grievances related to access to care; continuity of care requests and outcomes; as well as changes to provider networks. GCHP's CEO submitted a memo to Executive Committee Members to request authority to sign the proposed HFP contract amendment.

- Medi-Cal Benefits for HFP Transitioned Children: HFP beneficiaries transitioned to Medi-Cal will continue to have access to the full range of Medi-Cal benefits and services including:
    - CHDP and Vaccines for Children (VFC)
    - Dental services covered through Denti-Cal
    - Vision services covered through VSP
    - Behavioral health services covered through the Ventura County Mental Health
    - No co-payments
    - Some members, those above 150% of the federal poverty level, will continue to pay premiums ($13 per child / month, $39 per family / month maximum)
    - Ventura County Human Services Agency will have final eligibility determination

- Community Outreach to Members Re: HFP Transition to Medi-Cal: GCHP has hired Crystal Quinones as an additional bilingual community outreach and relations staff person in GCHP's Communications Department. GCHP's Government Relations and Communications staff will conduct an aggressive and effective communication and outreach effort to Members in early January 2013. GCHP is committed to ensuring that children have minimal or no disruptions in coverage.

Moreover, GCHP anticipates a seamless transition because Ventura County's HFP and Medi-Cal provider networks are similar.

Additionally GCHP staff is engaged in weekly meetings and dialogue with the state DHCS to receive updated information about the transition process and next steps. GCHP staff will serve a critical support role as HFP beneficiaries are transitioned into Medi-Cal and become new members of GCHP.

- Rates for Children Transitioned from HFP to Medi-Cal: On December 14th, GCHP's CFO and Finance Manager attended the DHCS-sponsored all-plan rate meeting in Sacramento. DHCS has proposed an initial rate of $77.90 per member per month for HFP transitioned children to Medi-Cal. According to DHCS these rates will only be effective for three months and will be changed for Phases II and III. DHCS expects to develop a single rate for the entire HFP population by late March 2013.

- Primary Care Provider Rate Increase Under the Affordable Care Act (ACA): The federal Centers for Medicare and Medicaid Services (CMS) released the final rule regarding Medicaid Primary Care Provider (PCP) increases to Medicare levels. Medi-Cal managed care plans (including GCHP) are still waiting for guidance and specific rates from the State. DHCS has indicated that the ACA rate increase will be retroactive to January 1, 2013. Key provisions of the CMS final rule allow state flexibility on how they verify services are delivered through managed care. CMS rules also allow states to work with health plans to determine the appropriate verification methodology and excludes increased PCP rates for FQHCs and RHCs

- Court Decision and AB 97 Provider Rate Cuts: In light of the federal court decision in early December to lift the injunction on DHCS-proposed ten percent provider rate cuts, it is unclear whether DHCS will implement the rate reductions on a retroactive basis. GCHP's current rates do not include the AB 97 rate reduction. A DHCS policy on AB 97 rate cuts is not expected until the state budget is released on or about January 10, 2013.

Consumer Advisory Committee

The Consumer Advisory Committee (CAC) Charter was adopted as presented. The CAC Goals and Objectives were discussed, will be changed to reflect input and presented at the March 13, 2013 CAC meeting. The revised CAC Goals and Objectives will be published prior to the next CAC meeting currently scheduled for 03/13/2013.

Gold Coast Health Plan (GCHP) staff presented information on the new non-emergency medical transportation (NEMT) vendor, Ventura Transit System. The new vendor was awarded the contract after a detailed RFP process. Services by Ventura Transit System are scheduled to begin on February 1, 2013. CAC members were expressed support for the

new contract and believe it is a positive step for the members. The CAC requested that information regarding the NEMT benefit be given to GCHP members.

The improved Spanish abandonment rate for phone calls to the Call Center was discussed along with the Grievance and Appeals Monthly Trend Report. CAC members discussed the increase in grievances filed in July August and GCHP will report back on the cause of the temporary increase during those months. The winter's member newsletter will be in homes near the end of January. The Resource Fair held October 21, 2012 was viewed as a positive experience for members, and CAC members hoped that future Fairs will be held in other regions of the county.

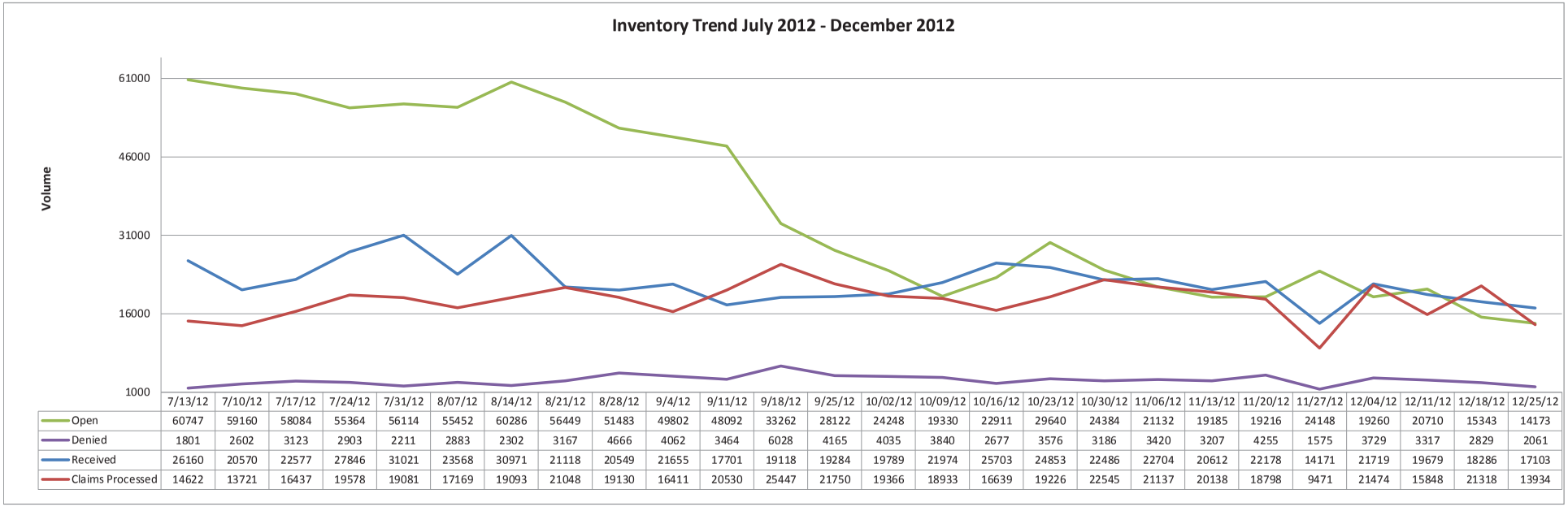
The Community-Based Adult Services (CBAS) transition is complete. CAC members indicated a desire to see GCHP promote CBAS and other programs within the community. Case Management has been stepped up enhancing care for those members not qualified for CBAS. A group Needs Assessment has been completed and results sent to the State.

Casa Pacifica is having problems with foster children being turned away for services. GCHP and CAC members will work together on a resolution. Curtis Updike, a CAC member notified GCHP that the Health Services Agency is changing its rules on qualifications for Cal Fresh (Food Stamps) and that more people will now qualify for Cal Fresh assistance. CAC member presented information on new Pre-Existing Condition Insurance Plan.

Gold Coast Health Plan - Inventory Trend Comparison

From 07/13/12 thru 12/25/12

Week	Open	Denied	Received	Claims Processed
7/13/12	60747	1801	26160	14622
7/10/12	59160	2602	20570	13721
7/17/12	58084	3123	22577	16437
7/24/12	55364	2903	27846	19578
7/31/12	56114	2211	31021	19081
8/07/12	55452	2883	23568	17169
8/14/12	60286	2302	30971	19093
8/21/12	56449	3167	21118	21048
8/28/12	51483	4666	20549	19130
9/4/12	49802	4062	21655	16411
9/11/12	48092	3464	17701	20530
9/18/12	33262	6028	19118	25447
9/25/12	28122	4165	19284	21750
10/02/12	24248	4035	19789	19366
10/09/12	19330	3840	21974	18933
10/16/12	22911	2677	25703	16639
10/23/12	29640	3576	24853	19226
10/30/12	24384	3186	22486	22545
11/06/12	21132	3420	22704	21137
11/13/12	19185	3207	20612	20138
11/20/12	19216	4255	22178	18798
11/27/12	24148	1575	14171	9471
12/04/12	19260	3729	21719	21474
12/11/12	20710	3317	19679	15848
12/18/12	15343	2829	18286	21318
12/25/12	14173	2061	17103	13934



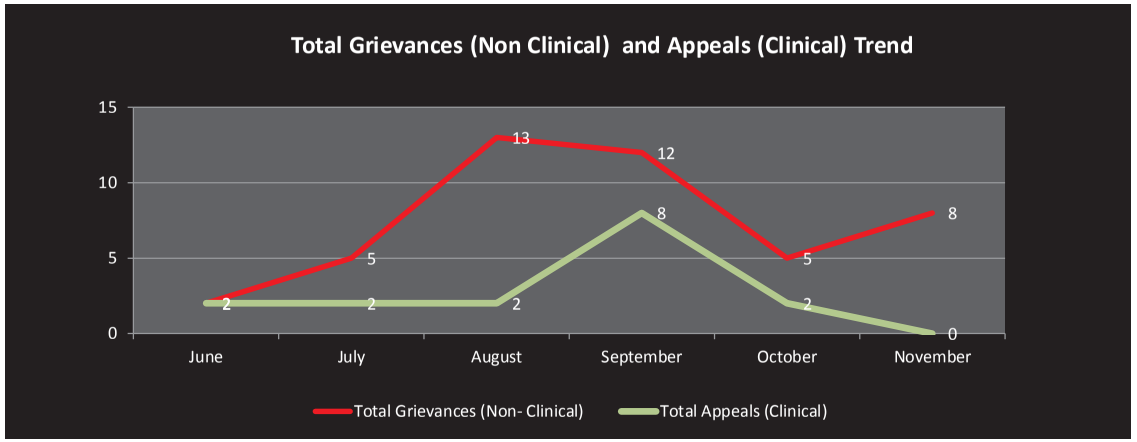
	7/13/12	7/10/12	7/17/12	7/24/12	7/31/12	8/07/12	8/14/12	8/21/12	8/28/12	9/4/12	9/11/12	9/18/12	9/25/12	10/02/12	10/09/12	10/16/12	10/23/12	10/30/12	11/06/12	11/13/12	11/20/12	11/27/12	12/04/12	12/11/12	12/18/12	12/25/12
Open	60747	59160	58084	55364	56114	55452	60286	56449	51483	49802	48092	33262	28122	24248	19330	22911	29640	24384	21132	19185	19216	24148	19260	20710	15343	14173
Denied	1801	2602	3123	2903	2211	2883	2302	3167	4666	4062	3464	6028	4165	4035	3840	2677	3576	3186	3420	3207	4255	1575	3729	3317	2829	2061
Received	26160	20570	22577	27846	31021	23568	30971	21118	20549	21655	17701	19118	19284	19789	21974	25703	24853	22486	22704	20612	22178	14171	21719	19679	18286	17103
Claims Processed	14622	13721	16437	19578	19081	17169	19093	21048	19130	16411	20530	25447	21750	19366	18933	16639	19226	22545	21137	20138	18798	9471	21474	15848	21318	13934

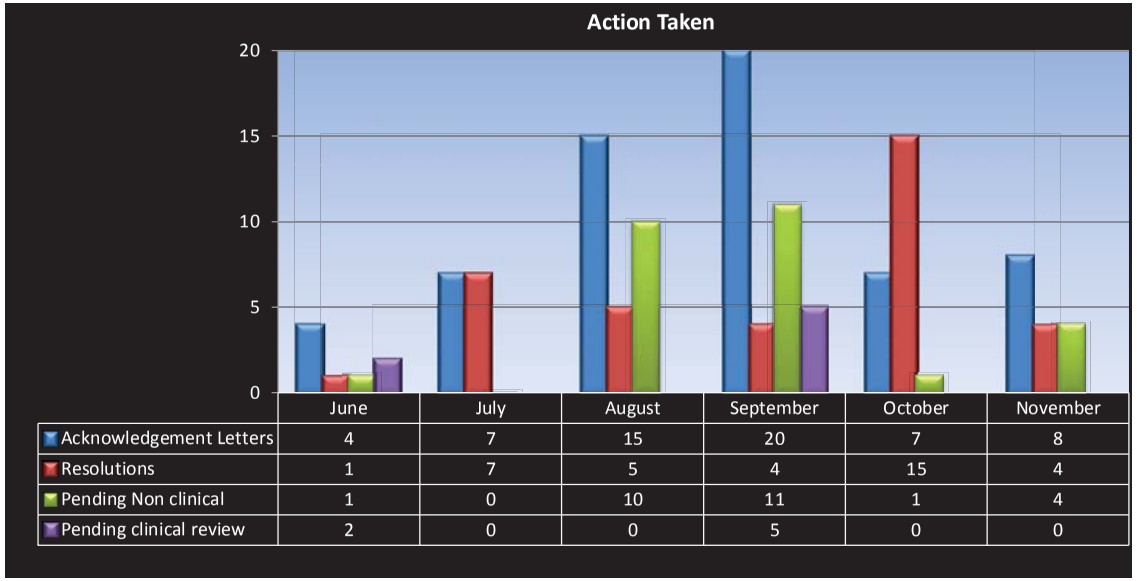
Gold Coast Health Plan

Medi-Cal Member Grievances And Appeals Trend

June thru November 2012

	Trend (June thru November 2012)					
G & A Totals:	**June**	**July**	**August**	**September**	**October**	**November**
Total Grievances (Non- Clinical)	2	5	13	12	5	8
Total Appeals (Clinical)	2	2	2	8	2	0
Action Taken:						
Acknowledgement Letters	4	7	15	20	7	8
Resolutions	1	7	5	4	15	4
Pending Non clinical	1	0	10	11	1	4
Pending clinical review	2	0	0	5	0	0



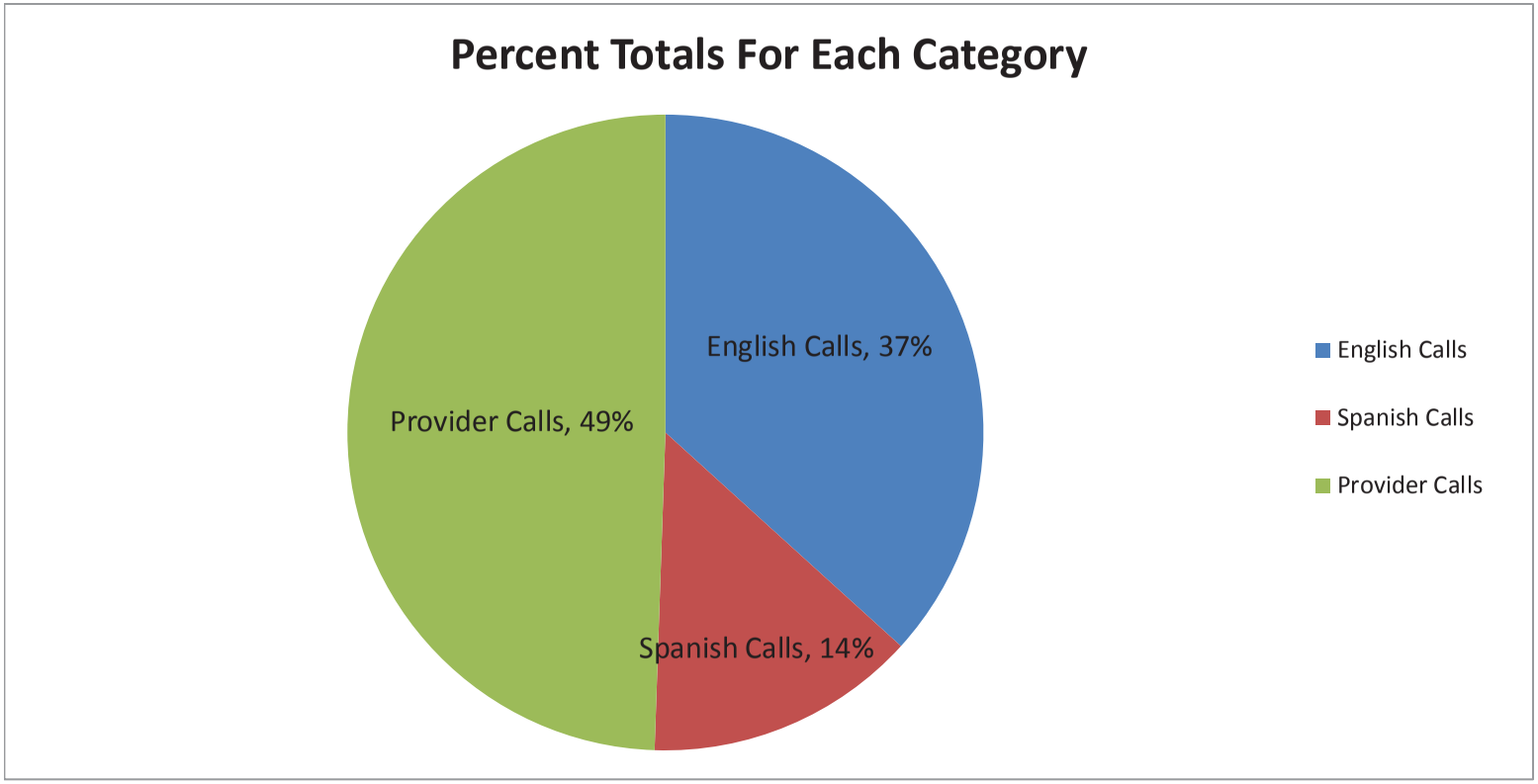


Gold Coast Health Plan

Call Center Stats

November 2013

November Call Center Stats	Calls Offered	Calls Offered (as % of total)	Calls Handled	Calls Abandoned	Abandoned Percent	Avg Speed Answer (in min)	Average Talk Time (in min)	Average Hold Time (in min)
English Calls	2299	37%	2273	26	1.13%	0.29	6.02	0.79
Spanish Calls	865	14%	854	11	1.27%	0.20	6.35	0.55
Provider Calls	3096	49%	3077	19	0.61%	0.31	6.08	1.26
Month Totals	6260	100%	6204	56	0.89%	0.29	6.10	0.99

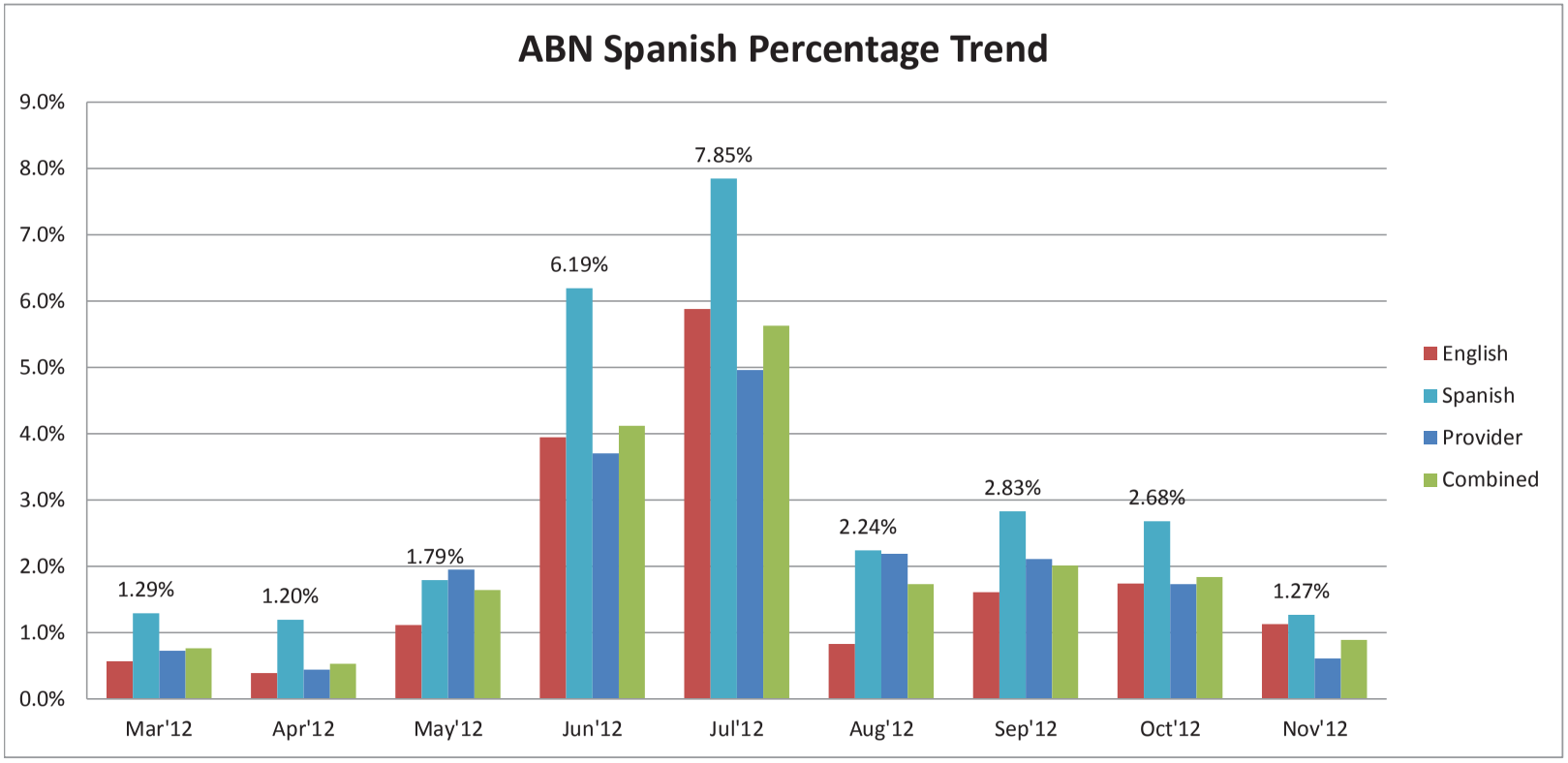


Gold Coast Health Plan

Abandon % - Monthly Comparison Trend

Category Call Type	Mar'12	Apr'12	May'12	Jun'12	Jul'12	Aug'12	Sep'12	Oct'12	Nov'12	Ave total per Cat. Call
English	0.57%	0.39%	1.12%	3.95%	5.88%	0.83%	1.61%	1.74%	1.13%	1.91%
Spanish	1.29%	1.20%	1.79%	6.19%	7.85%	2.24%	2.83%	2.68%	1.27%	3.04%
Provider	0.73%	0.44%	1.95%	3.71%	4.96%	2.19%	2.11%	1.73%	0.61%	2.05%
Combined	0.76%	0.53%	1.64%	4.12%	5.63%	1.73%	2.01%	1.84%	0.89%	2.13%
Average per month - excluding combined	0.84%	0.64%	1.63%	4.49%	6.08%	1.75%	2.14%	2.00%	0.98%	

Average Total Months Mar. through Nov.	2.28%



GOLD COAST HEALTH PLAN

SUMMARY FINANCIAL RESULTS

THRU NOVEMBER 30, 2012

Rolling Monthly Actual Trend

Description	Audited FY 2011-12	FY 2012-13 JUL	AUG	SEP	OCT	NOV	YTD
Member Months	1,258,189	105,753	99,264	100,203	99,217	100,088	504,525
Revenue	**304,635,932**	**23,806,175**	**24,430,512**	**24,988,448**	**25,449,011**	**25,438,395**	**124,112,542**
pmpm	*242.12*	*225.11*	*246.12*	*249.38*	*256.50*	*254.16*	*246.00*
Health Care Costs	**287,353,672**	**21,181,745**	**28,173,162**	**22,293,643**	**24,466,891**	**22,432,966**	**118,548,408**
pmpm	*228.39*	*200.29*	*283.82*	*222.48*	*246.60*	*224.13*	*234.97*
% of Revenue	94.3%	89.0%	115.3% (A)	89.2%	96.1%	88.2%	95.5%
Admin Exp	**18,891,320**	**1,587,586**	**1,683,028**	**1,706,253**	**1,968,888**	**2,065,316**	**9,011,071**
pmpm	*15.01*	*15.01*	*16.96*	*17.03*	*19.84*	*20.63*	*17.86*
% of Revenue	6.2%	6.7%	6.9%	6.8%	7.7%	8.1%	7.3%
Net Income	**(1,609,063)**	**1,036,844**	**(5,425,678)**	**988,552**	**(986,767)**	**940,113**	**(3,446,937)**
pmpm	*(1.28)*	*9.80*	*(54.66)*	*9.87*	*(9.95)*	*9.39*	*(6.83)*
% of Revenue	-0.5%	4.4%	-22.2%	4.0%	-3.9%	3.7%	-2.8%
100% TNE	16,769,368	14,771,512	17,167,762	16,693,841	16,827,932	16,500,637	16,500,637
Required TNE	6,036,972	5,317,744	6,180,394	6,009,783	6,058,056	5,940,229	5,940,229
GCHP TNE	**(6,031,881)**	**(4,995,037)**	**(10,420,715)**	**(11,407,482)**	**(10,467,370)**	**(9,988,221)**	**(9,988,221)**

Note:

(A) August Health Care Costs include $7M IBNR addition.

Financial Statement Overview

FOR THE MONTH ENDED NOVEMBER 30, 2012

Summary of Key P&L Drivers

Summary & Income Statement:

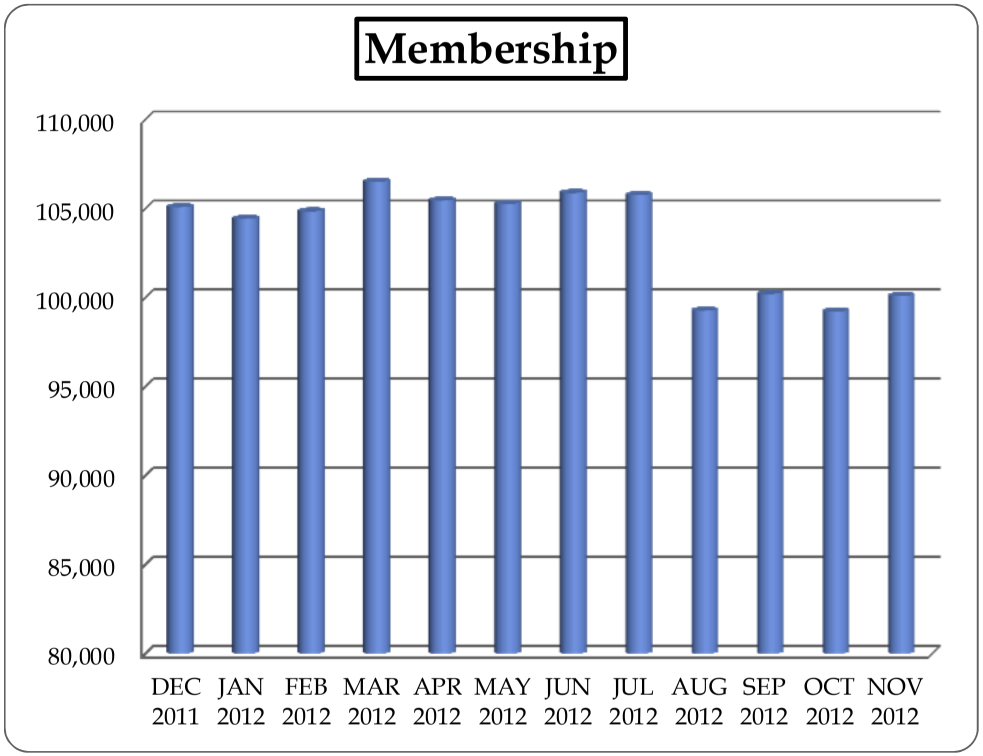
- **Revenue** – increased due to additional CBAS capitation received (new services were provided in October).
- **Health Care Costs** – increased in October due to adjustments to claims reserves, with reductions in November due to reflection of reinsurance recoveries and other claims recoveries.
- **Administrative Expense**s have increased due to:
  - use of consultants (e.g., BRG, Milliman),
  - legal services (e.g., provider contracting, review of personnel policies and benefits),
  - mailing/postage charges, and
  - claims interest payments (in October).

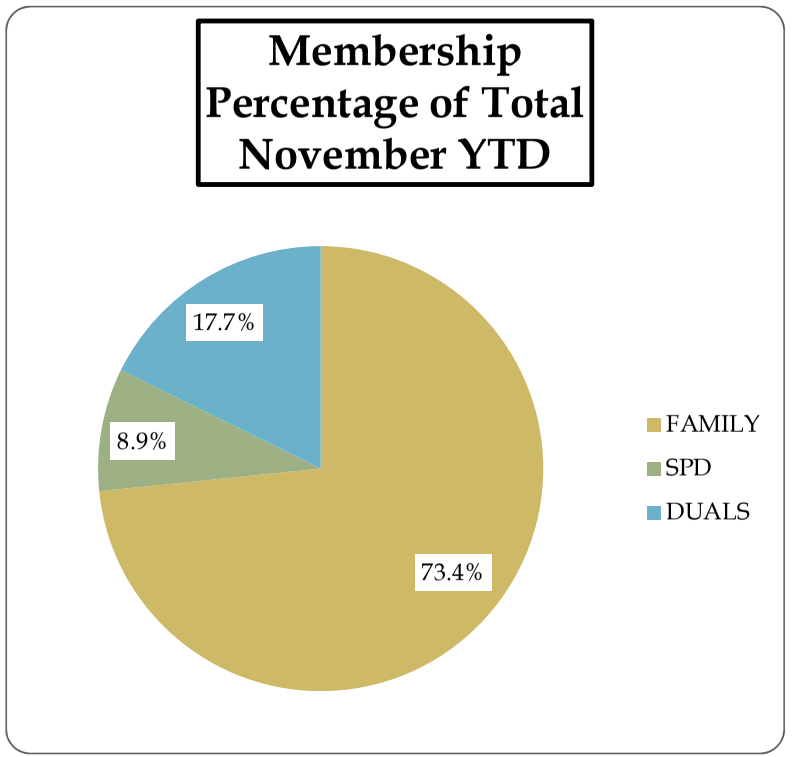
Gold Coast Health Plan

Enrollment Dashboard

For The Month Ended November 30, 2012

AID CATEGORY	FY 2011- 2012 Q1	Q2	Q3	Q4	Total YTD	(% of total)	FY 2012 - 2013 Jul'12	Aug'12	Sep'12	Oct'12	Nov'12	Nov'12 YTD	(% of total)
FAMILY	229,938	233,321	233,148	233,985	930,392	73.9%	78,219	72,581	73,550	72,554	73,275	######	73.4%
SPD	27,446	27,726	28,017	28,207	111,396	8.9%	9,422	8,765	8,903	9,030	8,997	45,117	8.9%
DUALS	53,159	54,256	54,595	54,391	216,401	17.2%	18,112	17,918	17,750	17,633	17,816	89,229	17.7%
Total	310,543	315,303	315,760	316,583	**1,258,189**	**100.0%**	105,753	99,264	100,203	99,217	**100,088**	######	100.0%



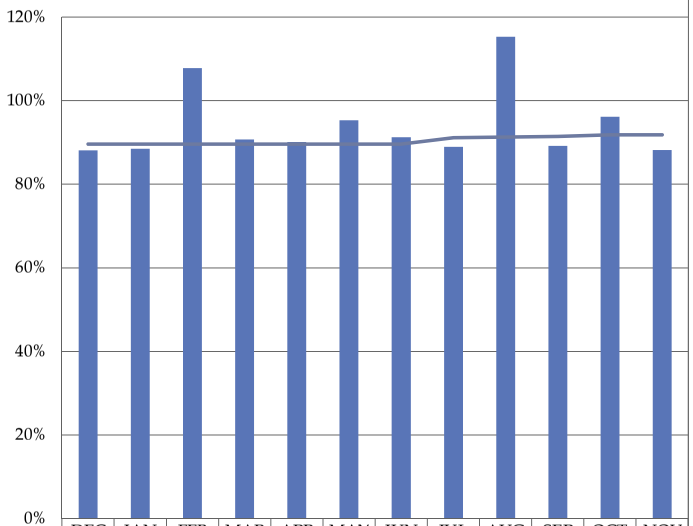


Gold Coast Health Plan

Medical Cost Trend

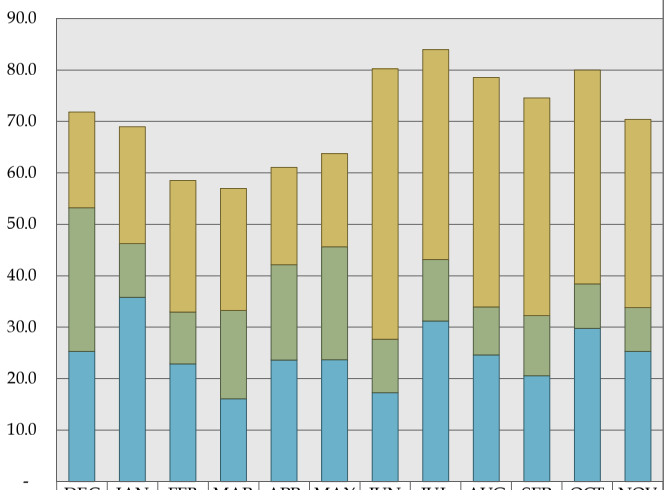
For The Month Ended November 30, 2012

Medical Loss Ratio (MLR)



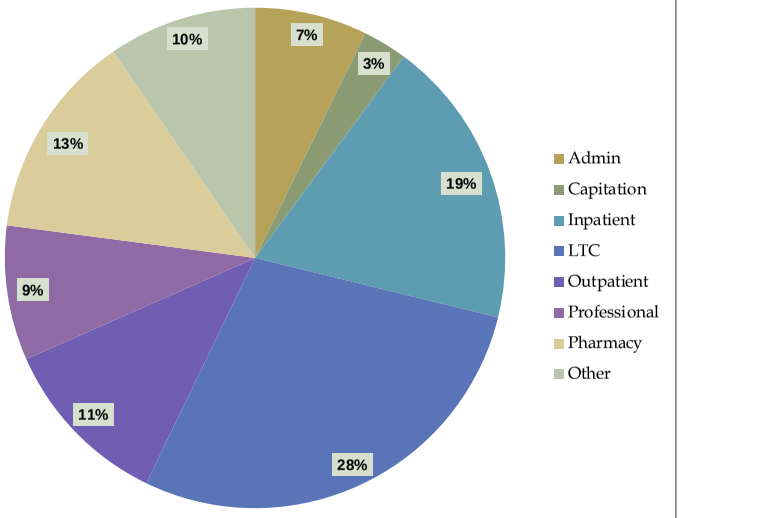
	DEC 2011	JAN 2012	FEB 2012	MAR 2012	APR 2012	MAY 2012	JUN 2012	JUL 2012	AUG 2012	SEP 2012	OCT 2012	NOV 2012
% of Revenue	88.1%	88.5%	107.8%	90.7%	90.1%	95.3%	91.3%	89.0%	115.3%	89.2%	96.1%	88.2%
% of Budget Revenue	89.6%	89.6%	89.6%	89.6%	89.6%	89.6%	89.6%	91.1%	91.3%	91.4%	91.8%	91.8%

Claims Trend ($ millions)



	DEC 2011	JAN 2012	FEB 2012	MAR 2012	APR 2012	MAY 2012	JUN 2012	JUL 2012	AUG 2012	SEP 2012	OCT 2012	NOV 2012
IBNR	18.6	22.7	25.6	23.7	18.9	18.1	52.6	40.8	44.6	42.3	41.5	36.6
Claims Payable	27.9	10.4	10.0	17.2	18.6	22.0	10.4	12.0	9.3	11.6	8.7	8.5
Paid Claims	25.3	35.8	22.9	16.1	23.6	23.7	17.3	31.2	24.6	20.6	29.8	25.3

Total Expenditures November YTD



Gold Coast Health Plan

Script Care Plan Utilization and Cost Trend

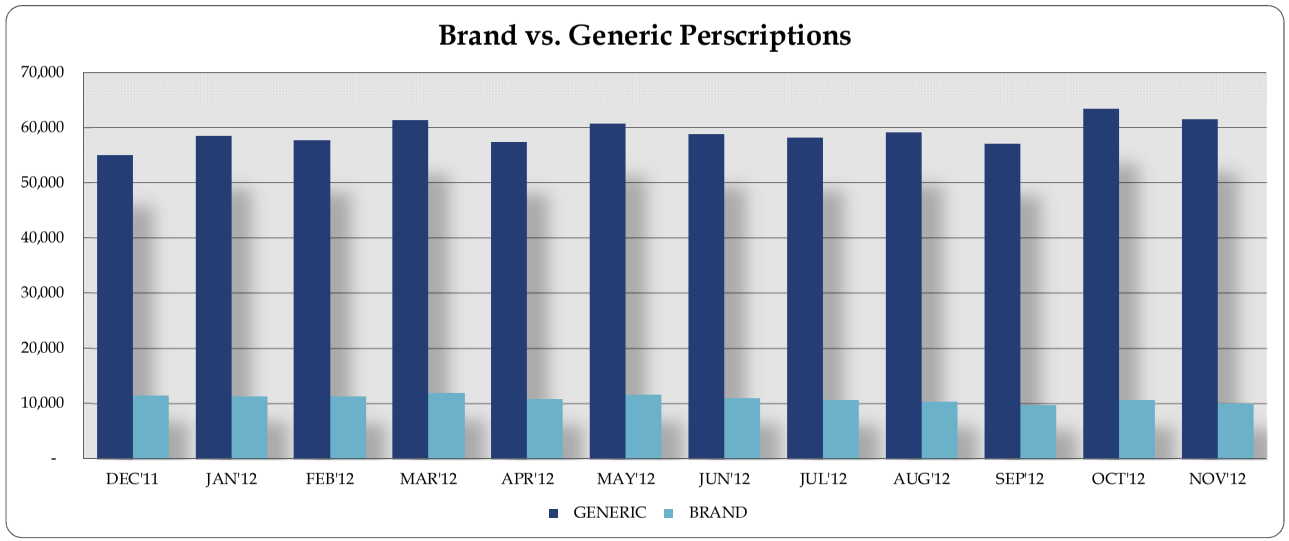
For The Month Ended November 30, 2012

	DEC'11	JAN'12	FEB'12	MAR'12	APR'12	MAY'12	JUN'12	JUL'12	AUG'12	SEP'12	OCT'12	NOV'12	BUDGET	FAV/ (UNFAV)
Enrollment [1]	101,243	100,636	100,768	101,439	101,272	101,041	101,207	96,540	95,797	96,669	96,447	96,907	97,637	(1,190)
Utilization [2]	23,000	23,775	23,926	24,981	23,349	24,216	23,089	22,167	22,373	22,638	24,071	23,659		
% (enrollment)	***22.7%***	***23.6%***	***23.7%***	***24.6%***	***23.1%***	***24.0%***	***22.8%***	***23.0%***	***23.4%***	***23.4%***	***25.0%***	***24.4%***		
Number Of Claims Paid [2]														
BRAND	11,482	11,421	11,267	11,903	10,888	11,617	11,052	10,757	10,499	9,743	10,685	10,013	18,873	8,188
GENERIC	55,093	58,588	57,714	61,435	57,443	60,861	58,950	58,183	59,204	57,199	63,537	61,625	56,618	(6,919)
Total	66,575	70,009	68,981	73,338	68,331	72,478	70,002	68,940	69,703	66,942	74,222	71,638	75,695	1,473
pmpm	*0.66*	*0.70*	*0.68*	*0.72*	*0.67*	*0.72*	*0.69*	*0.71*	*0.73*	*0.69*	*0.77*	*0.74*	*0.78*	0.01
BRAND %	**17.2%**	**16.3%**	**16.3%**	**16.2%**	**15.9%**	**16.0%**	**15.8%**	**15.6%**	**15.1%**	**14.6%**	**14.4%**	**14.0%**	**24.9%**	**10.5%**
GENERIC %	**82.8%**	**83.7%**	**83.7%**	**83.8%**	**84.1%**	**84.0%**	**84.2%**	**84.4%**	**84.9%**	**85.4%**	**85.6%**	**86.0%**	**74.8%**	**-10.8%**
Plan Cost [2]														
BRAND	1,963,430	1,815,536	1,816,430	1,908,982	1,951,084	1,939,649	2,056,168	1,908,700	2,077,303	1,804,984	1,994,454	1,813,487		
GENERIC	1,254,143	1,304,658	1,259,202	1,348,636	1,293,842	1,370,173	1,273,925	1,277,492	1,380,952	1,333,405	1,491,109	1,437,940		
Total	$ 3,217,573	$ 3,120,194	$ 3,075,632	$ 3,257,618	$ 3,244,925	$ 3,309,822	$ 3,330,093	$ 3,186,191	$ 3,458,255	$ 3,138,389	$ 3,485,563	$ 3,251,427	$ 3,208,877	$ (276,685)
pmpm	*$31.78*	*$31.00*	*$30.52*	*$32.11*	*$32.04*	*$32.76*	*$32.90*	*$33.00*	*$36.10*	*$32.47*	*$36.14*	*$33.55*	*$32.87*	*($3.27)*
avg. claim cost (Br & Gen)	*$48.33*	*$44.57*	*$44.59*	*$44.42*	*$47.49*	*$45.67*	*$47.57*	*$46.22*	*$49.61*	*$46.88*	*$46.96*	*$45.39*	*$42.39*	*($4.57)*
BRAND %	**61.0%**	**58.2%**	**59.1%**	**58.6%**	**60.1%**	**58.6%**	**61.7%**	**59.9%**	**60.1%**	**57.5%**	**57.2%**	**55.8%**		
GENERIC %	**39.0%**	**41.8%**	**40.9%**	**41.4%**	**39.9%**	**41.4%**	**38.3%**	**40.1%**	**39.9%**	**42.5%**	**42.8%**	**44.2%**		
avg. claim cost (Brand)	*$171.00*	*$158.96*	*$161.22*	*$160.38*	*$179.20*	*$166.97*	*$186.04*	*$177.44*	*$197.86*	*$185.26*	*$186.66*	*$181.11*		
avg. claim cost (Generic)	*$22.76*	*$22.27*	*$21.82*	*$21.95*	*$22.52*	*$22.51*	*$21.61*	*$21.96*	*$23.33*	*$23.31*	*$23.47*	*$23.33*		

Note:

1) The actual stats obtained from California Department of Health Care Services.

2) The actual stats obtained from Script Care, Ltd.



Gold Coast Health Plan

Comparative Balance Sheet

November 30, 2012

	11/30/12	10/31/12	6/30/12
ASSETS			
Current Assets			
Total Cash and Cash Equivalents	**$ 36,352,153**	**$ 18,135,512**	**$ 25,554,098**
Medi-Cal Receivable	-	24,278,541	28,534,938
Provider Receivable	3,709,193	3,296,761	6,539,541
Other Receivables	1,503,174	204,363	2,148,270
Total Accounts Receivable	**5,212,367**	**27,779,666**	**37,222,748**
Total Prepaid Accounts	1,082,002	1,120,980	185,797
Total Other Current Assets	1,172,982	1,172,982	375,000
Total Current Assets	**$ 43,819,505**	**$ 48,209,140**	**$ 63,337,644**
Total Fixed Assets	**163,831**	**167,392**	**176,028**
Total Assets	**$ 43,983,336**	**$ 48,376,532**	**$ 63,513,672**
LIABILITIES & FUND BALANCE			
Current Liabilities			
Incurred But Not Reported	$ 36,644,957	$ 41,516,421	$ 52,610,898
Claims Payable	8,512,814	8,652,494	10,357,609
Capitation Payable	907,950	755,447	633,276
Accrued Premium Reduction	2,779,176	2,320,990	1,914,157
Accounts Payable	2,018,804	2,915,569	845,045
Accrued ACS	-	-	200,000
Accrued Expenses	200,000	200,000	-
Accrued Premium Tax	37	-	602,900
Current Portion of Deferred Revenue	460,000	460,000	460,000
Accrued Payroll Expense	416,748	372,875	-
Current Portion Of Long Term Debt	333,333	375,000	500,000
Total Current Liabilities	**$ 52,273,820**	**$ 57,568,795**	**$ 68,123,886**
Long-Term Liabilities			
Other Long-term Liability	-	-	41,667
Deferred Revenue - Long Term Portion	1,188,333	1,226,667	1,380,000
Total Long-Term Liabilities	**1,188,333**	**1,226,667**	**1,421,667**
Total Liabilities	**$ 53,462,153**	**$ 58,795,462**	**$ 69,545,553**
Beginning Fund Balance	(6,031,881)	(6,031,881)	(4,422,819)
Net Income Current Year	(3,446,936)	(4,387,049)	(1,609,062)
Total Fund Balance	**(9,478,817)**	**(10,418,930)**	**(6,031,881)**
Total Liabilities & Fund Balance	**$ 43,983,336**	**$ 48,376,532**	**$ 63,513,672**

Financial Statement Overview

FOR THE MONTH ENDED NOVEMBER 30, 2012

Summary of Key Balance Sheet Drivers

- **Cash & Medi-Cal Receivable** – cash increased due to receipt of October & November capitation in November, result Medi-Cal Receivable.
- **November IBNR** – decreased due to continued accelerated claims payments.
- **Accrued Premium Reduction-** continue to reserve for AB97 rate reduction and awaiting response from DHCS now that ruling has been made in favor of the State (i.e., provider payment reductions are allowed).
- **Accrued payroll expenses** – increased as a result of the transition to in-house payroll and benefits processing.

Gold Coast Health Plan

Statement of Cash Flows

Months Ended October 31 and November 30, 2012

	OCT '12	NOV '12
Cash Flow From Operating Activities		
Collected Premium	$ 25,139,412	$ 50,127,822
Miscellaneous Income	13,390	9,004
Paid Claims		
Medical & Hospital Expenses	(22,991,510)	(24,033,717)
Pharmacy	(3,209,024)	(3,824,079)
Capitation	(620,832)	(755,447)
Reinsurance of Claims	(225,239)	-
Reinsurance Recoveries		
Payment of Withhold / Risk Sharing Incentive		
Paid Administration	(1,782,287)	(3,306,941)
Repay Initial Net Liabilities		
MCO Taxes Expense		-
Net Cash Provided by Operating Activities	**(3,676,089)**	**18,216,641**
Cash Flow From Investing/Financing Activities		
Proceeds from Paid in Surplus/Issuance of Stock	-	-
Costs of Capitalization	-	-
Net Acquisition of Property/Equipment	-	-
Net Cash Provided/(Used) by Investing/Financing	**-**	**-**
Net Cash Flow	**$ (3,676,089)**	**$ 18,216,641**
Cash and Cash Equivalents (Beg. of Period)	21,811,601	18,135,512
Cash and Cash Equivalents (End of Period)	18,135,512	36,352,153
	$ (3,676,089)	**$ 18,216,641**
Adjustment to Reconcile Net Income to Net Cash Flow		
Net (Loss) Income	(986,767)	940,113
Depreciation & Amortization	3,554	3,561
Decrease/(Increase) in Receivables	439,539	22,567,298
Decrease/(Increase) in Prepaids & Other Current Assets	(1,176,935)	38,978
(Decrease)/Increase in Payables	567,170	(394,705)
(Decrease)/Increase in LT Liabilities	(80,000)	(80,000)
Change in MCO Tax Liability	1,170,493	37
Changes in Claims and Capitation Payable	(2,861,309)	12,824
Changes in IBNR	(751,833)	(4,871,464)
	(3,676,089)	18,216,641
Net Cash Flow from Operating Activities	**$ (3,676,089)**	**$ 18,216,641**

Gold Coast Health Plan

Statement of Cash Flows

Five Months Ended November 30, 2012

	NOV '12 YTD
Cash Flow From Operating Activities	
Collected Premium	$ 153,256,917
Miscellaneous Income	65,495
Paid Claims	
Medical & Hospital Expenses	(108,685,698)
Pharmacy	(17,826,190)
Capitation	(3,256,135)
Reinsurance of Claims	(949,930)
Reinsurance Recoveries	-
Payment of Withhold / Risk Sharing Incentive	-
Paid Administration	(10,026,617)
Repay Initial Net Liabilities	-
MCO Taxes Expense	(1,774,300)
Net Cash Provided/(Used) by Operating Activities	**10,803,542**
Cash Flow From Investing/Financing Activities	
Proceeds from Paid in Surplus/Issuance of Stock	-
Costs of Capitalization	-
Net Acquisition of Property/Equipment	(5,487)
Net Cash Provided/(Used) by Investing/Financing	**(5,487)**
Net Cash Flow	**$ 10,798,055**
Cash and Cash Equivalents (Beg. of Period)	25,554,098
Cash and Cash Equivalents (End of Period)	36,352,153
	$ 10,798,055
Adjustment to Reconcile Net Income to Net Cash Flow	
Net Income/(Loss)	(3,446,936)
Depreciation & Amortization	17,684
Decrease/(Increase) in Receivables	32,010,381
Decrease/(Increase) in Prepaids & Other Current Assets	(1,694,187)
(Decrease)/Increase in Payables	2,455,526
(Decrease)/Increase in LT Liabilities	(400,000)
Change in MCO Tax Liability	(602,864)
Changes in Claims and Capitation Payable	(1,570,121)
Changes in IBNR	(15,965,941)
	$ 10,803,542
Net Cash Flow from Operating Activities	**$ 10,803,542**

Gold Coast Health Plan℠
A Public Entity

APPENDIX

Gold Coast Health Plan

Income Statement Comparison

For The Period Ended November 30, 2012

	2012 Actual Monthly Trend			November 2012 Month-To-Date		Variance
	Aug	Sep	Oct	Actual	Budget	Fav/(Unfav)
Membership	95,797	96,669	96,447	96,907	97,637	(730)
Revenue:						
Premium	$ 24,965,442	$ 23,459,154	$ 25,524,694	$ 25,519,637	$ 26,065,005	$ (545,368)
Reserve for Rate Reduction	(587,278)	894,648	(126,771)	(128,543)	(589,433)	460,890
MCO Premium Tax	-	584,793	(635)	(37)	(612,528)	612,491
Total Net Premium	**24,378,164**	**24,938,595**	**25,397,288**	**25,391,057**	**24,863,044**	**528,012**
Other Revenue:						
Interest Income	14,015	11,519	13,390	9,004	15,639	(6,635)
Miscellaneous Income	38,333	38,333	38,333	38,333	38,333	0
Total Other Revenue	52,349	49,853	51,724	47,338	**53,972**	(6,634)
Total Revenue	**24,430,512**	**24,988,448**	**25,449,011**	**25,438,395**	**24,917,016**	**521,378**
Medical Expenses:						
Capitation	622,092	620,832	755,447	907,950	627,055	(280,895)
Incurred Claims:						
Inpatient	5,672,169	4,249,910	4,592,634	4,542,801	4,198,601	(344,200)
LTC/SNF	8,671,611	6,291,550	6,933,988	6,858,363	7,029,011	170,648
Outpatient	3,404,140	2,561,831	2,750,021	2,735,387	2,515,890	(219,497)
Laboratory and Radiology	285,780	215,187	231,690	229,447	210,700	(18,747)
Emergency Room Facility Services	659,819	497,489	533,516	529,753	486,391	(43,362)
Physician Specialty Services	2,584,677	1,940,550	2,280,039	2,111,295	1,900,745	(210,550)
Pharmacy	3,458,256	3,138,389	3,485,563	3,251,427	3,208,877	(42,550)
Other Medical Professional	345,204	274,599	288,240	288,957	199,287	(89,670)
Other Medical Care Expenses	1,510	627	606	-		-
Other Fee For Service Expense	1,978,126	1,459,626	1,589,710	1,570,885	1,418,008	(152,877)
Transportation	383,168	284,846	308,025	306,198	271,763	(34,435)
Total Claims	27,444,459	20,914,605	22,994,031	22,424,513	21,439,273	(985,240)
Medical & Care Management Expense	541,067	534,999	556,393	587,293	588,251	958
Reinsurance	224,994	223,207	225,239	224,722	227,494	2,772
Claims Recoveries	(659,450)	-	(64,218)	(1,711,511)		1,711,511
Sub-total	106,611	758,206	717,413	(899,496)	**815,745**	1,715,241
Total Cost of Health Care	**28,173,162**	**22,293,643**	**24,466,891**	**22,432,966**	**22,882,073**	**449,107**
Contribution Margin	**(3,742,650)**	**2,694,805**	**982,120**	**3,005,428**	**2,034,943**	**970,485**
General & Administrative Expenses:						
Salaries and Wages	308,137	268,413	388,828	323,624	344,783	21,159
Payroll Taxes and Benefits	155,252	64,735	62,808	72,886	139,919	67,033
Total Travel and Training	6,977	11,156	6,690	5,784	1,094	(4,690)
Outside Service - ACS	856,106	942,882	890,492	1,052,244	876,424	(175,820)
Outside Service - RGS	12,571	-	245	-	0	-
Outside Services - Other	11,092	109,202	104,166	17,311	17,892	581
Accounting & Actuarial Services	18,120	9,818	85,290	44,311	5,000	(39,311)
Legal Expense	4,468	42,522	12,196	67,921	11,500	(56,421)
Insurance	3,424	10,766	10,792	11,846	3,255	(8,591)
Lease Expense - Office	11,869	11,869	18,289	15,879	13,420	(2,459)
Consulting Services Expense	125,727	112,076	191,975	330,613	44,640	(285,973)
Translation Services	85	819	2,812	590	748	158
Advertising and Promotion Expense	-	-	3,150	-	0	-
General Office Expenses	89,227	56,656	84,636	78,657	70,921	(7,736)
Depreciation & Amortization Expense	1,806	6,958	3,554	3,561	2,139	(1,422)
Printing Expense	22,538	1,727	2,538	1,670	1,685	15
Shipping & Postage Expense	2,535	230	21	606	522	(84)
Interest Exp	53,094	56,424	100,407	37,812	21,853	(15,959)
Total G & A Expenses	**1,683,028**	**1,706,253**	**1,968,888**	**2,065,316**	**1,555,795**	**(509,520)**
Net Income / (Loss)	**$ (5,425,678)**	**$ 988,552**	**$ (986,767)**	**$ 940,113**	**$ 479,148**	**$ 460,964**

Gold Coast Health Plan
PMPM Income Statement Comparison
For The Period Ended November 30, 2012

	2012 Actual Monthly Trend			Nov'12 Month-To-Date		Variance
	Aug	Sep	Oct	Actual	Budget	Fav/(Unfav)
Members (Member/Months)	95,797	96,669	96,447	96,907	97,637	(730)
Revenue:						
Premium	258.26	242.08	263.39	263.34	266.96	(3.62)
Reserve for Rate Reduction	(6.08)	9.23	(1.31)	(1.33)	(6.04)	4.71
MCO Premium Tax	-	6.03	(0.01)	(0.00)	(6.27)	6.27
Total Net Premium	**252.18**	**257.35**	**262.08**	**262.01**	**254.65**	**7.37**
Other Revenue:						
Interest Income	0.14	0.12	0.14	0.09	0.16	(0.07)
Miscellaneous Income	0.40	0.40	0.40	0.40	0.39	0.00
Total Other Revenue	**0.54**	**0.51**	**0.53**	**0.49**	**0.53**	**(0.04)**
Total Revenue	**252.72**	**257.86**	**262.61**	**262.50**	**255.20**	**7.30**
Medical Expenses:						
Capitation	6.44	6.41	7.80	9.37	6.42	2.95
Incurred Claims:						
Inpatient	58.68	43.86	47.39	46.88	43.00	3.88
LTC/SNF	89.70	64.92	71.55	70.77	71.99	(1.22)
Outpatient	35.21	26.44	28.38	28.23	25.77	2.46
Laboratory and Radiology	2.96	2.22	2.39	2.37	2.16	0.21
Emergency Room Facility Services	6.83	5.13	5.51	5.47	4.98	0.48
Physician Specialty Services	26.74	20.02	23.53	21.79	19.47	2.32
Pharmacy	35.77	32.39	35.97	33.55	32.87	0.69
Other Medical Professional	3.57	2.83	2.97	2.98	2.04	0.94
Other Medical Care Expenses	0.02	0.01	0.01	-	-	-
Other Fee For Service Expense	20.46	15.06	16.40	16.21	14.52	1.69
Transportation FFS	3.96	2.94	3.18	3.16	2.78	0.38
Total Claims	283.90	215.82	237.28	231.40	219.58	11.82
Medical & Care Management	5.60	5.52	5.74	6.06	6.02	0.04
Reinsurance	2.33	2.30	2.32	2.32	2.33	(0.01)
Claims Recoveries	(6.82)	-	(0.66)	(17.66)	-	(17.66)
Sub-total	1.10	7.82	7.40	(9.28)	8.06	(17.34)
Total Cost of Health Care	291.44	230.62	253.68	231.49	234.36	(2.87)
Contribution Margin	(38.72)	27.88	10.18	31.01	**20.84**	**10.17**
Administrative Expenses						
Salaries and Wages	3.19	2.77	4.01	3.34	3.53	(0.19)
Payroll Taxes and Benefits	1.61	0.67	0.65	0.75	1.43	(0.68)
Total Travel and Training	0.07	0.12	0.07	0.06	0.01	0.05
Outside Service - ACS	8.86	9.73	9.19	10.86	8.98	1.88
Outside Service - RGS	0.13	-	0.00	-	-	-
Outside Services - Other	0.11	1.13	1.07	0.18	0.18	(0.00)
Accounting & Actuarial Services	0.19	0.10	0.88	0.46	0.05	0.41
Legal Expense	0.05	0.44	0.13	0.70	0.12	0.58
Insurance	0.04	0.11	0.11	0.12	0.03	0.09
Lease Expense -Office	0.12	0.12	0.19	0.16	0.14	0.03
Consulting Services Expense	1.30	1.16	1.98	3.41	0.46	2.95
Translation Services	0.00	0.01	0.03	0.01	0.01	(0.00)
Advertising and Promotion Expense	-	-	0.03	-	-	-
General Office Expenses	0.92	0.58	0.87	0.81	0.73	0.09
Depreciation & Amortization Expense	0.23	0.02	0.03	0.02	0.02	(0.00)
Printing Expense	0.03	0.00	0.00	0.01	0.02	(0.01)
Shipping & Postage Expense	0.55	0.58	1.04	0.39	0.01	0.38
Interest Exp	-	-	-	-	0.22	(0.22)
Total Administrative Expenses	**17.41**	**17.61**	**20.32**	**21.31**	**15.93**	**5.38**
Net Income / (Loss)	**(56.13)**	**10.20**	**(10.18)**	**9.70**	**4.91**	**4.79**

Gold Coast Health Plan

Income Statement Comparison

For The Five Months Ended November 30, 2012

	Nov'12 Year-To-Date		Variance
	Actual	Budget	Fav/(Unfav)
Membership	482,360	484,942	(2,582)
Revenue:			
Premium	$ 124,392,336	$ 126,953,870	$ (2,561,534)
Reserve for Rate Reduction	(535,378)	(2,945,693)	2,410,315
MCO Premium Tax	(1,579)	(2,983,416)	2,981,837
Total Net Premium	**123,855,380**	**121,024,761**	**2,830,619**
Other Revenue:			
Interest Income	65,495	76,172	(10,677)
Miscellaneous Income	191,667	191,666	1
Total Other Revenue	257,162	**267,838**	(10,676)
Total Revenue	**124,112,542**	**121,292,599**	**2,819,943**
Medical Expenses:			
Capitation	3,530,808	3,133,709	(397,099)
Incurred Claims:			
Inpatient	23,111,114	20,982,515	(2,128,599)
LTC/SNF	35,042,445	31,948,631	(3,093,814)
Outpatient	13,882,957	12,573,165	(1,309,792)
Laboratory and Radiology	1,166,196	1,052,972	(113,224)
Emergency Room Facility Services	2,690,329	2,430,741	(259,588)
Physician Specialty Services	10,764,769	9,498,975	(1,265,794)
Pharmacy	16,519,825	16,036,369	(483,456)
Other Medical Professional	1,460,751	996,072	(464,679)
Other Medical Care Expenses	3,579	-	(3,579)
Other Fee For Service Expense	8,009,227	7,086,498	(922,729)
Transportation	1,554,573	1,357,999	(196,574)
Total Claims	114,205,767	103,963,937	(10,241,830)
Medical & Care Management Expense	2,736,567	2,775,470	38,904
Reinsurance	1,123,100	1,129,914	6,814
Claims Recoveries	(3,047,834)	-	3,047,834
Sub-total	811,833	3,905,384	3,093,552
Total Cost of Health Care	**118,548,408**	**111,003,030**	**(7,545,377)**
Contribution Margin	**5,564,134**	**10,289,569**	**(4,725,435)**
General & Administrative Expenses:			
Salaries and Wages	1,600,749	1,699,111	98,362
Payroll Taxes and Benefits	464,649	618,666	154,017
Total Travel and Training	32,078	30,650	(1,428)
Outside Service - ACS	4,606,659	4,355,311	(251,348)
Outside Service - RGS	23,674	21,847	(1,827)
Outside Services - Other	252,028	240,610	(11,418)
Accounting & Actuarial Services	157,538	125,000	(32,538)
Legal Expense	140,707	57,500	(83,207)
Insurance	40,252	16,275	(23,977)
Lease Expense - Office	69,775	67,100	(2,675)
Consulting Services Expense	881,710	183,200	(698,510)
Translation Services	5,326	3,724	(1,602)
Advertising and Promotion Expense	6,650	2,500	(4,150)
General Office Expenses	355,046	317,719	(37,327)
Depreciation & Amortization Expense	17,684	9,363	(8,321)
Printing Expense	30,859	23,710	(7,149)
Shipping & Postage Expense	16,964	15,562	(1,402)
Interest Exp	308,723	108,448	(200,275)
Total G & A Expenses	**9,011,071**	**7,896,296**	**(1,114,775)**
Net Income / (Loss)	**$ (3,446,936)**	**$ 2,393,273**	**$ (3,610,660)**

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AGENDA ITEM 3a

To: Gold Coast Health Plan Executive Finance Committee Members

From: Michael Engelhard, CEO

Date: January 9, 2013

RE: Healthy Families Program Contract Amendment

SUMMARY:
California Assembly Bill (AB) 1494 mandates the transition of Healthy Families Program (HFP) beneficiaries to Medi-Cal managed care over a one year period beginning no sooner than January 1, 2013.

To comply with AB 1494, the California Department of Health Care Services (DHCS) requires that Gold Coast Health Plan (GCHP) amend its Medi-Cal contract with DHCS. The proposed contract amendment requires GCHP to report to DHCS on specified transition implementation issues including: number of grievances related to access to care; continuity of care requests and outcomes; as well as changes to provider networks.

Gold Coast Health Plan's Governing Commission by-laws require Commission approval of contract amendments. The purpose of this memo is to request approval and delegate authority to GCHP's CEO for signing the HFP contract amendment.

STAFF RECOMMENDATION: Approve and grant authority to GCHP's CEO to sign the HFP contract amendment.

BACKGROUND:
On December 21st, DHCS transmitted via e-mail HFP contract amendments to GCHP and asked that the Plan sign the amendment no later than December 26, 2012. GCHP is unable to sign the proposed HFP amendment until it receives approval from its governing body. While GCHP's full Commission does not meet again until January 28, 2013, GCHP's Executive/Finance Committee can act on GCHP's behalf.

GCHP has approximately 20,000 HFP enrollees in Ventura County that are scheduled to transition to Medi-Cal managed care in Phase III of the four-phase transition plan, so HFP members in Ventura County will become GCHP Medi-Cal enrollees on August 1, 2013. Approximately 863,000 children statewide are expected to transition into Medi-Cal managed care between January and September 2013.

FINANCIAL CONSIDERATION:
GCHP received a **draft** rate package from DHCS on 11/5/12 which included a blended capitation rate of $77.90 per member per month (PMPM) for the 1/1/13-3/31/13 time period This would be paid for those newly enrolled Medi-Cal children that would have traditionally been part of the HFP. DHCS provided a high level overview of how these rates were established during the 12/14/12 rate meeting. GHCP is preparing questions in response to that information to better understand the rate development process and the pending items in order for DHCS to finalize the rates.

Assuming these same rates would be paid to GCHP on 8/1/13 and the monthly enrollment of 20,103 (count provided by DHCS in the rate package), additional monthly revenue would be approximately $1.57 million dollars with an expected FY13-14 revenue increase of $17.2 million dollars. In the rate development, DCHS included an administrative load of 11% of premium ($8.57 PMPM) and risk/profit/contingency margin of 2% ($1.56 PMPM).

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Gold Coast Health Plan
Results of FY2011-12 Audit
Executive/Finance Committee Meeting

January 9, 2013

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Agenda

- Background
- Audit Findings
  - Documentation
  - Highlights
  - Final FY2011-12 Financial Results
- Next Steps

Background

- McGladrey LLP (McGladrey) was hired to perform GCHP's 7/1/11-6/30/12 (FY2011-12) financial audit
- Audit was finalized and submitted to the State on 11/30/12

Audit Findings - Documentation

- Financial Statements containing Management's Discussion and Analysis, as well as Independent Auditor's Report
- Report to the Audit Committee containing additional documentation

Audit Findings - Highlights

- Auditors issued an unqualified opinion
- Vast majority of adjustments were identified by GCHP management
- Recommendations were expected and Plan has activities underway

Audit Findings – Final FY2011-12 Financial Results

The following pages reflect the final:

- Income Statement
- Balance Sheet
- Cash Flows
- Tangible Net Equity (TNE)
- Key financial indicators

Audit Findings – Income Statement

	2012		
Operating revenues:			
Capitation revenues	$ 310,260,446	100.0%	
Total operating revenues	310,260,446		
Operating expenses:			
Medical expenses	286,245,088	91.9%	
Administrative expenses	25,390,128	8.1%	*
Total operating expenses	311,635,216		
Operating loss	(1,374,770)		
Nonoperating revenues and expenses			
Investment income	169,056	0.1%	
Net rental income and expenses	(403,350)	-0.1%	
Total nonoperating revenues and expenses	(234,294)		
Decrease in net assets (deficit)	$ (1,609,064)		

* Includes MCO Tax, excluding impact of MCO Tax, the Admin Ratio = 6.2%

Audit Findings – Balance Sheet

	2012	
Assets		
Current Assets		
Cash and cash equivalents	**$ 25,554,098**	**40.2%**
Capitation receivable	**28,534,938**	**44.9%**
Provider receivable	**6,539,541**	**10.3%**
Reinsurance receivable	**2,148,270**	**3.4%**
Prepaid expenses and other assets	**560,797**	**0.9%**
Total current assets	**63,337,644**	
Capital Assets, net	**176,028**	**0.3%**
Total assets	**$ 63,513,672**	

Audit Findings – Balance Sheet, cont.

Liabilities and Net Assets	**2012**	
Current Liabilities		
Medical claims liability	**$ 62,968,509**	**90.5%**
Capitation payable	**633,276**	**0.9%**
	63,601,785	
Accounts payable	**886,715**	**1.3%**
Premium reserve	**1,914,155**	**2.8%**
Accrued implementation costs and administrative serv	**500,000**	**0.7%**
Implementation advance, current	**460,000**	**0.7%**
Accrued premium tax and other	**802,900**	**1.2%**
Total current liabilities	**68,165,555**	
Implementation Advance, less current portion	**1,380,000**	**2.0%**
Total liabilities	**69,545,555**	
Net Assets		
Invested in capital assets, net of related debt	**176,028**	**-2.9%**
Unrestricted net deficit	**(6,207,911)**	**102.9%**
Total net assets	**(6,031,883)**	
Total liabilities and net assets	**$ 63,513,672**	

Audit Findings – Cash Flow

Statements of Cash Flows
Year Ended June 30, 2012

	2012
Cash Flows From Operating Activities	
Premiums received and other	284,748,247
Reinsurance premiums paid	(1,108,585)
Payments to providers and facilities	(231,331,114)
Payments of premium tax	(6,759,254)
Payments to Administration	(20,306,312)
Net cash provided by operating activities	**25,242,982**
Cash Flows From Capital and Related Financing Activities	
Purchases of capital assets	(115,287)
Interest payments	(403,350)
Net cash used in capital and related financing activities	**(518,637)**
Cash Flows From Investing Activities	
Interest Income	169,056
Net cash used in investing activities	**169,056**
Net increase (decrease) in cash and cash equivalents	**24,893,401**
Cash and Cash Equivalents, beginning of year	660,697
Cash and Cash Equivalents, end of year	**$ 25,554,098**

Audit Findings – TNE

	Audited Results
	FY 2011-12
Required TNE *	6,036,972
GCHP TNE	(6,031,881)
TNE Deficit	12,068,853

* At 6/30/12, Required TNE is 36% of the Total TNE

Audit Findings - Financial Indicators

Current ratio	0.93
Days cash on hand	30
Operating margin	-0.4%
Medical expenses as a percentage of capitation revenue*	94.3%

* Excludes impact of MCO tax

Next Steps

- Auditors will present more details and be able to answer any questions during the 1/28/13 Commission meeting
- GCHP staff will provide ongoing updates to Audit Committee regarding findings

Ventura County Medi-Cal Managed Care Commission/dba Gold Coast Health Plan

Financial Statements
(With Independent Auditor's Report Thereon)
June 30, 2012

Contents

Ventura County Medi-Cal Managed Care Commission/dba Gold Coast Health Plan

Management's Discussion and Analysis

The intent of management's discussion and analysis of Ventura County Medi-Cal Managed Care Commission/dba Gold Coast Health Plan's (Gold Coast or the Plan) financial performance is to provide readers with an overview of the Plan's financial and operational activities for the year ended June 30, 2012. Readers should review this summation in conjunction with Gold Coast's financial statements and accompanying notes to the financial statements to enhance their understanding of Gold Coast's financial performance.

GOLD COAST OVERVIEW

On June 2, 2009, the Ventura County Board of Supervisors approved the implementation of a county-organized health system (COHS) model to transition Ventura County's Medi-Cal beneficiaries from the State of California's fee-for-service program to a managed care model. Ordinance 4409 (April 2010) established the Ventura County Medi-Cal Managed Care Commission as an oversight entity. The Commission's 11 members oversee a single plan—Gold Coast Health Plan—to serve Ventura County (the County) Medi-Cal beneficiaries. The Plan began operations in July 2011.

As a COHS, Gold Coast entered into an exclusive contract with the State of California (the State) to arrange for the provision of health care services to the County's approximately 105,000 Medi-Cal beneficiaries. As the single contracting entity with the State for the administration of the Medi-Cal program for the County, all members who qualify for full-scope Medi-Cal are mandatorily enrolled in Gold Coast Health Plan. The Plan receives nearly 100 percent of its revenue in the form of capitation from the State.

Gold Coast's operations for the period ended June 30, 2011, consisted primarily of activities in support of the formation and startup of the health plan prior to the effective date of its contract with the State. Consequently, there were no revenues earned during this period, and the operations consisted entirely of administrative activities. The year ended June 30, 2012, represented the first full year of operations as a health plan and is analyzed in this document.

FINANCIAL HIGHLIGHTS

At June 30, 2012, Gold Coast had current assets consisting of approximately $25,554,000 in cash, $37,223,000 in accounts receivable, and $561,000 in prepaid expenses and other assets. Capital assets, net of depreciation, amounted to approximately $176,000. Current liabilities consisted of approximately $63,602,000 in medical claims and capitation payable, $887,000 in accounts payable, $1,914,000 in accrued premium reserves, $960,000 in implementation costs and advances, and $803,000 in accrued premium tax and other expenses. Long-term liabilities amounted to $1,380,000. Total net deficit at June 30, 2012, amounted to approximately $6,032,000.

RESULTS OF OPERATIONS

For the year ended June 30, 2012:

- Operating revenues totaled approximately $310,260,000
- Total claims and other medical expenses amounted to approximately $286,245,000
- Administrative fees and nonoperating revenues and expenses totaled approximately $25,156,000 and included:
  - Salaries and benefits of approximately $4,056,000
  - Professional fees for contracted vendors of approximately $12,835,000
  - General and administrative expenses, including postage and printing, of approximately $878,000
  - Total premium tax incurred of approximately $7,362,000
  - Other expenses totaling approximately $259,000
  - Interest expense (net of interest income) of approximately $234,000

The final result for the year ended June 30, 2012, was a decrease in net assets of approximately $1,609,000.

FISCAL YEAR 2011–12 ENROLLMENT, PREMIUM REVENUE, AND MEDICAL EXPENSES

Enrollment

Enrollment is divided into significant aid categories, which correspond to specific rates of capitation to be received by the Plan from the State. Actual plan enrollment for the year ended June 30, 2012, compared favorably to the budget for the period. The average monthly enrollment is as follows:

Enrollment Category	Fiscal Year 2011–12 Actual Members	Fiscal Year 2011–12 Budgeted Members
Family/Adult	77,533	74,975
Aged—Medi-Cal	1,208	1,250
Disabled—Medi-Cal	8,002	7,774
Long-Term Care—Medi-Cal	73	70
Aged—Dual	9,362	9,118
Disabled—Dual	7,505	7,396
Long-Term Care—Dual	912	873
BCCTP	255	250
Total average monthly enrollment	104,850	101,706

"Dual" coverage refers to enrollees who are eligible for both Medicare and Medi-Cal benefits. "BCCTP" is the Breast and Cervical Cancer Treatment Program, which provides cancer treatment for eligible, low-income California residents who are screened by approved cancer detection programs.

The positive variances in enrollment were largely the result of retroactivity. During fiscal year 2011–12, the state allowed members to enroll retroactively for a period of up to 12 months. Beginning in July 2012, the state policy has curtailed retroactive enrollment.

Premium Revenue

Premium revenue (i.e., capitation received by the Plan from the State) is determined by rates set by the State. Rates are expressed on a per member, per month (PMPM) basis, and generally are effective for the entire year. However, during fiscal year 2011–12, state budget reforms called for premium rate cuts, which translated to an overall 2.2 percent reduction in the Plan's rates. This action (AB97) has been challenged via legal action by several entities within California, and the outcome on the implementation of the rate cuts is not yet certain. Due to this uncertainty, the Plan has received capitation payments at the original rates, but has recorded a reserve for the difference. A comparison of the rates and the resulting revenue is as follows:

Enrollment Category	Fiscal Year 2011–12 Original PMPM Rates	Fiscal Year 2011–12 PMPM Rates With AB97 Reduction
Family/Adult	$ 131.64	$ 130.34
Aged—Medi-Cal	521.14	520.99
Disabled—Medi-Cal	832.79	826.55
Long-Term Care—Medi-Cal	7,027.51	6,732.03
Aged—Dual	233.69	224.19
Disabled—Dual	197.32	189.36
Long-Term Care—Dual	4,494.06	4,216.68
BCCTP	1,062.47	1,058.01

	Fiscal Year 2011–12 Original Revenue	Fiscal Year 2011–12 Revenue With AB97
Total revenue	$ 313,283,000	$ 306,583,000

Subsequent to the passage of the state budget for fiscal year 2011–12, the legislature passed a trailer bill, ABX1-19, which restored the rates associated with care provided by long-term care (LTC) facilities to be paid in fiscal year 2012–13. Whereas an initial premium reduction of $6.7 million was expected, the recapture of the LTC rates added back $4.8 million to revenues. All premium revenue is subject to a 2.35 percent Managed Care Organization (MCO) tax.

Medical Expenses

Initially, medical expenses for fiscal year 2011–12 were recorded using actuarial assumptions regarding enrollment trends, utilization and medical costs as applied to historical data for years prior to the Plan's effective date. As a new plan, Gold Coast did not possess an adequate claims payment history generally required to fully develop a robust incurred but not reported (IBNR) model, which mature health plans use in the estimation of medical costs.

Consequently, a book to budget methodology was employed whereby medical costs were estimated by using the following rates for major categories of medical costs applied to actual enrollment during fiscal year 2011–12:

Health Care Cost Category	Fiscal Year 2011–12 Budgeted Rate (PMPM)
Inpatient Hospital	$ 36.53
Long-Term Care Facility	67.32
Outpatient Hospital	21.43
Laboratory and Radiology Expense	2.29
Emergency Room Facility	3.99
Physician Specialty Services	19.17
Other Medical Professional	2.00
Pharmacy	35.00
Other Fee-for-Service Expense	14.60
Transportation Expense	2.92
Total health care costs	$ 205.25

During the first year of operations, these IBNR assumptions present the largest risk to the Plan's operations. Medical claims typically need long periods of time to run out, as submission delays, processing times and retroactive enrollment can affect the time elapsed from the date of service to actual payment.

The collection of accurate payment data was also affected by other issues regarding Gold Coast's claims experience, including a claims inventory backlog in the early part of the fiscal year resulting from claims system configuration challenges. Consequently, claims payments and their timeliness were negatively impacted. As a result, the final estimation of medical costs and the associated IBNR liability was determined by the Plan's actuaries to be much higher than the amount determined by the original book to budget approach. An additional $16 million was added to the Plan's reserves, which caused a net loss for the Plan's first year of operations. Management believes that the IBNR is conservatively estimated based on the available data.

Sub-capitated Medical Expenses
In addition to fee-for-service medical payments made to the Plan's providers, capitation payments were made to primary care providers (PCP) performing specific primary care services. Rates are determined by the Plan and fixed by contract with participating providers. This "sub-capitation" is paid for three categories of enrollment (Family/Adult, Aged and Disabled) with payment rates for fiscal year 2011–2012 as follows:

Enrollment Category	Fiscal Year 2011–12 Sub-capitation PCP Rate (PMPM)
Family/Adult	$ 8.38
Aged—Medi-Cal	10.99
Disabled—Medi-Cal	12.06

Total sub-capitation payments to providers amounted to $7.5 million in fiscal year 2011–12, which is significantly below the approved budget amount of $8.5 million because not all enrolled members were assigned to a capitated physician.

REGULATORY ACTION

As a regulated entity, Gold Coast is required by the California Department of Health Care Services (DHCS) to maintain certain levels of capital or tangible net equity (TNE). Regulatory capital levels are determined by formula and are based on specified percentages of revenue and medical expenses. As a new plan, the requirement allows for a phase-in period in which the Plan was required to meet 36 percent of calculated TNE by June 30, 2012. Due to the net loss sustained in fiscal 2012, the Plan was deficient in meeting this requirement.

Due to this deficiency and other operational concerns, Gold Coast was directed to follow a corrective action plan (CAP) issued by the DHCS. The CAP contains steps that the Plan is obligated to take in order to correct the deficiency and address related financial and operational issues. Gold Coast has met key due dates for certain deliverables under the CAP and is working closely with its state-assigned monitor/consultant. The Plan has plans to cure the current deficiency and achieve long-term viability.

Gold Coast also has received a commitment of $2.2 million in the form of an unsecured line of credit from the County. To date, the Plan has not drawn on any funds on this line of credit. The Plan may seek an additional capital commitment from the County if needed.

McGladrey

Independent Auditor's Report

To the Commission
Ventura County Medi-Cal Managed Care Commission/
dba Gold Coast Health Plan

We have audited the accompanying balance sheet of Ventura County Medi-Cal Managed Care Commission/dba Gold Coast Health Plan (Gold Coast) as of June 30, 2012, and the related statements of revenues, expenses and changes in net assets (deficit), and cash flows for the year then ended. These financial statements are the responsibility of Gold Coast's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gold Coast's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 3, the financial statements referred to above present only Gold Coast and do not purport to, and do not, present fairly the financial position, changes in financial position, or cash flows of Ventura County, California, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gold Coast as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the California Department of Health Care Services (DHCS) requires that Gold Coast meet and maintain a minimum level of tangible net equity (TNE) and comply with several other operational and reporting requirements. As of June 30, 2012, Gold Coast's tangible net equity was below the required threshold, and Gold Coast was out of compliance with various operational and reporting requirements. Gold Coast has developed and submitted to the DHCS a corrective action plan to get the Plan into compliance with TNE and other operational and reporting requirements. While a corrective action plan has been developed, the ultimate resolution of these matters is not determinable at this time and may result in Gold Coast being required to either merge with another financially viable managed care plan or dissolve operations.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 5 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

McGladrey LLP

Minneapolis, Minnesota
November 30, 2012

Ventura County Medi-Cal Managed Care Commission/dba Gold Coast Health Plan

Balance Sheet
June 30, 2012

Assets	
Current Assets	
Cash and cash equivalents	$ 25,554,098
Accounts receivable:	
Capitation receivable	28,534,938
Provider receivables, net of allowance of $245,452	6,539,541
Reinsurance and other receivables, net of allowance of $166,346	2,148,270
Prepaid expenses and other assets	560,797
Total current assets	63,337,644
Capital Assets, net of accumulated depreciation of $26,897 (Note 5)	176,028
Total assets	$ 63,513,672
Liabilities and Net Assets (Deficit)	
Current Liabilities	
Medical claims liability and capitation payable (Note 6):	
Medical claims liability	$ 62,968,509
Capitation payable	633,276
	63,601,785
Accounts payable	886,715
Premium reserve	1,914,155
Accrued implementation costs and administrative services (Note 4)	500,000
Implementation advance, current (Notes 4 and 7)	460,000
Accrued premium tax and other	802,900
Total current liabilities	68,165,555
Implementation Advance, less current portion (Notes 4 and 7)	1,380,000
Total liabilities	69,545,555
Commitments and Contingencies (Notes 2, 4 and 8)	
Net Assets (Deficit) (Note 2)	
Invested in capital assets, net of related debt	176,028
Unrestricted net deficit	(6,207,911)
Total net assets (deficit)	(6,031,883)
Total liabilities and net assets (deficit)	$ 63,513,672

See Notes to Financial Statements.

Ventura County Medi-Cal Managed Care Commission/dba Gold Coast Health Plan

Statement of Revenues, Expenses and Changes in Net Assets (Deficit)
Year Ended June 30, 2012

Operating revenues:	
Capitation revenues (net of reinsurance premiums of $1,108,585)	$ 310,260,446
Total operating revenues	310,260,446
Operating expenses:	
Medical expenses (Note 6):	
Provider capitation	7,534,863
Claim payments to providers and facilities	239,056,472
Prescription drugs	36,022,296
Other medical (Note 4)	6,068,910
Reinsurance recoveries	(2,437,453)
Total medical expenses	286,245,088
Administrative expenses:	
Salaries, benefits and compensation (Note 4)	4,056,153
Professional fees (Note 4)	12,834,921
General administrative fees	877,750
Supplies, occupancy, insurance and other	232,253
Premium tax	7,362,155
Depreciation	26,896
Total administrative expenses	25,390,128
Total operating expenses	311,635,216
Operating loss	(1,374,770)
Nonoperating revenues and expenses:	
Interest income	169,056
Interest expense	(403,350)
Total nonoperating revenues and expenses	(234,294)
Decrease in net assets (deficit)	(1,609,064)
Net assets (deficit), beginning of year	(4,422,819)
Net assets (deficit), end of year	$ (6,031,883)

See Notes to Financial Statements.

Ventura County Medi-Cal Managed Care Commission/dba Gold Coast Health Plan

Statement of Cash Flows
Year Ended June 30, 2012

Cash Flows From Operating Activities	
Premiums received and other	$ 284,748,247
Reinsurance premiums paid	(1,108,585)
Payments to providers and facilities	(231,331,114)
Payments of premium tax	(6,759,254)
Payments of administrative expenses	(20,306,312)
Net cash provided by operating activities	25,242,982
Cash Flows From Capital and Related Financing Activities	
Purchases of capital assets	(115,287)
Interest payments	(403,350)
Net cash used in capital and related financing activities	(518,637)
Cash Flows From Investing Activities	
Interest income	169,056
Net cash provided by investing activities	169,056
Net increase in cash and cash equivalents	24,893,401
Cash and Cash Equivalents, beginning of year	660,697
Cash and Cash Equivalents, end of year	$ 25,554,098
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	$ (1,374,770)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	26,896
Changes in assets and liabilities:	
Accounts receivable	(37,213,593)
Prepaid expenses and other assets	(520,670)
Medical claims liability	63,601,785
Accounts payable	839,338
Premium reserve	1,914,155
Implementation advance ad accrued implementation costs	(960,000)
Accrued premium tax and other liabilities	(1,070,159)
Net cash provided by operating activities	$ 25,242,982

See Notes to Financial Statements.

Note 1. Organization and Operations

Organizational structure: Ventura County Medi-Cal Managed Care Commission/dba Gold Coast Health Plan (Gold Coast or the Plan) is a county-organized health system (COHS) organized to serve primarily Medi-Cal beneficiaries in Ventura County, California. The formation of Gold Coast was approved by the Board of Supervisors of the County of Ventura in December 2009 through the adoption of Ordinance No. 4409.

As a COHS, Gold Coast maintains an exclusive contract (the Contract) with the state of California Department of Health Care Services (DHCS) to arrange for the provision of health care services to Ventura County's approximately 105,000 Medi-Cal beneficiaries. All of Gold Coast's revenues are earned from the State of California in the form of capitation payments based on enrollment and capitation rates as provided for in the state contract. The Plan began providing services to Medi-Cal beneficiaries in July 2011.

Note 2. Compliance With the DHCS and Restricted Net Assets

Gold Coast is required to meet and maintain a minimum level of tangible net equity (TNE) as established by the Contract. TNE is defined as the excess of total assets over total liabilities, excluding subordinated liabilities and intangible assets. As prescribed by the Contract and California state statute, Gold Coast is following a TNE phase-in plan whereby Gold Coast is required to meet 36 percent of the TNE requirement at June 30, 2012. As of June 30, 2012, Gold Coast's TNE was a deficit of approximately $6,032,000, while the requirement was a positive TNE of approximately $6,037,000. Therefore, the Plan has not met its minimum required TNE. The Contract also requires that Gold Coast comply with several other operational and reporting requirements.

During the year ended June 30, 2012, the DHCS was made aware that Gold Coast was not meeting TNE and other operational and reporting requirements. Gold Coast is working with the DHCS with regard to its noncompliant status and has developed a corrective action plan to get the Plan into compliance with TNE and other operational and reporting requirements, including but not limited to improving plan staffing and filling certain key positions, improving claims processing capabilities, developing information technology resources, and timely and accurately filing paid claims and encounter data with the DHCS.

The DHCS has the authority to take actions for noncompliance with the requirements imposed upon the Plan. Such actions include, but are not limited to, imposition of sanctions upon the Plan, assessment of damages, installation of temporary management, or termination of the contract with the DHCS to arrange for the provision of health care services to Ventura County's beneficiaries. In the event the Plan cannot demonstrate financial solvency in accordance with contractual requirements, the DHCS may require that the Plan develop a plan to either merge with a financially viable managed care plan or to dissolve operations.

The ability of Gold Coast to continue as a going concern is dependent on the results of these matters. The financial statements have been prepared on the going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of operations. The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities should the Plan be unable to continue as a going concern.

Note 3. Summary of Significant Accounting Policies

Basis of presentation: The Plan is a county-organized health system governed by an 11-member Commission appointed by Ventura County. Gold Coast is not reported as a component unit of any governmental entity. These financial statements present only Gold Coast and do not purport to, and do not, present fairly the financial position, changes in financial position, or cash flows of Ventura County, California, in conformity with accounting principles generally accepted in the United States of America.

Accounting basis and standards: Gold Coast uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The accompanying financial statements have been prepared in accordance with the standards of the Governmental Accounting Standards Board (GASB). In 2012, Gold Coast adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* with no impact to its financial statements.

Financial statement presentation: Gold Coast applies the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* (Statement 34), as amended by GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures.* These statements establish financial reporting standards for all state and local governments and related entities and primarily relate to presentation and disclosure requirements.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments: The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of these financial instruments. The carrying amounts reported in the balance sheet for capitation receivable, provider receivables, reinsurance and other receivables, prepaid expenses and other assets, medical claims liability and capitation payable, accounts payable, premium reserve, accrued premium tax and other liabilities approximate their fair values, as they are expected to be realized within the next fiscal year.

Cash and cash equivalents: Cash and cash equivalents include highly liquid instruments purchased with an original maturity of three months or less when purchased.

Custodial credit risk—deposits: Custodial credit risk is the risk that in the event of a bank failure Gold Coast may not be able to recover its deposits or collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institution secure deposits made by public agencies by pledging securities in an undivided collateral pool held by a depository regulated under the state law. At June 30, 2012, all accounts are covered by posted collateral.

Note 3. Summary of Significant Accounting Policies (Continued)

Capitation receivable: Capitation receivable is carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering payment history, financial condition and current economic conditions. During fiscal 2012, the DHCS allowed members to enroll retroactively for a period of up to 12 months. Beginning in July 2012, the state policy curtailed retroactive enrollment. At the time of the issuance of these financial statements, the Medi-Cal rates for fiscal year 2012 remain pending. The 2012 revenue was recognized based on the rates paid by the DHCS during the year. Management anticipates receiving final rates in the third quarter of fiscal year 2013. Subsequent adjustments to the contracted rates or enrollments are recognized in the period the adjustment is determined.

Provider receivables: Provider receivables are recorded for amounts advanced to providers and for claim refunds due from providers. Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering payment history, financial condition and current economic conditions.

Reinsurance: In the normal course of business, the Plan seeks to reduce the loss that may arise from events that cause unfavorable medical claims results by reinsuring certain levels of risk in various areas of exposure with a reinsurer. Amounts recoverable from reinsurance are estimated in a manner consistent with the development of the medical claims liability.

Amounts recoverable from reinsurers that relate to paid and unpaid claims are classified as assets, net of an allowance for any estimated uncollectible amounts, and as a reduction to medical expenses incurred. Reinsurance premiums paid are netted against capitation revenue.

Capital assets: Capital assets are stated at cost at the date of acquisition. The costs of normal maintenance, repairs and minor replacements are charged to expense when incurred.

Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets. Long-lived assets are periodically reviewed for impairment. The estimated useful lives of three to seven years are used for furniture, fixtures, computer equipment and software. Depreciation expense for the year ended June 30, 2012, was approximately $27,000.

Medical claims liability, capitation payable and medical expenses: Gold Coast establishes a claims liability based on estimates of the ultimate cost of claims in process and a provision for claims incurred but not yet reported, which is actuarially determined based on historical claims payment experience and other statistics. Such reserves are continually monitored and reviewed with any adjustments made as necessary in the period the adjustment is determined. Management believes that the claims liability is adequate and fairly stated; however, this liability is based on estimates, and the ultimate liability may differ from the amount provided.

Gold Coast has provider services agreements with several health networks in Ventura County, whereby the health networks provide care directly to covered members or through subcontracts with other health care providers. Payment for the services provided by the health networks is on a fully capitated basis. The capitation amount is based on contractually agreed-upon terms with each health network.

Premium deficiency reserves: Gold Coast performed an analysis of its expected future health care and maintenance costs to determine whether such costs will exceed anticipated future revenues under the contracts entered into as of June 30, 2012. Should expected costs exceed anticipated revenues, a premium deficiency reserve would be accrued. A premium deficiency reserve was not required at June 30, 2012.

Note 3. Summary of Significant Accounting Policies (Continued)

Accounts payable and accrued expenses: Gold Coast has contracted with Regional Government Services (RGS) for employee services. All employee expenses are accrued as services are provided, including compensated absences, which are accrued and recorded in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, and are included in accrued payroll and employee benefits. Implementation costs are accrued as services are performed over the term of the contract (see Note 4). As of September 1, 2012, Gold Coast has terminated its contract with RGS and assumed responsibilities for its own employment agreements and benefits.

Premium reserve: Assembly Bill 97 was passed by the state of California Assembly during fiscal year 2011 and received necessary approval from the Centers for Medicare & Medicaid Services in fiscal year 2012. The bill included premium rate cuts, which resulted in an overall 2.2 percent reduction in the Plan's rates. However, Assembly Bill X1 19 was later passed, which restored the rates associated with care provided by long-term care facilities. For the year ended June 30, 2012, the total capitation rates received in excess of the final approved rates amounted to approximately $1,914,000 and have been reported as a liability at June 30, 2012.

Implementation advance: The implementation advance represents cash received from Affiliated Computer Services (ACS) in accordance with an agreement with them for implementation services (see Note 4). Amounts received in advance are amortized on a straight-line basis over the five-year contractual period of the agreement and are recognized as a reduction of administrative expenses beginning July 2011.

Net assets: Net assets are broken down into two categories, defined as follows:

Invested in capital assets, net of related debt: This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable (if any) to the acquisition, construction or improvement of those assets.

Unrestricted: This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt" in accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and Statement No. 38, *Certain Financial Statement Note Disclosures*.

Revenue recognition: Capitation revenue is received from the DHCS each month following the month of coverage based on estimated enrollment and capitation rates as provided for in the DHCS contract. Enrollment and the capitation rates are subject to retrospective changes by the DHCS. As such, capitation revenue includes an estimate for amounts receivable from or refundable to the DHCS for these retrospective changes in estimates. These estimates are continually monitored and reviewed, with any changes in estimates recognized in the period when determined.

Premium taxes: The state of California Assembly passed Assembly Bill (AB) 1422, the California Children and Families Act of 1998, in fiscal year 2010 to subsidize the Children's Insurance Program (CHIP) by requiring a premium tax at a rate of 2.35 percent of the Medi-Cal's capitated revenue. Premium tax expense of approximately $7,362,000 was recognized during the year ended June 30, 2012.

Administrative expenses: Administrative expenses are recognized as incurred and consist of administrative expenses that directly relate to the implementation and operation costs of the Plan. Capitation contract acquisition costs are expensed in the period incurred.

Note 3. Summary of Significant Accounting Policies (Continued)

Operating revenues and expenses: Gold Coast's statement of revenues, expenses and changes in net assets (deficit) distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with arranging for the provision of health care services. Operating expenses are all expenses incurred to arrange for the provision of health care services as well as the costs of administration. Claims adjustment expenses are an estimate of the cost to process the incurred but not reported (IBNR) claims and are included in operating expenses. Non-exchange revenues and expenses are reported as nonoperating revenues and expenses.

Income taxes: Gold Coast operates under the purview of the Internal Revenue Code, Section 501(a), and corresponding California Revenue and Taxation Code provisions. As such, Gold Coast is not subject to federal or state taxes. Accordingly, no provision for income tax has been recorded in the accompanying financial statements.

Risk management: The Plan is exposed to various risks of loss from torts, business interruption, errors and omissions, and natural disasters. Commercial insurance coverage is purchased by Gold Coast for claims arising from such matters. No claims have exceeded commercial coverage.

Note 4. Administrative Services Agreements

Affiliated Computer Services (ACS): On June 23, 2010, Gold Coast entered into a five-year agreement with ACS to provide certain operational services through June 30, 2016. Compensation for these services is based on a per member per month cost at varying membership levels. The agreement also calls for a monthly management fee. These costs are recorded as expenses in the period incurred. Total expenses for services provided for the year ended June 30, 2012, were approximately $11,473,000 and are reported as professional fees.

The agreement also calls for ACS to provide implementation services. The cost for these services of $1,000,000 was expensed in fiscal year 2011. The amount is payable in 24 monthly payments of $41,667 beginning with the operational start date of July 1, 2011. At June 30, 2012, $500,000 was recorded as accrued implementation costs.

ACS provided Gold Coast with an advance payment of $2,300,000 in fiscal year 2011. According to the terms of the agreement, should Gold Coast terminate the agreement prior to the end of the stated five-year term, Gold Coast is required to repay any unamortized portion to ACS. The implementation payment is recorded as a liability and is amortized ratably over a 60-month term ending June 30, 2016. The amortization is recognized as a reduction in administrative expense. At June 30, 2012, $1,840,000 was recorded as an accrued implementation advance.

On March 3, 2011, Gold Coast entered into an agreement with ACS Health Administration, Inc. (an affiliate of ACS) to provide medical management services under the supervision of Gold Coast's management team. Total expense for the year ended June 30, 2012, was approximately $2,230,000 and is included in other medical expenses.

Note 4. Administrative Services Agreements (Continued)

Regional Government Services (RGS): RGS provides staffing and human resources support to Gold Coast. As such, all salaries and benefits are compensated through RGS. Included in the RGS benefits are a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and a 403(b) defined contribution supplemental retirement plan. Workers' compensation, commercial and general liability insurance and crime insurance policies are obtained by RGS though the California Joint Powers Insurance Agency (CJPIA). In addition to reimbursement of the direct cost of the salaries, benefits and insurance premiums, administrative fees were paid to RGS of approximately $113,000 for the year ended June 30, 2012.

Effective September 1, 2012, the contract between Gold Coast and RGS was terminated, and all employees and human resources services were assumed by the Plan.

Script Care services: On February 1, 2011, Gold Coast entered into a five-year agreement with Script Care to provided pharmacy administration and management services. Script Care services are specific to the prescription benefit drug program for Gold Coast Medi-Cal beneficiaries. Total expense for Script Care services was approximately $2,743,000 for the year ended June 30, 2012, and is included in other medical expenses.

Note 5. Capital Assets

Capital asset activity during the year ended June 30, 2012, consisted of the following:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets:				
Software and equipment	$ 87,638	$ 31,918	$ -	$ 119,556
Furniture and fixtures	-	83,369	-	83,369
Total capital assets	87,638	115,287	-	202,925
Less accumulated depreciation for:				
Software and equipment	-	19,025	-	19,025
Furniture and fixtures	-	7,872	-	7,872
Total accumulated depreciation	-	26,897	-	26,897
Total capital assets, net	$ 87,638	$ 88,390	$ -	$ 176,028

Note 6. Medical Claims Liability

Medical claims liability consists of the following:

Claims payable or pending approval	$ 10,357,609
Capitation payable	633,276
Provisions for claims incurred but not yet reported	52,610,900
	$ 63,601,785

Note 6. Medical Claims Liability (Continued)

The cost of health care services is recognized in the period in which care is provided and includes an estimate of the cost of services that has been incurred but not yet reported. Gold Coast estimates accrued claims payable based on historical claims payments and other relevant information. Estimates are continually monitored and reviewed, and as settlements are made or estimates adjusted, differences are reflected in current operations. Such estimates are subject to the impact of changes in the regulatory environment and economic conditions. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate amount of claims paid is dependent on future developments, management is of the opinion that the accrued medical claims payable is adequate.

The following is a reconciliation of the accrued claims liability for the year ended June 30, 2012:

Beginning balance	$ -
Incurred:	
Current	286,245,088
Prior	-
Total incurred	286,245,088
Paid:	
Current	231,331,114
Prior	-
Total paid	231,331,114
Net balance at end of year	54,913,974
Provider and reinsurance receivables on paid claims	8,687,811
Medical claims liability and capitation payable at end of year	$ 63,601,785

Note 7. Long-Term Liabilities

Activity in the implementation advance and accrued implementation costs for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Implementation advance	$ 2,300,000	$ -	$ 460,000	$ 1,840,000	$ 460,000
Accrued implementation costs	1,000,000	-	500,000	500,000	500,000
Total long-term liabilities	$ 3,300,000	$ -	$ 960,000	$ 2,340,000	$ 960,000

Note 8. Commitments and Contingencies

Line of credit: Gold Coast has a $2,200,000 unsecured line of credit available from the County of Ventura through July 2014, with an option to extend for an additional two years. Interest on advances is based upon the Ventura County Treasury Pool rate (approximately 0.67 percent at June 30, 2012). Gold Coast had no outstanding balance on the line of credit at June 30, 2012, and there were no draws during the year ended June 30, 2012.

Lease commitments: Gold Coast leases office space and equipment under long-term operating leases with minimum annual payments as follows:

Years Ending June 30,	Minimum Lease Payments
2013	$ 169,800
2014	171,814
2015	176,710
2016	106,459
2017	337

Litigation: Through the course of ordinary business, the Plan could become party to various legal actions and subject to various claims arising as a result. During the fiscal year ended June 30, 2012, a suit was filed against RGS and the Plan by a former employee. As a result, the Plan has recorded a liability for this contingency.

Regulatory matters: The health care industry is subject to numerous laws and regulations of federal, state and local governments. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties. Other than the matters discussed in Note 2, management believes that Gold Coast is in compliance with fraud and abuse, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Patient Protection and Affordable Care Act: In March 2010, the President signed into law the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively referred to as the Healthcare Reform Legislation), which considerably transforms the U.S. health care system and increases regulations within the U.S. health insurance industry. This legislation is intended to expand the availability of health insurance coverage to millions of Americans. The Healthcare Reform Legislation contains provisions that take effect from 2010 through 2018, with most measures effective in 2014. The total impact of the Healthcare Reform Legislation is unknown, as many aspects of the legislation require additional guidance and clarification to be provided by the Department of Health and Human Services, the Department of Labor, the Department of the Treasury, and the National Association of Insurance Commissioners. The impact of the Healthcare Reform Legislation on the operations of Gold Coast is being evaluated.

Ventura County Medi-Cal Managed Care Commission/dba Gold Coast Health Plan

Report to the Audit Committee
November 30, 2012

McGladrey

Assurance ▪ Tax ▪ Consulting

McGladrey

November 30, 2012

Ventura County Medi-Cal Managed Care Commission/
dba Gold Coast Health Plan
2220 E. Gonzales Road, Ste. 200
Oxnard, CA 93036

Attention: Members of the Audit Committee

We are pleased to present this report related to our audit of the financial statements of Ventura County Medi-Cal Managed Care Commission/dba Gold Coast Health Plan (Gold Coast) for the year ended June 30, 2012. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Gold Coast's financial reporting process.

This report is intended solely for the information and use of the Commission, Executive/Finance Committee, Audit Committee, and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to be of service to Gold Coast.

McGladrey LLP

Contents

Required Communications

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to their responsibilities in overseeing the financial reporting process. The following summarizes these communications:

Area	Comments
Auditor's Responsibility Under Professional Standards	Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated September 19, 2012.
Accounting Practices	**Adoption of, or Change in, Accounting Policies** Management has the ultimate responsibility for the appropriateness of the accounting policies used by Ventura County Medi-Cal Managed Care Commission/dba Gold Coast Health Plan (Gold Coast). In 2012, management initially applied accounting policies and began to record the following material transactions: • Capitation receivable and capitation revenue • Provider receivables • Reinsurance • Incurred but not reported (IBNR) medical claims liability (including implicit and explicit reserves) and claims expense • Capitation payable and capitation expense • Premium reserve In 2012, Gold Coast adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This statement is intended to enhance the usefulness of the codification of governmental accounting and financial reporting standards and reduces the complexity of locating and using authoritative literature needed to prepare state and local governments' financial reports by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This statement incorporates into GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Oversight Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure.

Area	Comments
Accounting Practices (Continued)	Gold Coast did not adopt any other significant new accounting policies, nor have there been any other changes in existing significant accounting policies during the current period. **Significant or Unusual Transactions** During the year, the state of California Department of Health Care Services (DHCS) raised concerns to Gold Coast about the financial status of Gold Coast relative to the ability of Gold Coast to process provider claims and the accuracy of the financial reporting. At the request of the DHCS, Gold Coast agreed to retain a monitor to review its operations. Also during the year, Gold Coast recorded material adjustments to the IBNR claims liability. Gold Coast has also made additional adjustments to the June 30, 2012, IBNR claims liability subsequent to year-end. Gold Coast's financial results also resulted in a deficiency in tangible net equity (TNE) requirements. We did not identify any other significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. **Alternative Treatments Discussed With Management** We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.
Management's Judgments and Accounting Estimates	Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Accounting Estimates.
Financial Statement Disclosures	In our meeting with you in December 2012, we will discuss the following items as they relate to the neutrality, consistency and clarity of the disclosures in the financial statements: • Going concern of Gold Coast • Revenue recognition • Estimated liability for IBNR medical claims liability and claims expense • Administrative services agreements • Tangible net equity requirements • Commitments and contingencies

Area	Comments
Audit Adjustments	Audit adjustments are summarized in the attached Summary of Recorded Audit Adjustments.
Uncorrected Misstatements	Uncorrected misstatements are summarized in the attached Summary of Uncorrected Misstatements.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters during 2012.
Significant Issues Discussed With Management	We discussed the timing of the issuance of the audited financial statements relative to the DHCS due date of October 31. We also discussed the monitoring status and operational and reporting issues identified by the monitor and the DHCS, the TNE shortfall, and going concern matters disclosed in the audited financial statements.
Difficulties Encountered in Performing the Audit	We did not encounter any difficulties in dealing with management during the audit.
Letter Communicating Significant Deficiencies and Material Weaknesses	We have separately communicated the significant deficiencies and material weaknesses identified during our audit of the financial statements, and this communication is attached as Exhibit D.
Certain Written Communications Between Management and Our Firm	Copies of certain written communications between our firm and the management of Gold Coast are attached as Exhibits A, B, C and E.

Ventura County Medi-Cal Managed Care Commission/
dba Gold Coast Health Plan
Summary of Accounting Estimates
Year Ended June 30, 2012

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor, throughout the year, the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in Gold Coast's June 30, 2012, financial statements:

Area	Accounting Policy	Estimation Process	Comments
Valuation and collectibility of receivables, including provider receivables	Revenues and their related receivables are based on contract terms and are reduced to their estimated net collectible amounts. Management estimates an allowance for accounts receivable balances when deemed appropriate. Amounts determined to be uncollectible are written off.	Management reviews aged accounts receivable balances to determine specific accounts that require an allowance for uncollectibility based on the ability to collect the receivable balance.	We tested the propriety of management's information and performed testing of subsequent receipts. Based on our procedures, an adjustment was made to adjust provider receivables.
Reinsurance recoverable	Gold Coast seeks to reduce the loss that may arise from large claims by reinsuring certain levels of risk with a reinsurer. Amounts recoverable from reinsurers that relate to paid claims are classified as assets, net of an allowance for any estimated uncollectible amounts, and as a reduction to medical expenses incurred.	Management calculates reinsurance recoveries by reviewing claims paid and claims expected to be paid that exceed reinsured loss thresholds. Management then reviews these estimated recoveries receivable based on terms of the contract with the reinsurer and for collectibility based on aging.	We tested management's process for calculating the amount of reinsurance recoverable and made an adjustment to increase the allowance for reinsurance recoveries receivable.

Area	Accounting Policy	Estimation Process	Comments
Reserve for claims liability and capitation payable (IBNR)	Management establishes claims liability based on estimates of the ultimate cost of claims in process and provision for claims incurred but not yet reported.	The estimate of the claims liability is based on historical claim patterns and certain management assumptions. Management uses subsequent claims run-out and prior claims experience to determine the amount of the estimated liability. Milliman, an independent actuarial firm, was engaged to provide an opinion on the adequacy of the incurred but not reported claims reserve at June 30, 2012. Berkeley Research Group (BRG), an independent consulting firm, also provided a range for the incurred but not reported claims reserve at June 30, 2012.	We tested the propriety of management's information, and we read the independent actuary's report. Our internal actuary performed a corroborative estimate of the claims liability, and we reviewed the journal entry made to adjust IBNR to the independent actuary's estimate. Based on our procedures, the estimates appear reasonable.
Premium revenue and premium reserve	Capitation revenue is recognized in the period it is earned. Retroactive revenue adjustments are recorded in the period they can be reasonably determined.	During 2012, Gold Coast has recorded revenue based on expected 2012 capitation rates. Final 2012 Medi-Cal capitation rates were not issued by the State prior to the date the financial statements were finalized.	We tested Medi-Cal capitation revenue using estimated data provided by the state of California and management's analysis. Based on our procedures, the estimates appear reasonable.
Reserve for premium deficiency	A premium deficiency reserve is recorded when there is an expected loss in the subsequent year from contracts that have been committed to at year-end.	Management performs periodic analysis of its expected future health care costs and maintenance costs by line of business to determine whether such costs will exceed anticipated future revenues under its contracts. Should expected costs exceed anticipated revenues, a premium deficiency reserve is accrued.	We reviewed the propriety of management's analysis. Based on our procedures, the estimates appear reasonable.

Ventura County Medi-Cal Managed Care Commission/
dba Gold Coast Health Plan
Summary of Recorded Audit Adjustments
Year Ended June 30, 2012

Description	Effect—Debit (Credit)				
	Assets	Liabilities	Net Assets	Revenue	Expense
Identified by management:					
Increase claims liability based on estimate	$ -	$ (15,966,000)	$ -	$ -	$ 15,966,000
Reduce premium reserve for amended rates based on AB-97	-	4,786,000	-	(4,786,000)	-
Increase claims expense for augmented rates due to providers	-	(1,073,000)	-	-	1,073,000
Recognize change in fixed asset capitalization policy	82,000	-	-	-	(82,000)
Identified as a result of audit procedures:					
Reduce claims expense for duplicate claims	1,814,000	-	-	-	(1,814,000)
Recognize contingent legal liability	-	(200,000)	-	-	200,000
Correct overstatement of provider receivable	(141,000)	-	-	-	141,000
Recognize allowance on reinsurance recovery receivable	(166,000)	-	-	-	166,000
				$ (4,786,000)	$ 15,650,000
Close revenue/expense to net assets (deficit)			10,864,000		
Net effect on net assets (deficit)	$ 1,589,000	$ (12,453,000)	$ 10,864,000		

Ventura County Medi-Cal Managed Care Commission/
dba Gold Coast Health Plan
Summary of Uncorrected Misstatements
Year Ended June 30, 2012

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the balance sheet, results of operations, and cash flows and to the related financial statement disclosures. Following is a summary of those differences:

Description	Increase (Decrease) in Assets	(Increase) Decrease Liabilities	(Increase) Decrease Net Assets (Deficit)	(Increase) Decrease in Revenue	Increase (Decrease) in Expense
Current-year misstatements:					
Adjust claims expense and claims payable for projected misstatement	$ -	$ (1,029,000)	$ -	$ -	$ 1,029,000
				$ -	$ 1,029,000
Close revenue/expense to net assets (deficit)	-	-	1,029,000		
Net effect on net assets (deficit)	$ -	$ (1,029,000)	$ 1,029,000		

Exhibit A—Qualifications Letter

McGladrey

Qualifications Letter of Independent Auditors

Ventura County Medi-Cal Managed Care Commission/
dba Gold Coast Health Plan
2220 E. Gonzales Road, Ste. 200
Oxnard, CA 93036

Attention: Members of the Audit Committee

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Ventura County Medi-Cal Managed Care Commission/dba Gold Coast Health Plan (Gold Coast) as of June 30, 2012, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended, and have issued our report thereon dated November 30, 2012. In connection therewith, we advise you as follows:

1. We are independent certified public accountants with respect to Gold Coast and conform to the standards of the profession as contained in the Code of Professional Conduct and pronouncements of the American Institute of Certified Public Accountants.

2. The engagement partner and engagement director, who are certified public accountants, have 16 years and 12 years, respectively, of experience in public accounting and are experienced in auditing insurance companies. Members of the engagement team, 86 percent of whom have had experience in auditing insurance companies and 100 percent of whom are certified public accountants, were assigned to perform tasks commensurate with their training and experience.

3. We understand that Gold Coast intends to file its audited financial statements and our report thereon with the California Department of Health Care Services and that the California Department of Health Care Services will be relying on that information in monitoring and regulating the financial condition of Gold Coast.

   While we understand that an objective of issuing a report on the financial statements is to satisfy regulatory requirements, our audit was not planned to satisfy all objectives or responsibilities of insurance regulators. In this context, Gold Coast and the California Department of Health Care Services should understand that the objective of an audit of financial statements in accordance with auditing standards generally accepted in the United States of America is to form an opinion and issue a report on whether the financial statements present fairly, in all material respects, the assets, liabilities, net assets, results of operations, and cash flows in accordance with accounting principles generally accepted in the United States of America.

Consequently, under auditing standards generally accepted in the United States of America, we have the responsibility, within the inherent limitations of the auditing process, to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud, and to exercise due professional care in the conduct of the audit. The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on financial statements. Audit procedures that are effective for detecting errors, if they exist, may be ineffective for detecting misstatement resulting from fraud. Because of the characteristics of fraud, a properly planned and performed audit may not detect a material misstatement resulting from fraud. In addition, an audit does not address the possibility that material misstatements caused by error or fraud may occur in the future. Also, our use of professional judgment and the assessment of materiality for the purpose of our audit means that matters may exist that would have been assessed differently by insurance commissioners.

It is the responsibility of the management of Gold Coast to adopt sound accounting policies, to maintain an adequate and effective system of accounts, and to establish and maintain internal control that will, among other things, provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America.

The California Department of Health Care Services should exercise due diligence to obtain whatever other information may be necessary for the purpose of monitoring and regulating the financial position of Gold Coast and should not rely solely upon the independent auditor's report.

4. We will retain the workpapers prepared in the conduct of our audit until the California Department of Health Care Services has filed a Report of Examination covering fiscal 2012, but not longer than seven years. After notification to Gold Coast, we will make the workpapers available for review by the California Department of Health Care Services at the offices of the insurer, at our offices, at the offices of the California Department of Health Care Services, or at any other reasonable place designated by the California Department of Health Care Services. Furthermore, in the conduct of the aforementioned periodic review by the California Department of Health Care Services, photocopies of pertinent audit workpapers may be made (under the control of the accountant), and such copies may be retained by the California Department of Health Care Services.

5. The engagement partner has served in that capacity with respect to Gold Coast since 2011, is authorized by the California Board of Public Accountancy to practice public accounting in the state of California through a Privilege to Practice Public Accounting, and is a member in good standing of the American Institute of Certified Public Accountants.

6. To the best of our knowledge and belief, we are in compliance with the requirements of section 7 of the NAIC *Model Rule (Regulation) Requiring Annual Audited Financial Reports* regarding qualifications of independent certified public accountants.

This communication is intended solely for the information and use of the Commission, Audit Committee, Executive/Finance Committee, and management of Gold Coast and is not intended to be, and should not be, used by anyone other than these specified parties.

McGladrey LLP

Minneapolis, Minnesota
November 30, 2012

Exhibit B—Representation Letter

Gold Coast Health Plan℠
A Public Entity

www.goldcoasthealthplan.org

November 30, 2012

Mr. Steve Draxler, Partner
McGladrey LLP
801 Nicollet Avenue
11th Floor, West Tower
Minneapolis, MN 55402-2526

Dear Mr. Draxler:

In connection with your audit of the balance sheet of Ventura County Medi-Cal Managed Care Commission / dba Gold Coast Health Plan (Gold Coast or the Plan) as of June 30, 2012 and the related statement of revenues, expenses and changes in net assets and cash flows for the year then ended, we confirm that we are responsible for the fair presentation in the balance sheet, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm, to the best of our knowledge and belief, as of November 30, 2012 the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. Gold Coast uses enterprise fund accounting and is a county organized health system of Ventura County, California.
3. Gold Coast is not reported as a component unit of any governmental entity. The financial statements referred to above present only Gold Coast and do not purport to, and do not, present fairly the financial position, changes in financial position, or cash flows of Ventura County, California.
4. We have made available to you all:
    a. Financial records and related data.
    b. Minutes of the meetings of directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
5. We have made available to you all significant contracts and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. We have also informed you of all oral agreements for which signed documents have not yet been prepared through November 30, 2012.
6. We have no knowledge of fraud or suspected fraud affecting the entity involving:
    a. Management,
    b. Employees who have significant roles in the internal control, or
    c. Others where the fraud could have a material effect on the financial statements.

7. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting Gold Coast received in communications from employees, former employees, analysts, regulators, or others.
9. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect Gold Coast's ability to record, process, summarize, and report financial data.
10. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices other than the letter regarding "Corrective Action Plan Pursuant to Contract with Department of Health Care Services" in early October, 2012, which has been provided to you.
11. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
    a. Gold Coast has no significant amounts of idle property and equipment.
    b. Gold Coast has no plans or intentions to discontinue the operations of any subsidiary or division or to discontinue any significant product lines.
    c. We expect that Gold Coast will continue as a going concern through June 30, 2013.
12. The following have been properly recorded and/or disclosed in the financial statements:
    a. Lines of credit or similar arrangements.
    b. All leases and material amounts of rental obligations under long-term leases.
    c. All significant estimates and material concentrations known to management that are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year.
13. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
    a. To reduce receivables, including reinsurance, capitation, and provider receivables, to their estimated net collectable amounts.
    b. For expected premium rate and enrollment adjustments applicable to periods through June 30, 2012.
    c. For any material loss to be sustained in the fulfillment of or from the inability to fulfill any commitments.
    d. For the best estimate of medical claims liabilities and capitation payable, including the estimate for premium deficiency reserve.

14. There are no:

    a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.

    b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.

    c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with the Risks and Uncertainties Topic of the FASB Accounting Standards Codification.

    d. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.

    e. Guarantees, whether written or oral, under which the Plan is contingently liable.

    f. Anticipated withdrawals of funds in material amounts from Plan by outside parties for any reason aside from the normal course of business.

    g. Derivative financial instruments.

    h. Liens or encumbrances on assets or other pledges of assets.

    i. Amounts of contractual obligations for plant construction and/or purchase of real property, equipment, other assets, and intangibles.

    j. Security agreements in effect under the Uniform Commercial Code.

    k. Agreements to repurchase assets previously sold.

    l. Liabilities that are subordinated to any other actual or possible liabilities of the Plan.

    m. Investments in debt or equity securities.

    n. Related-party relationships, transactions, and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees.

    o. Employee-related related liabilities due to the nature of the agreement with Regional Governmental Services.

15. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with the Contingencies Topic of the FASB Accounting Standards Codification and/or GASB Statement No.10 other than the following:

    During the fiscal year ended June 30, 2012, a suit was filed against the Plan by a former employee alleging harassment. Counsel has estimated that the range of requested damages will be between 150,000 and $200,000. As a result, the Plan has recorded a liability of $200,000 for this contingency.

16. The Plan has satisfactory title to all owned assets.

17. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance except for the following:

    As of June 30, 2012, Gold Coast's tangible net equity requirement was not met. Gold Coast is working with the California Department of Health Care Services (DHCS) with regard to its non-

compliant status and has developed a corrective action plan to get the Plan into compliance with TNE and other operational and reporting requirements. We believe that we will be able to accomplish the items on the corrective action plan within the time frames required. The ability of Gold Coast to continue as a going concern is dependent on the results of these actions. While DHCS has the authority to require the Plan to merge with another plan or cease business, we have had no communication, written or verbal, from DHCS that indicates that they plan to exercise this authority. We believe that Gold Coast has taken appropriate action to assure the Plan's ability to continue as a going concern.

18. All reported receivables represent valid claims. Premiums receivable represent valid claims against the policyholders indicated and do not include amounts for policies written subsequent to the balance sheet date. An adequate provision has been made for uncollectible amounts, discounts, and allowances that may be incurred in the collection of receivables.

19. The reinsurance contracts provided to you represent all of the Company's agreements with respect to its ceding and assuming reinsurance activities, and there are no modifications, either written or oral, of the terms of the Company's reinsurance contracts or additional reinsurance agreements that have not yet been provided to you.

20. We have determined that Gold Coast's reinsurance ceded contract meets the criteria of FAS No. 113, *Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts*, to be accounted for as reinsurance, and have been given appropriate accounting recognition and disclosure in the financial statements.

21. All reported reinsurance recoverable amounts, less applicable allowances, are collectible, however, the Company remains primarily liable in the event that the reinsurers do not honor these obligations. We are unaware of any material adverse change in the financial condition of the Company's reinsurers that might raise concern regarding their ability to honor their reinsurance commitments.

22. No deferred acquisition costs have been recorded as the Plan's policy is to expense these costs as incurred.

23. The loss reserve specialist used by management in estimating the loss reserves had a sufficient level of competence and experience in loss reserving, including knowledge about the type of insurance written by the Plan as well as an understanding of the appropriate methods for calculating such reserve estimates. We recognize we are responsible for the actuarial amounts and balances and, in our opinion; all such amounts are fairly presented. The data provided to the actuary was accurate and appropriate.

24. The liability for unpaid claims includes estimates of amounts due on reported claims and claims that have been incurred but that were not reported as of June 30, 2012. Such estimates are based on actuarial projections applied to historical claim payment data. Such liabilities represent the Company's best estimate of amounts that are reasonable and adequate to discharge the Company's obligations for claims incurred but unpaid as of June 30, 2012.

25. No premium deficiency reserve is required as of June 30, 2012.

26. Claims adjustment expenses have been paid in advance based on a per member-per month arrangement with ACS Health Administration, Inc. ACS has the contractual obligation to continue claim adjustment activities for incurred claims until such claims have been properly adjudicated.

27. Certain capitalized fixed assets totaling $24,533 were not ready for their intended purpose or placed into service as of June 30, 2012. Accordingly, depreciation of these assets did not occur prior to June 30, 2012 and are appropriately reflected in the financial statements.

28. The reserve for premium rate adjustments (AB97) and the subsequent restoration of long-term care rates (ABX1-19) are properly recorded in fiscal year 2012 and, on a net basis, are estimated to be approximately $1,914,000.

29. The estimated amounts that may be paid to providers in relation to the Provider Rate Increase Budget Act of 98 and the 43.44% augmentation rates to outpatient hospital facilities is $1,072,904. Augmentation payments to providers are not a legally-enforceable liability and we do not expect providers to demand payment of these augmented rates.

30. There have been no reports of regulatory examinations that have been completed in the past year and we have informed you that there are no examinations currently in process. We are not aware of any allegations of noncompliance that should be considered for disclosure or as a basis for recording a loss contingency.

31. Gold Coast uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The financial statements have been prepared in accordance with the standards of the Governmental Accounting Standards Board (GASB). In 2012, Gold Coast adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* with no impact to its financial statements.

32. We have determined that we are not required to follow the Annual Financial Reporting Model Regulation (Model Audit Rule) as promulgated by the National Association of Insurance Commissioners.

33. We are responsible for determining that significant events or transactions that have occurred since the balance sheet date and through November 30, 2012 have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the balance sheet date and through November 30, 2012 that would require recognition or disclosure in the financial statements. We further represent that as of November 30, 2012, the financial statements were complete in a form and format that complied with accounting principles generally accepted in the United States of America, and all approvals necessary for issuance of the financial statements had been obtained.

34. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

35. All balance sheet and income statement accounts have been reconciled to the underlying books and records without exception as of June 30, 2012.

As of and for the year ended June 30, 2012, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate to the financial statements taken as a whole. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Description	Increase (Decrease) In Assets	(Increase) Decrease Liabilities	(Increase) Decrease Net Assets (Deficit)	(Increase) Decrease In Revenue	Increase (Decrease) In Expense
Current-year misstatements:					
Adjust claims expense and claims payable for projected misstatement	$ -	$ (1,029,000)	$ -	$ -	$ 1,029,000
				$ -	$ 1,029,000
Close revenue/expense to net assets (deficit)	-	-	1,029,000		
Net effect on net assets (deficit)	$ -	$ (1,029,000)	$ 1,029,000		

Respectfully,

Ventura County Medi-Cal Managed Care Commission / dba Gold Coast Health Plan

Michael Engelhard
Chief Executive Officer
Date Signed November 30, 2012

Sonia DeMarta
Controller
Date Signed November 30, 2012

Lyndon Turner
Accounting Manager
Date Signed November 30, 2012

Exhibit C—Independence Letter

McGladrey

Ventura County Medi-Cal Managed Care Commission/
dba Gold Coast Health Plan
2220 E. Gonzales Road, Ste. 200
Oxnard, CA 93036

Attention: Members of the Audit Committee

We were engaged to audit the financial statements of Ventura County Medi-Cal Managed Care Commission/dba Gold Coast Health Plan (Gold Coast) as of and for the year ended June 30, 2012, and have issued our report thereon.

Our audit was conducted in accordance with audit and related professional practice standards of the American Institute of Certified Public Accountants (AICPA) and the independence standards of the *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Independence from Gold Coast is crucial to the performance of our audit services. We have been asked to communicate the following to the Audit Committee of Gold Coast:

1. Disclose, in writing, all relationships between our firm and Gold Coast that, in our professional judgment, may reasonably be thought to bear on independence.

2. Confirm in writing that, in our professional judgment, we are independent of Gold Coast.

We are not aware of any relationship between our firm and Gold Coast that, in our professional judgment, may reasonably be thought to bear on our independence.

In our professional judgment, McGladrey LLP is independent with respect to Gold Coast within the meaning of Rule 101 of the AICPA Code of Professional Conduct as well as GAS standards.

This report is intended solely for the information and use of the Commission, Executive/Finance Committee, Audit Committee, and management and is not intended to be, and should not be, used by anyone other than these specified parties.

McGladrey LLP

Minneapolis, Minnesota
November 30, 2012

Exhibit D—Letter Communicating Significant Deficiencies and Material Weaknesses

McGladrey

Ventura County Medi-Cal Managed Care Commission/
dba Gold Coast Health Plan
2220 E. Gonzales Road, Ste. 200
Oxnard, CA 93036

Attention: Members of the Audit Committee

In planning and performing our audit of the financial statements of Ventura County Medi-Cal Managed Care Commission/dba Gold Coast Health Plan (Gold Coast or the Plan) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Gold Coast's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gold Coast's internal control. Accordingly, we do not express an opinion on the effectiveness of Gold Coast's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the Plan's internal control to be material weaknesses:

MATERIAL WEAKNESSES

MONITORING AND REPORTING COMPLIANCE WITH THE CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES

The California Department of Health Care Services (DHCS) requires that Gold Coast meet and maintain a minimum level of tangible net equity (TNE) and comply with several other operational and reporting requirements. Gold Coast is working with the DHCS with regard to its noncompliant status and has developed a corrective action plan to get the Plan into compliance with TNE and other operational and reporting requirements. The DHCS is monitoring Gold Coast's progress on areas of noncompliance.

We recommend ongoing reporting to the Commission and the Audit Committee on the status of the DHCS monitoring of the TNE requirements as well as financial and operational improvement suggestions from Berkeley Research Group, Milliman, McGladrey LLP, and other external parties.

CLAIMS PROCESSING AND CLAIMS RESERVES

Claims processing: Accurate payment of claims is relied upon for estimating the medical claims liability and maintaining provider relationships and contract compliance. As this is a significant estimate, errors in the claims payment systems frequently have a material impact on the financial statements.

During the course of the 2012 audit, we noted that certain claims selected for testing were not adjudicated properly. Each of the improperly adjudicated claims had been manually adjudicated. During the data input stage of the claims adjudication process, the individual who was manually keying in the information from the provider or facility invoice improperly keyed data. Examples of errors detected include:

- Incorrect quantity
- Incorrect contract rate
- Incorrect length of stay

The claims processing function is outsourced to third-party vendors, specifically, ACS Health Administration, Inc. (ACS) and ScriptCare Ltd. Due to the nature and susceptibility of processing data electronically, management should ensure that the necessary controls are in place and operating effectively to ensure that the data being sent to the third parties and subsequently reviewed and uploaded to Gold Coast's financial and claims system is complete and accurate.

We recommend the following:

- Management should perform an audit on the procedures performed by third-party vendors who process claims information.

- Consider requiring ACS and other vendors that process financial data to undergo an audit of their processes and controls and obtain a Service Organization Controls (SOC 1, previously referred to as a SAS 70) report, as Gold Coast relies on these systems for appropriate financial reporting.

- Implement the following controls to assure claims are being processing appropriately:

    - Implement a formal control that demonstrates fee schedule uploads are being reviewed by Gold Coast employees after the information is sent and input into ACS or changes to the state or provider fee schedules occur.

    - To leverage controls inherent in an automated (as opposed to manual) claims adjudication environment, require that all provider contracts be uploaded and processed through the claims system.

    - Implement a process and procedures to review whether claims were processed accurately.

    - Develop, implement and consistently follow a formal information technology (IT) change management policy that governs all types of IT changes (upgrade, patch, vendor-initiated, emergency, etc.) made by either ACS or Gold Coast. Preferably, this would be in a helpdesk-type ticketing system.

Claims reserves: As Gold Coast began full operations during the year ended June 30, 2012, historical data related to medical claims expense did not exist, and therefore, an established historical methodology for reserving for incurred but not reported (IBNR) claims was not available. As a result, a significant journal entry was made to increase IBNR once the independent actuary provided their opinion.
As noted earlier, Gold Coast is not meeting minimum TNE requirements, making the accuracy of IBNR assessments even more critical.

We recommend continuously monitoring IBNR levels and potentially obtaining a quarterly or mid-year opinion from an independent actuary to assure reserves are appropriately set. We also recommend evaluating the policy on calculating premium deficiency reserves, including whether the Plan includes interest income in the calculation. An actuary can assist with the determination of such accruals as premium deficiency reserves, pharmacy accruals and capitation payable.

SEGREGATION OF DUTIES AND INTERNAL POLICIES

Segregation of duties—accounting: An effective system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its initiation to its completion. The limited number of accounting and finance personnel at Gold Coast prevents a proper segregation of accounting functions necessary to assure adequate internal control. As a result, some aspects of internal accounting control, which rely upon adequate segregation of duties, are not effective.

For example, one employee has the ability to create vendors, print checks, access disbursements, and create and post manual journal entries to the general ledger. In some instances, employees also have access to write off accounts. There is limited oversight to these functions other than a review of the financial statements by the chief executive officer, others in management, and/or the Commission. This creates an opportunity to misappropriate assets and misrepresent financial position. Supervision and periodic review procedures can assist in mitigating the lack of proper segregation of duties.

The lack of monitoring controls also leaves Gold Coast vulnerable to accounting errors. During our audit, we noted there were cutoff errors in prepaid expenses and accounts payable. We recommend Gold Coast review its processes for recording and reviewing all entries to ensure proper financial reporting and adherence to generally accepted accounting principles (GAAP).

We recommend Gold Coast continue working to eliminate conflicting duties through segregation of duties and to put compensating supervisory controls in place.

Segregation of duties—IT: During our review of IT controls, we noted that there is not a procedure developed and consistently followed for the periodic review of user access to Multiview, Windows and Go-To-My PC users. In addition, access request forms are not utilized to track the approval and authorization for permitting new hires and removing terminations from logical and physical access to information resources.

We recommend that these user lists be reviewed at least annually to check for terminated employees and that access rights are commensurate with job responsibilities. A policy for administering user access should be developed, including the utilization of an access request form for tracking the access administration process including request, approval and implementation of privileges, as well as strong password policies. There should also be a process to assure that terminated employee access is removed promptly. These steps will ensure that access is appropriate for job responsibilities and conflicting job duties are minimized.

We recommend Gold Coast eliminate conflicting duties through IT controls and segregation of duties to the extent possible and that you put compensating supervisory controls in place.

Internal policy—accounting: During our audit, we noted that management did not consistently follow Gold Coast's documented procedures requiring dual signatures or the Commission's approval for disbursements that meet certain thresholds. In conjunction with the segregation of duties deficiency noted earlier, this lack of controls heightens the risk of misappropriated assets and financial statement errors.

We recommend Gold Coast follow internal policies and have controls that prevent disbursements without proper authorization and mitigate conflicting responsibilities.

Internal policy—IT: We noted there is not a formal policy for the overall security of information technology, including access to the IT system and the physical assets.

We recommend that an overall IT security policy be developed, which describes administration, monitoring, segregation of duties, and other procedures in place that protect information assets.

Business continuation planning and recordkeeping: As is the case in many new organizations, Gold Coast has experienced turnover in management and other key personnel. In addition, the corrective action plan in place with the DHCS has created additional turnover and new positions. Any time there is turnover at a key accounting position, there is a significant learning curve to get the replacement up to speed with daily and monthly tasks, reconciliation procedures, computer and manual reports, and reports/data to be distributed to parties inside and outside Gold Coast. To assure these transitions provide little disruption to operations and reporting, management should assure all signed agreements and policies are maintained in a central location. Additionally, the maintenance of an accounting procedures manual, which details tasks performed by title/function, would facilitate performing critical functions during short-term periods along with easing any future transitions.

SIGNIFICANT DEFICIENCIES

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following control deficiencies to be significant deficiencies:

ACCOUNTS RECEIVABLE

Gold Coast has a number of accounts receivable from providers, the reinsurer, and for capitation receivable. The allowance for doubtful accounts on receivable balances is a significant estimate and is determined by management. A formal assessment of the collectibility of accounts receivable should be performed periodically (monthly) to assure interim financials properly reflect the best estimate of the expected value of accounts receivable. We recommend this assessment be based on knowledge of the customer and assessment of their ability to pay, aging, collection terms and historical collection rates. Any significant write-offs should be communicated to the Audit Committee on a timely basis.

Gold Coast has provided lump-sum advance payments, which future claims can be applied against, to a number of providers and facilities. Gold Coast does not have a formal policy for recording and allowing for these types of arrangements. In addition, there were no formal agreements drafted with these providers, and payment terms were not defined.

We recommend Gold Coast create internal policies and procedures as well as draft formal agreements with providers to ensure proper financial reporting, proper claims payment processes, and safeguarding of assets.

ACCOUNTING DEPARTMENT RESOURCES

We noted Gold Coast is experiencing delays in its accounting and reporting processes due to an inundated accounting department. Timely and accurate financial information can significantly assist senior management and the Commission by facilitating relevant oversight and budgetary control and quickly addressing cash flow and other issues. We recommend the Plan hire additional resources to support the accounting function.

CLOSING

We appreciate the opportunity to be of service to Gold Coast and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

This communication is intended solely for the information and use of the Commission, Executive/Finance Committee, Audit Committee, and management of Gold Coast and is not intended to be, and should not be, used by anyone other than these specified parties.

McGladrey LLP

Minneapolis, Minnesota
November 30, 2012

Exhibit E—Management Letter

McGladrey

Ventura County Medi-Cal Managed Care Commission/
dba Gold Coast Health Plan
2220 E. Gonzales Road, Ste. 200
Oxnard, CA 93036

Attention: Members of the Audit Committee

This letter includes comments, observations and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of Ventura County Medi-Cal Managed Care Commission/dba Gold Coast Health Plan (Gold Coast or the Plan) for the year ended June 30, 2012. We have repeated the following comments from our prior audit because they are still applicable for our audit of the current financial statements. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving Gold Coast's practices and procedures.

INTERNAL AUDIT FUNCTION

The Audit Committee's commitment to the improvement of Gold Coast's operations should include an ongoing commitment to develop and enhance the performance capabilities of an internal audit function.

While a formal internal audit function is not required, we recommend the Plan begin developing a department that can effectively execute the functions of an internal audit department. We suggest the implementation of this department over time as Gold Coast develops into an established entity. The objectives of an internal audit function are to assist the Audit Committee and management in the effective discharge of their responsibilities by furnishing them with analyses, recommendations and risk mitigation suggestions concerning the activities reviewed. This involves going beyond the accounting and financial records to regularly test financial cycles and specific areas of risk.

By establishing an internal audit function, more accurate and timely data will be available regarding operational activities in various departments. This will allow financial services to better monitor their financial activities, as well as strengthen the existing internal control structure and provide more timely identification and resolution of issues.

We recommend an internal audit function with some of the following attributes:

- The internal audit function should be based on a thorough risk assessment. The risk assessment should then drive an annual plan, which is followed by the internal audit function. The annual plan should be developed by the internal audit function, with input from management and the Audit Committee, and should focus on key risk areas. The audit plan should encompass the entirety of Gold Coast's operations, including all transaction cycles, departments, internal controls, etc.

- The internal audit staff should have no direct responsibilities for nor authority over any of the activities reviewed. Therefore, the internal audit review and appraisal does not in any way relieve other employees of Gold Coast of the responsibilities assigned to them.

- In some cases, it may be logical to enlist the use of specialists to assist in the audit or compliance projects. In those circumstances, the internal staff should closely oversee and review the analyses performed.

- Gold Coast should provide the internal audit personnel full access to all records and personnel relevant to the subject under review.

In addition to the orthodox internal audit approach, which concerns itself with control testing, detection and prevention of fraud, and deviations from Gold Coast policies, the activities of an internal audit function should also include operational auditing. Operational auditing is an objective appraisal of the activities of a department or service within an organization with a view toward evaluating the efficiency and effectiveness of various activities within a department or service organization. Some examples of successful operational auditing include:

- Medical claims processing—The claims processing cycle is the backbone of Gold Coast. Ensuring appropriate payment processing according to contractual fee schedules, efficient flow of member information, and accurate data collection for actuary assessment and financial reporting is paramount in every insurance organization. Internal audit should play a vital role in overseeing and supporting Gold Coast through claims processing cycle auditing.

- Administrative services management—While a focus on the medical claims expense is important for any insurance provider, the cost of professional services accounts for a significant portion of Gold Coast's operating budget. Assuring that professional service providers have the capability to adequately process and report activity is essential. The internal audit function can have a positive impact on managing and monitoring the design, transaction integrity and reporting measures, in both a financial and operational aspect, for professional service contracts.

- Cash receipts and disbursements—Gold Coast should ensure that there are policies and procedures in place related to the following:

  1) Segregation of duties in the cash receipt and disbursement cycles is adequate.

  2) Accounts payable invoices are processed timely in order to maximize discounts and avoid finance/late charges.

  3) Accounts payable invoices are properly canceled so as to avoid a duplicate payment.

  4) Proper authorization is obtained before payments are made, and vendor listings are periodically reviewed.

  5) Checks and check writing capabilities are secured.

  6) Bank statements are reviewed and reconciled on a monthly basis.

- Business risk management—The auditing profession has issued an auditing standard that encourages organizations to consider their own fraud prevention controls and programs. As a result, we encourage management to consider what the risks are related to potential fraud and what procedures are in place or should be put into place to reduce the risks. This is a role that could be assumed by an internal audit function.

- Significant new systems—While internal audit should not be overwhelmed with special projects, this department can be a valuable source for testing of specific areas identified by finance, risk management, legal counsel or the compliance function.

PROFESSIONAL SERVICES PROVIDER CONTRACTS

Gold Coast engages external professional services providers for a significant portion of its back-office functions. We recommend that Gold Coast pursue clauses in these administrative contracts limiting Gold Coast's exposure for errors made by the professional service provider. This clause should limit the period that Gold Coast will compensate for errors made in claims or payroll processing (i.e., 12 months), and would not allow for compensation over an indefinite period of time.

Additionally, during our review of Gold Coast's contract with ACS, we noted there is a level of ambiguity regarding which party (Gold Coast or ACS) is financially responsible for processing run-out claims upon termination or expiration of the contract. We recommend management work with ACS to add clarity to this provision of the contract and that management ensures the accounting records properly reflect the clarified understanding between the parties to the contract.

CLOSING

We appreciate the opportunity to be of service to Gold Coast and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

This letter is intended solely for the information and use of the Commission, Executive/Finance Committee, Audit Committee, and management of Gold Coast and is not intended to be, and should not be, used by anyone other than these specified parties.

McGladrey LLP

Minneapolis, Minnesota
November 30, 2012

GOLD COAST HEALTH PLAN

BUDGET RECONCILIATION ($Millions)

FY2012-13

Summary Comparison Income Statement	Original Budget	Revised Budget
Net Revenue	$ 295.89	$ 305.11
Health Care Costs	271.35	280.80
Admin Expense	18.52	20.60
Net Income	$ 6.01	$ 3.71

Revenue	
Original Approved Budget	$ 295.89
Enrollment Changes	2.79
LTC Coding Initiative	0.79
AB97 Reserve Revision (LTCs)	5.64
Revised Net Revenue	$ 305.11

Health Care Costs	
Original Approved Budget	$ 271.35
Claims Experience Revision	14.71
Experience Adjusted Run Rate	286.05
Specialty Capitation Added	2.67
Enrollment Increase/Mix	2.40
Cost Reduction Initiatives	(10.32)
Revised Health Care Costs	$ 280.80

Administrative Expense	
Original Approved Budget	$ 18.52
Salaries	1.04
Benefits	(0.44)
Consulting/Outside Services/Temps	1.51
Legal	0.15
ACS Mgmt Fees - membership changes	0.24
Interest expense	0.06
Other Administrative	(0.48)
Total Administrative Expense	$ 20.60

Gold Coast Health Plan

FY July 1, 2012 - June 30, 2013

Proposed Revised Budget

	ACTUAL FY 2012-13				FORECAST FY 2012-13								
	Jul-12	**Aug-12**	**Sep-12**	**Oct-12**	**Nov-12**	**Dec-12**	**Jan-13**	**Feb-13**	**Mar-13**	**Apr-13**	**May-13**	**Jun-13**	**FY 2012-13 Total**
Enrollment-Members	96,540	95,797	96,669	96,447	96,471	96,495	96,519	96,543	96,568	96,592	96,616	96,640	1,157,898
Retroactivity	-	3,467	3,534	2,750	3,711	3,710	3,711	3,711	3,712	3,712	3,713	3,714	39,445
Member Months	**96,540**	**99,264**	**100,203**	**99,197**	**100,182**	**100,205**	**100,231**	**100,255**	**100,279**	**100,304**	**100,329**	**100,354**	**1,197,342**
Average Membership													99,779
Revenue													
Premium	24,923,409	24,965,442	23,459,154	25,524,694	25,753,037	25,757,019	25,775,460	25,779,996	25,981,091	25,986,890	25,992,586	25,998,740	305,897,518
Reserve for Retro Rate Adj	(587,433)	(587,278)	894,648	(126,771)	(126,925)	(126,943)	(127,013)	(127,039)	(127,064)	(127,094)	(127,123)	(127,154)	(1,423,189)
Adjusted Revenue	**24,335,976**	**24,378,164**	**24,353,802**	**25,397,923**	**25,626,112**	**25,630,075**	**25,648,447**	**25,652,957**	**25,854,027**	**25,859,796**	**25,865,463**	**25,871,586**	**304,474,330**
Interest Income	17,566	14,015	11,519	13,390	15,452	15,454	15,465	15,468	15,589	15,592	15,596	15,599	180,706
Other Income	38,333	38,333	38,333	38,333	38,333	38,333	38,333	38,333	38,333	38,333	38,333	38,333	460,000
Total Gross Revenue	**24,391,875**	**24,430,512**	**24,403,655**	**25,449,647**	**25,679,897**	**25,683,863**	**25,702,246**	**25,706,758**	**25,907,949**	**25,913,722**	**25,919,392**	**25,925,519**	**305,115,035**
MCO Tax	585,700	-	(584,793)	635	773	773	773	773	779	780	780	780	7,753
Net Revenue	**23,806,175**	**24,430,512**	**24,988,448**	**25,449,011**	**25,679,124**	**25,683,090**	**25,701,472**	**25,705,985**	**25,907,170**	**25,912,942**	**25,918,612**	**25,924,739**	**305,107,282**
Health Care Costs													
Capitation	624,487	622,092	620,832	755,447	945,476	945,701	945,928	946,159	946,391	946,624	946,859	947,095	10,193,091
Claims													
Inpatient	10,340,533	14,343,780	10,541,460	11,526,622	11,411,345	11,412,061	11,273,289	11,050,722	10,436,725	10,409,550	10,179,012	10,181,671	133,106,771
Outpatient	3,105,422	4,349,739	3,274,508	3,515,227	3,606,621	3,607,488	3,739,458	3,669,764	3,503,602	3,495,182	3,468,064	3,468,972	42,804,045
Professional	2,111,961	2,929,881	2,215,149	2,568,278	2,365,188	2,365,690	2,334,710	2,288,281	2,199,753	2,194,119	2,194,686	2,195,271	27,962,969
Pharmacy	3,186,191	3,458,256	3,138,389	3,485,563	3,133,266	3,133,998	3,135,205	3,135,922	3,136,634	3,137,392	3,138,148	3,138,923	38,357,885
Other	1,684,052	2,362,804	1,745,099	1,898,341	1,868,582	1,868,895	1,803,124	1,766,163	1,761,886	1,757,388	1,757,808	1,758,264	22,032,407
Reinsurance	(387,716)	(434,456)	223,207	161,020	233,423	233,477	(1,566,463)	233,594	233,651	233,709	233,766	233,825	(368,963)
Care Management	516,815	541,067	534,999	556,393	556,675	570,968	688,847	688,933	505,479	516,489	516,548	516,608	6,709,820
Total Claims	**20,557,258**	**27,551,070**	**21,672,811**	**23,711,444**	**23,175,100**	**23,192,578**	**21,408,170**	**22,833,379**	**21,777,731**	**21,743,829**	**21,488,032**	**21,493,534**	**270,604,936**
Total Health Care Costs	**21,181,745**	**28,173,162**	**22,293,643**	**24,466,891**	**24,120,576**	**24,138,279**	**22,354,099**	**23,779,538**	**22,724,122**	**22,690,453**	**22,434,891**	**22,440,628**	**280,798,027**
Administrative Expenses	1,587,586	1,683,028	1,706,253	1,968,888	1,796,330	1,779,793	1,658,434	1,670,230	1,771,599	1,694,630	1,641,968	1,639,250	20,597,988
Net Income	**1,036,844**	**(5,425,678)**	**988,552**	**(986,767)**	**(237,781)**	**(234,982)**	**1,688,940**	**256,216**	**1,411,449**	**1,527,858**	**1,841,754**	**1,844,861**	**3,711,267**

Gold Coast Health Plan

FY July 1, 2012 - June 30, 2013

Proposed Revised Budget

	ACTUAL FY 2012-13				FORECAST FY 2012-13								
	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	FY 2012-13 Total
PMPM													
Revenue													
Premium	252.08	245.59	243.04	256.04	255.80	255.78	255.89	255.88	257.82	257.81	257.81	257.80	254.29
Interest Income	0.18	0.14	0.11	0.13	0.15	0.15	0.15	0.15	0.16	0.16	0.16	0.16	0.15
Other Income	0.40	0.39	0.38	0.39	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38
Total Gross Revenue	**252.66**	**246.12**	**243.54**	**256.56**	**256.33**	**256.31**	**256.43**	**256.41**	**258.36**	**258.35**	**258.34**	**258.34**	**254.83**
MCO Tax	6.07	-	(5.84)	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Net Revenue	**246.59**	**246.12**	**249.38**	**256.55**	**256.33**	**256.31**	**256.42**	**256.41**	**258.35**	**258.34**	**258.34**	**258.33**	**254.82**
Health Care Costs													
Capitation	6.47	6.27	6.20	7.62	9.44	9.44	9.44	9.44	9.44	9.44	9.44	9.44	8.51
Claims													
Inpatient	107.11	144.50	105.20	116.20	113.91	113.89	112.47	110.23	104.08	103.78	101.46	101.46	111.17
Outpatient	32.17	43.82	32.68	35.44	36.00	36.00	37.31	36.60	34.94	34.85	34.57	34.57	35.75
Professional	21.88	29.52	22.11	25.89	23.61	23.61	23.29	22.82	21.94	21.87	21.87	21.88	23.35
Pharmacy	33.00	34.84	31.32	35.14	31.28	31.28	31.28	31.28	31.28	31.28	31.28	31.28	32.04
Other	17.44	23.80	17.42	19.14	18.65	18.65	17.99	17.62	17.57	17.52	17.52	17.52	18.40
Reinsurance	(4.02)	(4.38)	2.23	1.62	2.33	2.33	(15.63)	2.33	2.33	2.33	2.33	2.33	(0.31)
Care Management	5.35	5.45	5.34	5.61	5.56	5.70	6.87	6.87	5.04	5.15	5.15	5.15	5.60
Total Claims	212.94	277.55	216.29	239.03	231.33	231.45	213.59	227.75	217.17	216.78	214.18	214.18	226.00
Total Health Care Costs	**219.41**	**283.82**	**222.48**	**246.65**	**240.77**	**240.89**	**223.03**	**237.19**	**226.61**	**226.22**	**223.61**	**223.61**	**234.52**
Administrative Expenses	16.44	16.96	17.03	19.85	17.93	17.76	16.55	16.66	17.67	16.89	16.37	16.33	17.20
Net Income	**10.74**	**(54.66)**	**9.87**	**(9.95)**	**(2.37)**	**(2.35)**	**16.85**	**2.56**	**14.08**	**15.23**	**18.36**	**18.38**	**3.10**
HCC Detail													
All Others FFS	14.62	19.94	14.57	15.91	15.50	15.50	15.30	14.99	14.95	14.91	14.91	14.91	15.50
Emergency Room Facility Services FFS	4.87	6.65	4.96	5.34	5.33	5.33	5.26	5.16	3.58	3.57	3.29	3.29	4.72
Inpatient Hospital Services FFS	41.99	57.14	42.41	45.95	44.37	44.37	43.78	42.89	36.97	36.86	34.55	34.56	42.15
Laboratory and Radiology FFS	2.11	2.88	2.15	2.32	2.31	2.31	2.28	2.24	2.23	2.23	2.23	2.23	2.29
Long-Term Care Facility FFS	65.12	87.36	62.79	69.37	68.68	68.66	67.85	66.50	66.32	66.14	66.14	66.14	68.42
Other Medical Professional Services FI	2.73	3.48	2.74	2.88	2.53	2.53	2.50	2.44	2.44	2.43	2.43	2.43	2.63
Outpatient Facility Services FFS	25.19	34.29	25.57	27.51	28.08	28.08	29.48	28.93	28.86	28.79	28.79	28.79	28.53
Pharmacy FFS	33.00	34.84	31.32	34.87	31.04	31.04	31.04	31.04	31.04	31.04	31.04	31.04	31.86
Physician Specialty Services FFS	19.14	26.04	19.37	22.81	20.90	20.90	20.62	20.21	19.33	19.28	19.28	19.28	20.60
Transportation FFS	2.82	3.86	2.84	3.08	3.01	3.01	2.56	2.50	2.49	2.48	2.48	2.48	2.80
Reinsured Claims	(4.02)	(4.38)	2.23	1.61	2.31	2.31	(15.51)	2.31	2.31	2.31	2.31	2.31	(0.32)

Gold Coast Health Plan

FY July 1, 2012 - June 30, 2013

Proposed Revised Budget

	ACTUAL FY 2012-13				FORECAST FY 2012-13								
	Jul-12	**Aug-12**	**Sep-12**	**Oct-12**	**Nov-12**	**Dec-12**	**Jan-13**	**Feb-13**	**Mar-13**	**Apr-13**	**May-13**	**Jun-13**	**FY 2012-13 Total**
Ratio Analysis													
Revenue													
Premium	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%
Interest Income	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Other Income	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%
Total Gross Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
MCO Tax	2.4%	0.0%	-2.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Revenue	**97.6%**	**100.0%**	**102.4%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Health Care Costs													
Capitation	2.6%	2.5%	2.5%	3.0%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.3%
Claims													
Inpatient	43.4%	58.7%	42.2%	45.3%	44.4%	44.4%	43.9%	43.0%	40.3%	40.2%	39.3%	39.3%	43.6%
Outpatient	13.0%	17.8%	13.1%	13.8%	14.0%	14.0%	14.5%	14.3%	13.5%	13.5%	13.4%	13.4%	14.0%
Professional	8.9%	12.0%	8.9%	10.1%	9.2%	9.2%	9.1%	8.9%	8.5%	8.5%	8.5%	8.5%	9.2%
Pharmacy	13.4%	14.2%	12.6%	13.7%	12.2%	12.2%	12.2%	12.2%	12.1%	12.1%	12.1%	12.1%	12.6%
Other	7.1%	9.7%	7.0%	7.5%	7.3%	7.3%	7.0%	6.9%	6.8%	6.8%	6.8%	6.8%	7.2%
Reinsurance	-1.6%	-1.8%	0.9%	0.6%	0.9%	0.9%	-6.1%	0.9%	0.9%	0.9%	0.9%	0.9%	-0.1%
Care Management	2.2%	2.2%	2.1%	2.2%	2.2%	2.2%	2.7%	2.7%	2.0%	2.0%	2.0%	2.0%	2.2%
Total Claims	**86.4%**	**112.8%**	**86.7%**	**93.2%**	**90.2%**	**90.3%**	**83.3%**	**88.8%**	**84.1%**	**83.9%**	**82.9%**	**82.9%**	**88.7%**
Total Health Care Costs	**89.0%**	**115.3%**	**89.2%**	**96.1%**	**93.9%**	**94.0%**	**87.0%**	**92.5%**	**87.7%**	**87.6%**	**86.6%**	**86.6%**	**92.0%**
Administrative Expenses	6.7%	6.9%	6.8%	7.7%	7.0%	6.9%	6.5%	6.5%	6.8%	6.5%	6.3%	6.3%	6.8%
Net Income	**4.4%**	**-22.2%**	**4.0%**	**-3.9%**	**-0.9%**	**-0.9%**	**6.6%**	**1.0%**	**5.4%**	**5.9%**	**7.1%**	**7.1%**	**1.2%**
Impact on TNE:													
Required TNE	14,771,512	17,167,762	16,693,841	16,827,932	16,816,476	16,811,578	16,572,876	16,578,229	16,502,536	16,440,031	16,376,627	16,324,124	16,324,124
Phased in Percentage	36%	36%	36%	36%	36%	52%	52%	52%	52%	52%	52%	68%	68%
Phased in Requirement	5,317,744	6,180,394	6,009,783	6,058,056	6,053,931	8,742,020	8,617,895	8,620,679	8,581,319	8,548,816	8,515,846	11,100,404	11,100,404
Monthly TNE	(4,995,037)	(10,420,715)	(9,432,163)	(10,418,930)	(10,656,711)	(8,691,693)	(7,002,753)	(6,746,537)	(5,335,088)	(3,807,229)	(1,965,475)	5,879,386	5,879,386
TNE Excess / (Deficiency)	(10,312,782)	(16,601,109)	(15,441,945)	(16,476,986)	(16,710,642)	(17,433,714)	(15,620,649)	(15,367,216)	(13,916,406)	(12,356,045)	(10,481,322)	(5,221,018)	(5,221,018)
	-33.8%	-60.7%	-56.5%	-61.9%	-63.4%	-51.7%	-42.3%	-40.7%	-32.3%	-23.2%	-12.0%	36.0%	
Beginning Equity	(6,031,881)	(4,995,037)	(10,420,715)	(9,432,163)	(10,418,930)	(10,656,711)	(10,891,693)	(9,202,753)	(8,946,537)	(7,535,088)	(6,007,229)	(4,165,475)	(4,165,475)
Net Income/(Loss)	1,036,844	(5,425,678)	988,552	(986,767)	(237,781)	(234,982)	1,688,940	256,216	1,411,449	1,527,858	1,841,754	1,844,861	1,844,861
Ending Equity	(4,995,037)	(10,420,715)	(9,432,163)	(10,418,930)	(10,656,711)	(10,891,693)	(9,202,753)	(8,946,537)	(7,535,088)	(6,007,229)	(4,165,475)	(2,320,614)	(2,320,614)
Subordinated Debt	-	-	-	-	-	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	8,200,000	8,200,000
Ending TNE	(4,995,037)	(10,420,715)	(9,432,163)	(10,418,930)	(10,656,711)	(8,691,693)	(7,002,753)	(6,746,537)	(5,335,088)	(3,807,229)	(1,965,475)	5,879,386	5,879,386

Gold Coast Health Plan
Fiscal Year July 1, 2012 - June 30, 2013
Total Administrative Expense

	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	FY 2012-13
Salaries	282,167	315,360	224,188	344,101	363,587	410,726	565,356	582,171	624,381	654,080	663,364	663,364	**5,692,846**
Benefits	131,322	184,440	79,386	77,403	87,535	97,250	137,490	141,761	149,247	155,042	157,639	157,639	**1,556,153**
Temp Labor	69,302	39,093	82,854	102,453	46,322	36,924	36,924	36,924	42,924	6,000	-	-	**499,720**
EE Recruitment	5,942	12,839	15,695	22,238	-	-	-	-	-	-	-	-	**56,714**
Staff Training & Seminars	-	-	-	-	500	700	500	5,500	700	500	6,000	700	**15,100**
Conferences	-	200	2,872	850	500	1,700	300	-	2,500	300	-	400	**9,622**
Outside Services - ACS	864,935	856,106	942,882	890,492	896,924	897,120	897,329	897,531	897,734	897,938	898,143	898,348	**10,735,483**
Outside Services - Scriptcare	237,843	247,496	244,920	256,070	242,828	242,885	242,978	243,034	243,089	243,148	243,206	243,267	**2,930,765**
Care Management - ACS	207,353	206,427	227,511	217,237	240,288	240,317	187,898	187,929	-	-	-	-	**1,714,960**
Outside Services - RGS	10,858	12,571	-	245	-	-	-	-	-	-	-	-	**23,674**
Outside Services - Other	11,007	12,932	109,502	106,043	22,194	27,264	22,264	22,194	72,264	72,194	22,264	22,194	**522,315**
Consulting Services	123,478	127,117	112,076	191,975	308,888	260,398	100,398	103,898	100,398	26,550	26,550	26,550	**1,508,276**
Translation Services	1,409	2,113	1,100	3,199	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,406	**19,063**
Meetings & Events	36	1,923	1,441	2,537	-	-	-	-	-	-	-	-	**5,938**
Travel - Airlines	728	2,056	3,394	1,679	-	910	2,710	-	500	1,960	-	200	**14,137**
Travel - Hotels	1,117	1,993	1,895	2,768	-	293	1,750	-	-	1,750	-	-	**11,565**
Travel - Auto & Transportation	1,363	588	2,050	1,074	94	1,388	913	104	1,153	916	100	1,095	**10,840**
Travel - Meals	294	216	592	254	-	402	420	-	150	420	-	150	**2,898**
Travel - Misc./Tips	-	-	-	-	-	-	50	-	-	50	-	-	**100**
Non-Capital Furniture & Equipment	580	18,177	(1,908)	2,058	1,100	5,500	400	4,900	5,500	3,300	2,200	1,100	**42,907**
Non-Capital Equipment - Computer	5,650	1,752	221	7,181	-	-	-	-	-	-	-	-	**14,804**
Software Licenses	24,590	37,759	17,153	29,547	26,983	26,983	26,983	26,983	26,983	26,983	26,983	43,233	**341,162**
Lease - Office	11,869	11,869	11,869	18,289	16,630	16,630	16,630	16,630	16,630	16,630	16,630	16,630	**186,936**
Office & Operating Supplies	1,632	5,069	13,016	7,040	6,220	6,796	10,545	10,936	11,474	11,899	11,987	12,062	**108,675**
Shipping & Postage	13,572	2,535	230	21	2,734	475	11,281	498	498	544	11,344	544	**44,275**
Printing	3,217	23,340	2,463	3,850	10,496	2,985	9,652	3,159	3,387	31,466	10,162	3,588	**107,764**
Repairs & Maintenance	631	90	6,214	3,049	665	666	666	666	667	705	705	705	**15,429**
Telephone Services/Internet Charges	3,159	10,644	7,059	6,688	4,085	4,845	7,970	8,006	8,226	8,476	8,696	8,726	**86,580**
Charitable Contributions	-	1,500	-	-	-	-	-	-	-	-	-	-	**1,500**
Advertising & Promotions Expense	3,500	-	-	3,150	-	2,500	-	-	2,500	-	-	2,500	**14,150**
Insurance	3,424	3,424	10,766	10,792	10,792	10,792	10,792	10,792	10,792	10,792	10,792	10,792	**114,742**
Legal	13,600	4,468	42,522	12,196	32,350	32,350	32,350	32,350	32,350	16,850	16,850	16,850	**285,086**
Accounting & Actuarial	-	18,120	9,818	85,290	15,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	**163,227**
Bank Fees	37	347	540	946	-	-	-	-	-	-	-	-	**1,871**
Meals & Entertainment	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Committee & Advisory Fees	1,250	1,250	-	1,600	1,200	600	1,200	1,625	1,200	600	200	2,000	**12,725**
Professional Dues, Fees, & Licenses	5,427	5,381	5,434	8,506	5,036	5,276	5,386	5,036	5,256	5,076	8,136	5,036	**68,984**
Subscriptions & Publications	319	-	116	500	-	250	65	-	-	375	-	-	**1,625**
Depreciation/ Amortization Expense	1,806	1,806	6,958	3,554	3,581	3,714	3,821	3,927	4,061	4,141	4,194	4,221	**45,782**
Interest Expense	60,986	53,094	56,424	100,407	5,067	5,719	5,854	6,203	6,110	6,031	5,965	7,558	**319,417**
Total	**2,104,402**	**2,224,094**	**2,241,252**	**2,525,280**	**2,353,005**	**2,350,761**	**2,347,280**	**2,359,163**	**2,277,078**	**2,211,120**	**2,158,515**	**2,155,857**	**27,307,808**
Care Management	516,815	541,067	534,999	556,393	556,675	570,968	688,847	688,933	505,479	516,489	516,548	516,608	**6,709,820**
Administrative	1,587,586	1,683,028	1,706,253	1,968,888	1,796,330	1,779,793	1,658,434	1,670,230	1,771,599	1,694,630	1,641,968	1,639,250	**20,597,988**
Total	**2,104,402**	**2,224,094**	**2,241,252**	**2,525,280**	**2,353,005**	**2,350,761**	**2,347,280**	**2,359,163**	**2,277,078**	**2,211,120**	**2,158,515**	**2,155,857**	**27,307,808**

Gold Coast Health Plan
Staffing Budget: FY 2012-13

	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
Gold Coast Health Plan FTEs	39	42	43	48	49	54	58	62	67	70	72	73
ACS Nursing Staff	12	12	14	16	16	16	16	16	16	16	16	16
Temporary Help	4	4	4	3	4	-	-	-	-	-	-	-
Open Positions	-	-	-	26	21	20	16	12	7	4	2	1
	55	58	61	93	90	90	90	90	90	90	90	90

Gold Coast Health Plan

Enrollment Comparison

	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Total	Percent
2012-13 Original Budget														
FAMILY / ADULT	70,377	70,395	70,412	70,430	70,447	70,465	70,483	70,500	70,518	70,536	70,553	70,571	845,686	72.3%
AGED	1,150	1,150	1,151	1,151	1,151	1,151	1,152	1,152	1,152	1,153	1,153	1,153	13,819	1.2%
DISABLED	7,764	7,766	7,768	7,770	7,772	7,774	7,776	7,778	7,780	7,781	7,783	7,785	93,296	8.0%
LONG TERM CARE	76	76	76	76	76	76	76	76	76	76	76	76	913	0.1%
AGED DUAL	8,809	8,811	8,813	8,816	8,818	8,820	8,822	8,824	8,827	8,829	8,831	8,833	105,853	9.1%
DISABLED DUAL	7,203	7,205	7,207	7,208	7,210	7,212	7,214	7,216	7,217	7,219	7,221	7,223	86,555	7.4%
LTC DUAL	905	905	905	906	906	906	906	907	907	907	907	907	10,875	0.9%
BCCTP	256	256	256	256	256	256	256	256	257	257	257	257	3,076	0.3%
CBAS	-	-	-	1,000	1,000	1,001	1,001	1,001	1,001	1,002	1,002	1,002	9,009	0.8%
	96,540	**96,564**	**96,588**	**97,612**	**97,637**	**97,661**	**97,686**	**97,710**	**97,734**	**97,759**	**97,783**	**97,808**	**1,169,083**	**100.0%**
2012-13 Revised Budget														
FAMILY / ADULT	70,377	72,581	73,550	72,534	73,350	73,366	73,384	73,402	73,420	73,439	73,457	73,475	876,334	73.2%
AGED	1,150	1,009	1,126	1,176	1,209	1,210	1,210	1,210	1,210	1,210	1,210	1,210	14,140	1.2%
DISABLED	7,764	7,756	7,738	7,860	8,007	8,009	8,011	8,013	8,016	8,018	8,020	8,022	95,234	8.0%
LONG TERM CARE	76	-	39	85	71	71	73	72	72	72	72	72	775	0.1%
AGED DUAL	8,809	9,245	9,139	9,062	9,061	9,063	9,066	9,068	9,070	9,072	9,074	9,077	108,806	9.1%
DISABLED DUAL	7,203	7,471	7,463	7,361	7,330	7,331	7,333	7,335	7,337	7,339	7,340	7,342	88,186	7.4%
LTC DUAL	905	969	908	881	913	913	913	913	913	914	914	914	10,970	0.9%
BCCTP	256	233	240	238	241	241	241	241	241	241	242	242	2,898	0.2%
	96,540	**99,264**	**100,203**	**99,197**	**100,182**	**100,205**	**100,231**	**100,255**	**100,279**	**100,304**	**100,329**	**100,354**	**1,197,342**	**100.0%**
Summary														
Family	70,377	72,581	73,550	72,534	73,350	73,366	73,384	73,402	73,420	73,439	73,457	73,475	876,334	73.2%
SPD	9,246	8,998	9,143	9,359	9,528	9,531	9,535	9,537	9,539	9,541	9,543	9,546	113,046	9.4%
Dual	16,917	17,685	17,510	17,304	17,304	17,308	17,312	17,316	17,320	17,324	17,329	17,333	207,962	17.4%
	96,540	**99,264**	**100,203**	**99,197**	**100,182**	**100,205**	**100,231**	**100,255**	**100,279**	**100,304**	**100,329**	**100,354**	**1,197,342**	**100.0%**

Changes Driven By:

- Continuing retroactivity from prior fiscal year. Original budget assumed all retroactivity would stop as of July 1, 2012.
- CBAS participants originally treated as a separate category of membership. Now recognized as existing members receiving CBAS benefits.
- Original budget used 12 months of history as base. Proposed revised budget based on 16 months of actual enrollment, trended forward.
- Shift between categories changes mix (higher Family/Adult) and resulting revenue and related health care costs.

Gold Coast Health Plan℠
A Public Entity

Gold Coast Health Plan
Financial Forecast Overview
Executive/Finance Committee Meeting

January 9, 2013

www.goldcoasthealthplan.org

Gold Coast Health Plan℠
A Public Entity

Agenda

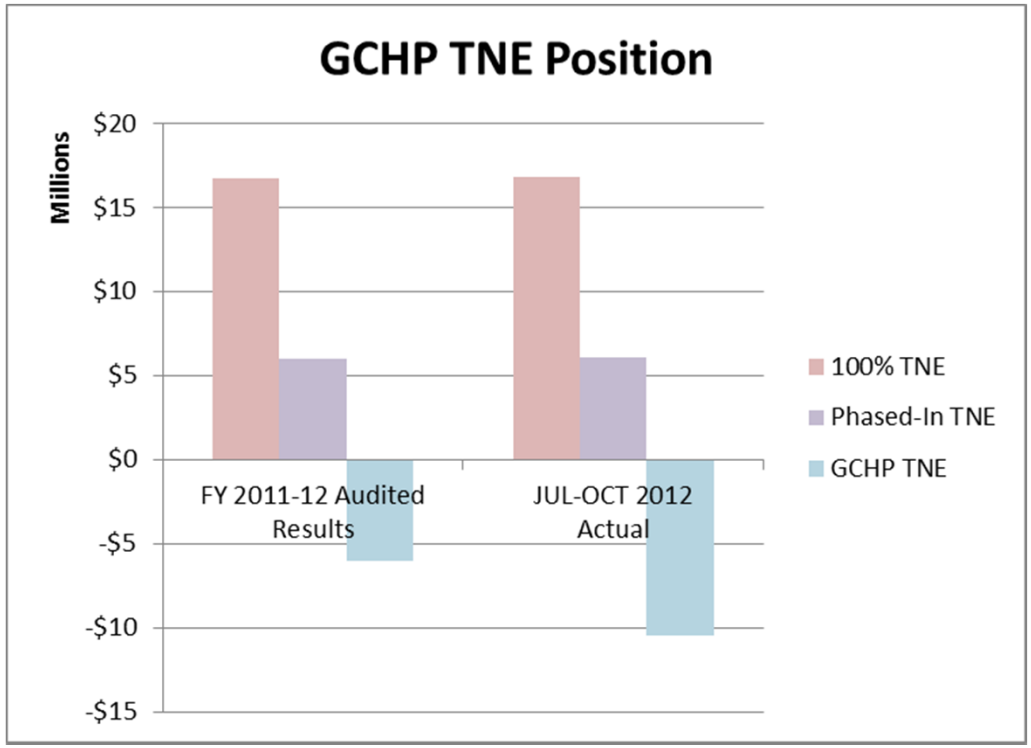
- Financial Forecast
- Tangible Net Equity (TNE) Requirements
- Other Opportunities
- Next Steps

Financial Forecast - Summary

As part of the 10/4/12 Correction Action Plan (CAP) response, Gold Coast Health Plan (GCHP) prepared a financial forecast that:

- Was submitted to DHCS on 12/11/12
- Projected revenues and expenses through 6/30/14 (at which time GCHP is expected to reach 100% of the TNE requirement, which is phased-in over 36 months)
- Reflected the impact of 19 key initiatives currently underway and those planned
- Demonstrates GCHP achieving tangible net equity (TNE) requirements without any outside support (e.g., line of credit) as of 6/30/14

Financial Forecast – Current Situation



As of 10/31/12:

- GCHP has a negative TNE position of ($10.4M)
- State TNE requirement is $6.1M (36%)
- GCHP is under TNE requirement by $16.5 M

Note – Additional increase of $7M in estimated incurred but not reported (IBNR) health care costs was included in August 2012 to be conservative.

Financial Forecast – Current Situation

- GCHP is in this current financial situation due to many issues, including:
  - Categorization/Coding of members
  - Claims payment system and reporting
  - Provider contract rates
  - Lack of reliable data and actionable reporting
- Issues are exacerbated by leadership turnover and poor structure of systems configuration

Financial Forecast Quantification – Guiding Principles

As the financial forecast was developed, GCHP followed these guiding principles:

- Be conservative and reasonable
- Reflect savings as they would be realized
- Calculate savings based on data and analysis, not merely assumptions
- Project costs using 16 months of actual experience as baseline
- Use a stable enrollment base (no Healthy Families or Medi-Cal expansion included)
- Assume stable delivery system composition

Financial forecast was reviewed with Berkeley Research Group LLC; monitor appointed by the State

Financial Forecast – Key Initiatives

GCHP has identified 19 key initiatives covering the following areas:

Areas	Number of Initiatives
Correct coding of members	2
Collecting and processing overpayments, coordinating benefit payments, enhancing claims payment edits, and collecting from reinsurance vendor	8
Provider re-contracting	4
Enhanced utilization and case management	3
Managing administrative budget & TNE requirements	2

Financial Forecast – Dollar Impact of Key Initiatives – Conservative Estimates Used

Annualized impact of initiatives on TNE*:

	Annualized Impact (in millions)	Range of Annualized Impact (in millions)
Increased Revenue	$2.4	$2.4-$3.5
Net reduction to Medical Expenses	$23.8	$20.6-$32.7
Increased Administrative Expenses	($1.2)	($1.1-$1.3)
Incorporation of lines of credit	$8.2	$2.2-$8.2

** Note sign (i.e., positive, negative) of amounts indicate the impact on TNE. For example, reductions to medical expenses are noted as positive above because they improve GCHP's TNE position.*

Financial Forecast – Income Statement Findings

Description	Audited Results	2012-13	2013-14 Forecast	3 Year
	FY 2011-12	TOTAL	TOTAL	Average
Member Months	1,258,189	1,197,342	1,168,472	1,208,001
Revenue	304,635,931	305,107,282	303,707,815	304,483,676
Health Care Costs	287,353,673	280,797,667	265,200,724	277,784,021
% of Revenue	94.3%	92.0%	87.3%	91.2%
Admin Exp	18,891,321	20,603,172	19,698,148	19,730,880
% of Revenue	6.2%	6.8%	6.5%	6.5%
Net Income	(1,609,062)	3,706,443	18,808,942	6,968,774
% of Revenue	-0.5%	1.2%	6.2%	2.3%

- Membership is stable leading to steady revenue
- Health care costs impacted by the majority of the initiatives
- Administrative costs at their highest in FY2012-13 due to consulting support and decrease the following year
- Net income varies by year based on impacts noted above

Note – FY2012-13 includes an additional increase of $7M in estimated incurred but not reported (IBNR) health care costs which was included to be conservative.

Financial Forecast – Income Statement Findings

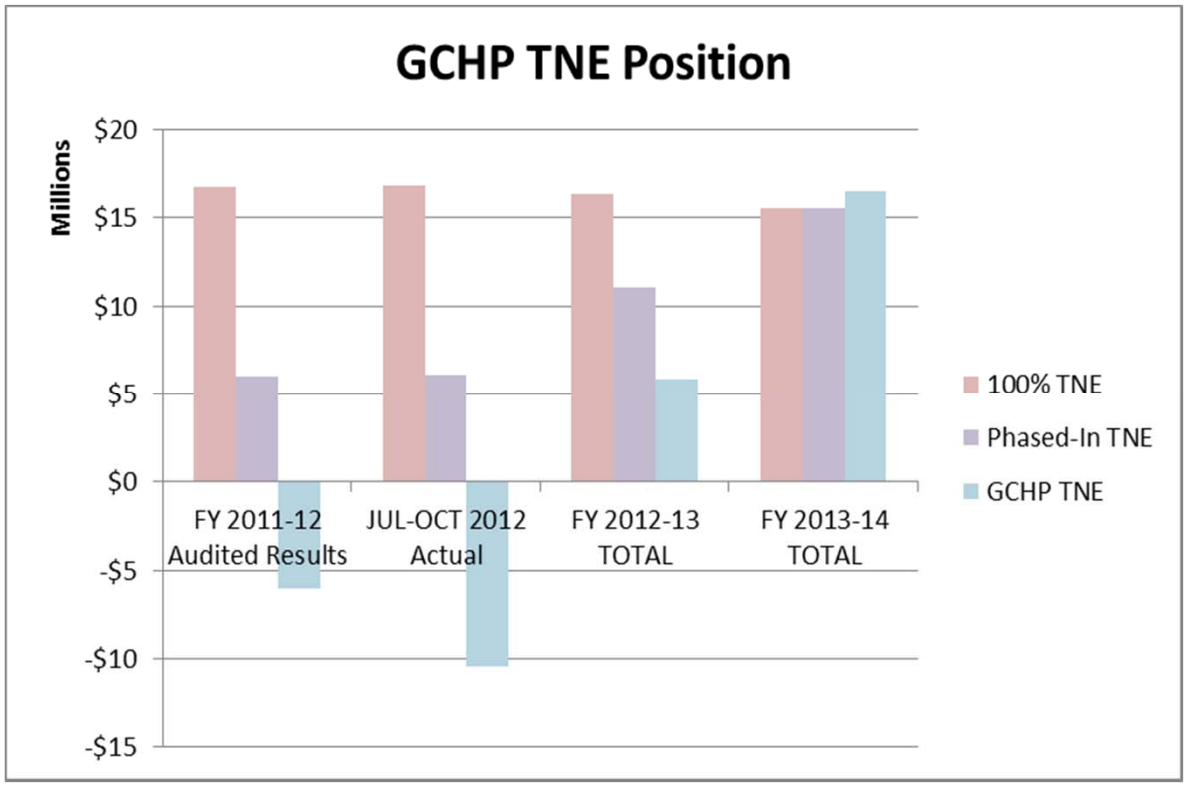
- Majority of initiatives are begun in FY2012-13 with full impact realized in FY2013-14
- Three year average is a reasonable estimate of what GCHP performance should have been
- FY2013-14 reflects the first full year of stable operations; where efficiencies are realized and managed care principals are enhanced to aid GCHP member care

Financial Forecast – Cash Flow Findings

- Cash and Medi-Cal Receivable totaled approximately $54M as of 6/30/12
- Total drops to approximately $42M in the first four months of FY2012-13, while it raises to approximately $56M by the end of FY2012-13
- FY2012-13 totals include the Plan accessing lines of credit (LOC), with pay back assumptions no later than June 30, 2014
- At the end of FY2013-14, this total increases to approximately $69M, even after paying off the LOC funds

Description	Audited Results	2012-13 Actual	16 Month Actual	2012-13 Forecast	2012-13	2013-14 Forecast
	FY 2011-12	JUL-OCT	JUL11-OCT12	NOV-JUN	TOTAL	TOTAL
Cash	25,554,099	18,135,512	18,135,512	29,614,050	29,614,050	43,674,382
Medi-Cal Receivable	28,534,938	24,278,541	24,278,541	25,998,740	25,998,740	25,287,495
Sub-total	54,089,036	42,414,054	42,414,054	55,612,790	55,612,790	68,961,877

TNE Requirements



GCHP is projected to meet the full TNE requirement by 6/30/2014

Other Opportunities

- Review of FY11-12 rates
- Financial forecast is conservative because:
  - Estimates incorporate the lower end of savings ranges
  - No State capitation rate increase is assumed between FY2012-13 and FY2013-14
  - New populations (Healthy Families and Medi-Cal expansion) have not been incorporated, where GCHP could leverage existing infrastructure to increase net operating margin from higher enrollment
  - Delivery model contracting changes not currently incorporated into the model (e.g., Plan-to-Plan contracting which will increase capitation and lower TNE requirements)

Next Steps

- Provide Executive/Finance Committee ongoing updates on financial forecast results

Gold Coast Health Plan

List of Pending Rate Issues ***DRAFT*** ***Updated: 1/4/2013***

Item	Description	Effective Date	Status	GCHP Estimated Financial Impact by Fiscal Year FY2011-12	FY2012-13	FY2013-14
AB97	10% rate reduction for certain providers and services. Lawsuit finalized in December, 2012 allowing DHCS to reduce provider rates. Uncertain of DHCS next steps, including whether (FFS and capitation) rates will be reduced retroactively.	7/1/11 - current	Received and paid at FY2011-12 rates with AB97 reductions. FY2012-13 AB97 rate reductions unknown.	Estimated Cash/ Revenue Impact $2M	Estimated Cash/ Revenue Impact $2M	TBD
SB335 - Hosptial Quality Assuracne Fee (QAF)	Rates will be increased to reflect payments that would be made to hospitals.	7/1/11-ongoing	DHCS notified plans on 12/14/12 that the QAF would be instituted retroactively.			
Retroactive Enrollment	Plan is no longer responsible for retroactive eligiblity time period of members.	7/1/12 - current	Plan has posed questions to clarify policy. DHCS has not provided any information regarding rate adjustments for this change.		TBD	TBD
Healthy Families Transistion (HFT)	Healthy Families Transision (HFT) will transisition to Medi-Cal beginning 1/1/13 (new HFT members will enroll in Medi-Cal), with full transisiton on 8/1/13. Approximately 20,000 children are expected to transisition.	1/1/2013	DHCS sent GCHP draft rates on 11/3/12 for the 1/1/13-3/31/13 time period, which based payment off of Medi-Cal Family cost experience and assumed a distribution of various aged children.		TBD	$17.2M Rev. Increase
Primary care reimbursement to Medicare fee schedules	Increase of certain primary care services performed by certain physicians will be paid at least the Medicare fee schedules, per the Affordable Care Act	1/1/13-12/31/14	DHCS is determining whether rates will be adjusted or whether adjustment will take place outside of the rates.		TBD	TBD
New SPD Requirements	For new Seniors and Persons with Disabilities (SPDs or Non-Dual Aged/Disabled population), additional requirements are in effect (e.g., risk assessments)	1/1/2013	Not clear whether GCHP will receive any rate adjustments for additional requirements.		TBD	TBD
Medi-Cal Expansion	Expansion of population to 133% FPL per Affordable Care Act	1/1/2014	DHCS has not provided information on how rates will be calculated.			TBD
Efficiency Adjustments	1) MAC pharmacy adjustment 2) Potentially preventable admissions 3) Other	TBD	Pending additional information from the State.	TBD	TBD	TBD
Rate Structure Changes	1) Adult/Family split into two age groups (<18 and >= 18) 2) Duals defined as either Part A or Part B to both Part A and B	7/1/2013	RDT submitted for FY2013-14 rate development reflected these changes.			TBD
DRG	DRGs will be used to set out-of-network payments for emergency and post-stabelization services provided to plan members consistent with FFS program.	7/1/2013	An All Plan Letter (APL) has been distributed for comment and a formal letter should be released in the coming weeks.			TBD

AGENDA ITEM 4e

To: Gold Coast Health Plan Executive Finance Committee

From: Michael Engelhard, Chief Executive Officer
Melissa Scrymgeour, Director, IT

Date: January 9, 2013

RE: GCHP Medical Management System Replacement

SUMMARY:
Currently, Gold Coast Health Plan (GCHP) utilizes ICMS as its Medical Management System (MMS) to coordinate authorization of medical services for our eligible member population. ACS, our managed services provider, has informed GCHP that the ICMS system is not ICD-10 compliant and will be sunset June 2013. Consequently, GCHP must select, install and implement a new ICD-10 compliant MMS by 10/1/2014, in accordance with the CMS mandated ICD-10 deadline. ACS has committed to continued support of ICMS until GCHP has implemented the replacement MMS solution.

BACKGROUND:
When GCHP was formed, the Plan entered into an agreement with ACS, a division of Xerox Corp., to provide the core systems, staff, operations, and application development support to process and administer membership, claims, and customer service. The original ACS proposal did not account for a MMS solution. GCHP entered into a subsequent agreement for ACS to provide a medical management system (titled "ICMS"). As part of this additional agreement, ACS would also provide nurses to GCHP as part of staffing the medical management function.

DISCUSSION
ACS does not plan to remediate ICMS for ICD-10 compliance and as such, has instructed GCHP to select a replacement MMS. ACS initially stated they would support ICMS through the end of June 2013, but has since extended support while GCHP implements the replacement system solution. Xerox conducted its own RFI / RFP process and has entered into a preferred partnership with CH Mack as a replacement solution to ICMS. However, Xerox has recommended that GCHP conduct its own selection process, and even if CH Mack is selected as the system, recommended that GCHP negotiate a separate licensing agreement.

GCHP intends to select and implement the replacement MMS by the end of calendar year 2013 in preparation for expected membership growth beginning January 2014, due

to the ACA expansion. GCHP will follow an expedited RFI/RFP process for system selection. The Plan has engaged an independent consultant with extensive experience in MMS selections, whose sole focus is to manage the selection process.

Between 1/1/13-3/31/13, we plan to identify, evaluate, and select a medical management system, including, but not limited to the following tasks:

- Survey of potential vendors using a rapid RFI process
- Secondary vendor screening (if needed)
- Create tailored requirements and scoring tools for finalist presentations
- Create key scenarios for final vendors to prepare for finalist presentations
- Coordinate and facilitate vendor presentations
- Conduct vendor references and site visits
- Create final system recommendation based on overall vendor scores

As part of the process, we will utilize key selection criteria, taking into consideration multiple factors, including:

- Business functionality / usability
- Cost
- Technology Platform (systems needs to grow with GCHP)
- Ability to meet aggressive project deadline (12/31/13)
- Vendor experience (solution expertise)

FISCAL IMPACT:
The cost of retaining the system selection consultant is approximately $20,000, whose work will be conducted over the course of 90 days. The cost to issue and evaluate the RFI / RFP will be absorbed by in-house staff. The cost of the new system will be brought to the Commission when more concrete information is available.

STAFF ACTION:
Staff will move forward with the RFI/RFP process for a medical management system replacement – target vendor selection and contract execution by 4/30/2013, and system implementation by 12/31/2013.