Gold Coast Health Plan℠
A Public Entity

www.goldcoasthealthplan.org

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

Executive Conference Room, 711 E. Daily Drive, Suite 106, Camarillo, CA
Thursday, July 10, 2014
3:00 p.m.

AGENDA

CALL TO ORDER / ROLL CALL

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

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

1. APPROVE MINUTES
a. May 7, 2014 Special Executive / Finance Meeting Minutes

2. ACCEPT AND FILE ITEMS
a. CEO Update
b. May Financials
c. Financial Auditor 2014 Client Service and Audit Plan (presented by McGladrey)

3. INFORMATIONAL ITEMS
a. Quarterly Update to Auditor's Recommendations

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

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

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

Ventura County Medi-Cal Managed Care Commission (VCMMCC) dba Gold Coast Health Plan
July 10, 2014 Executive / Finance Committee Meeting Agenda *(continued)*
PLACE: Executive Conference Room, 711 E. Daily Drive, Suite 106, Camarillo, CA
TIME: 3:00 p.m.

COMMENTS FROM COMMISSIONERS

ADJOURNMENT

Unless otherwise determined, the next regular meeting of the Executive / Finance Committee will be held on August 7, 2014 at 3:00 p.m. in the Executive Conference Room at 711 E. Daily Drive, Suite 106, Camarillo, CA.

Ventura County Medi-Cal Managed Care Commission (VCMMCC) dba Gold Coast Health Plan (GCHP) Special Executive / Finance Committee Meeting Minutes May 7, 2014

(Not official until approved)

Notice of said meeting was duly given in the time and manner prescribed by law. Affidavit of compliance is on file in the Clerk of the Board's Office.

CALL TO ORDER

Due to the current vacancy of the Chair and Vice Chair of the Commission, Legal Counsel Kierstyn Schreiner called the meeting to order at 3:02 p.m. in the Executive Conference Room at Gold Coast Health Plan, 711 E. Daily Drive, Suite 106, Camarillo, CA 93010.

ELECTION OF TEMPORARY CHAIR

Committee Member Pupa moved to appoint Commissioner Glyer as the Temporary Chair of the Executive / Finance Committee. Committee Member Pawar seconded. Commissioner Glyer agreed to be the Temporary Chair. The motion carried with the following vote:

AYE:	Glyer, Pawar and Pupa.
NAY:	None.
ABSTAIN:	None.
ABSENT:	None.

COMMITTEE MEMBERS PRESENT
David Glyer, Private Hospitals / Healthcare System
Gagan Pawar, MD, Clinicas del Camino Real, Inc.
Dee Pupa, Ventura County Medical Health System

ABSENT / EXCUSED
Vacant Seat, Chair
Vacant Seat, Vice-Chair

STAFF IN ATTENDANCE
Michael Engelhard, CEO
Michelle Raleigh, CFO
Nancy Kierstyn Schreiner, Legal Counsel
Traci R. McGinley, Clerk of the Board
Guillermo Gonzalez, Government Affairs Director
Steve Lalich, Communications Director
Al Reeves, MD, CMO

Melissa Scrymgeour, CIO
Lyndon Turner, Financial Analysis Director
Ruth Watson, COO

PUBLIC COMMENTS

None.

1. APPROVE MINUTES

a. April 3, 2014 Regular Meeting Minutes

Committee Member Pupa moved to approve the April 3, 2014 Regular Meeting Minutes. Committee Member Pawar seconded. The motion carried with the following vote:

AYE: Glyer, Pawar and Pupa.
NAY: None.
ABSTAIN: None.
ABSENT: None.

2. NOMINATION COMMITTEE

a. Consideration of Candidates for Chairperson and Vice Chairperson for Purposes of Confirmation and Recommendation to Commission

Legal Counsel Kierstyn Schreiner provided an overview of the purpose and obligations of the Nominating Committee. Further discussion was held.

Committee Member Pupa nominated David Araujo as Chair. Committee Member Glyer seconded. The motion carried with the following vote:

AYE: Glyer, Pawar and Pupa.
NAY: None.
ABSTAIN: None.
ABSENT: None.

Committee Member Pawar nominated Antonio Alatorre as Vice-Chair. Committee Member Glyer seconded. The motion carried with the following vote:

AYE: Glyer and Pawar.
NAY: Pupa.
ABSTAIN: None.
ABSENT: None.

Committee Member Pupa nominated David Glyer as Vice Chair. Committee Member Pawar seconded. The motion failed by the following vote:

AYE: Pupa.

NAY: Glyer and Pawar.
ABSTAIN: None.
ABSENT: None.

Committee Member Glyer agreed to contact the nominees to confirm they are willing to serve as well as present the Nominating Committee's recommendation at the May Commission Meeting.

3. ACCEPT AND FILE ITEMS

a. CEO Update

CEO Engelhard reviewed the written report with the Committee.

b. March Financials

A corrected page 3b-6 was provided. CFO Raleigh reviewed the March financials which highlighted Membership numbers, and the Inpatient, Long-Term Care, Outpatient and Pharmacy Costs. In March, GCHP made partial payments to qualifying providers under the ACA 1202 which compensates qualifying providers up to Medicare levels and made a payment to the County for AB 85. Further discussion was held regarding the ACA 1202 payments and how the State is having ongoing discussions on the reconciliation process with the managed care plans. CFO Raleigh noted that the Medi-Cal managed care plans hoped to get clarification soon from the State.

CFO Raleigh reviewed the upward trend in pharmacy expenses, which was mostly due to several high cost but effective medications like Sovaldi, the new Hepatitis C drug. CMO Reeves noted that Sovaldi is a revolutionary treatment for Hepatitis C, but it is very expensive so the Plan has put utilization controls in place and members using this medication are case managed.

Committee Member Pawar moved to accept the CEO Report and the March Financials. Committee Member Pupa seconded. The motion carried with the following vote:

AYE: Glyer, Pawar and Pupa.
NAY: None.
ABSTAIN: None.
ABSENT: None.

4. INFORMATIONAL ITEMS

a. GCHP Priorities & Initiatives for FY 2014-15 Budget Planning

CEO Engelhard reviewed the information and highlighted items that GCHP may desire or be required to undertake over the next three years. He expressed the importance that a strong foundation is being properly built for the Plan's ability to address new and changing requirements and business needs. The FY 2014-15 proposed projects and budget priorities were also reviewed.

CEO Engelhard noted that GCHP's two largest outsourced contracts mature on the same day, June 30, 2016 and it would not be prudent nor practical to attempt to perform two systems conversions simultaneously. Consequently these two contracts will be reviewed to prioritize which to extend and which requires an RFP. Staff will come back to the Commission with recommendations later in 2014.

b. FY 2014-15 Budget Development Process

CFO Raleigh reviewed the presentation noting that Membership is projected to increase by approximately 50% by the end of FY2014-15 as compared to FY2012-13 and revenue increasing by 79% over the same period. Membership is also expected to grow about 22% between this and next year and anticipates about 153,000 members per month on average over the course of the next fiscal year.

The Membership Mix and Revenue Impact graph that shows the types of members and the payment from the State was reviewed. It demonstrates how important and sensitive the Membership projections are, especially for the Adult Expansion. CEO Engelhard added that it is difficult to budget because many in the new population are coming to GCHP without previous coverage therefore there is no information on utilization, cost and health care acuity.

CFO Raleigh noted that GCHP is being conservative and assumed the recent State capitation rates will stay the same throughout FY 2014-15.

Legal Counsel Kierstyn Schreiner left the meeting.

CFO Raleigh indicated that future budget reviews would occur at the May 19, 2014 full Commission meeting and at the June 5, 2014 Executive/Finance Committee meeting. Final approval for the FY2014-15 operating and capital budgets will occur at the June 23, 2014 full Commission meeting.

COMMENTS FROM COMMITTEE MEMBERS

Committee Member Pupa thanked staff for informative back-up information being provided.

ADJOURNMENT

Meeting adjourned at 5:17 p.m.

Gold Coast Health Plan℠
A Public Entity

www.goldcoasthealthplan.org

AGENDA ITEM 2a

To: Gold Coast Health Plan Executive / Finance Committee

From: Michael Engelhard, Chief Executive Officer

Date: July 10, 2014

Re: CEO Update

State Monitor

The Department of Health Care Services (DHCS) issued a letter to the Plan dated June 13, 2014 regarding the State monitor, Berkeley Research Group (BRG). BRG was appointed to monitor the Plan on February 14, 2012. Based on DHCS review of the Plan's financial condition and the review of the monitor's recent report, DHCS is allowing the Plan to terminate the monitoring agreement with BRG. The Plan is required to continue providing ongoing reporting to DHCS under the existing financial corrective action plan.

ACA 1202

Managed care plans (MCPs) received a copy of a June 20, 2014 letter sent to the Center for Medicare and Medicaid Services (CMS) from the Department of Health Care Services (DHCS) regarding the increased Medicaid payment for primary care under Section 1202 of the Affordable Care Act (ACA). In this letter, DHCS confirms with CMS the following:

- Payment between the MCPs and the State – DHCS will switch to CMS "Model 1" where MCPs' capitation payments will include estimated additional payments under ACA 1202 and there will be no reconciliation. The suggestion to switch from "Model 2" came from MCPs after reviewing the detailed reconciliation process that would have been followed under "Model 2" and understanding that MCPs would possibly not be made whole through that process.
- Payments to MCPs' Delegated Providers – DHCS clarified that ACA 1202 payments would be made to sub-capitated entities as long as there is a differential between what the MCP paid to the sub-capitated entity (before any ACA 1202 payments) and the ACA 1202 Medicare rate.
- Payments based on "lesser of" language – in late March 2014, DHCS alerted MCPs that ACA 1202 payments need to not just be based on the difference between the Medi-Cal rate paid and the effective Medicare rate, but also need to take into account the provider's billed charge. If the billed charge was less than Medicare, no ACA 1202 funds would be paid. MCPs raised concerns that this would reduce funds intended to be made to qualifying physicians for selected services because the "billed charge" field is sometimes populated with the Medicaid fee schedule amount (i.e., resulting in no

additional funds). DHCS has requested exemption from this requirement for CHDP claims when providers submit a one-time attestation. This attestation will allow MCPs to pay those providers the ACA 1202 increase rather than denying payment due to the "lesser of" requirements in federal law. DHCS believes this to be a far better approach than requiring all CHDP claims for 2013 and 2014 be resubmitted. This exemption does not apply to non-CHDP claims.

The Plan is further analyzing data and will discuss impacts of these clarifications with the Commission at a future meeting.

Membership

Enrollment continued on its monthly growth trend with the addition of 3,115 members in July, resulting in total plan membership of 159,111. July's membership added 4,696 Medi-Cal expansion members while other Aid Codes showed a decrease of 1,581 enrollees. This decrease is likely due to the impact of restarting Medi-Cal's annual re-determination process. Medi-Cal redetermination was suspended for the first 6 months of 2014 while counties worked through the increased volume of applications due to Medi-Cal expansion.

Temporary Eligibility for Medi-Cal Pending Cases

Members on hold pending Medi-Cal status (Aid code 8E) continued to decrease. The Plan's eligibility file includes 1,191 8E members - a decrease from June's 8E eligibility of 1,701.

Total Growth

The plan has grown by more than 50,000 members between July 2013 and July 2014, a 50% increase in membership.

Hepatitis C Treatment / Sovaldi Update

Gold Coast Health Plan staff previously reported to the Commission that Sovaldi, which was just approved by the FDA in December 2013, became the Plan's most expensive medication in February of this year; it has remained the Plan's most expensive medication every month since then. On July 1, 2014, DHCS instituted a policy for the utilization and treatment of Hepatitis C with Sovaldi and Olysio. This guideline will be a benefit for the Plan to insure the proper use of this new effective but expensive medication. The initial approval of the medication by the FDA was very broad and made it difficult for providers and health plans to restrict its use to those patients who would most benefit from the medication. The new policy has appropriate restrictions that require the patient to have signs of liver damage from the virus and patients who continue to abuse drugs or alcohol must have treatment and abstinence before they can be treated with Sovaldi. Now that the State has instituted this policy, health plans will have a standard guideline for the use of Sovaldi.

DHCS is also in the process of designing a new reimbursement policy for the Hepatitis C therapies, including Sovaldi and other medications. On July 2, 2014, DHCS hosted a conference call with Mercer and numerous California health plans in which a new rate

methodology was proposed. Under the proposal, Fiscal Year 2014-15 rates would have Hepatitis C therapies carved out of capitation rates and reimbursement would occur through supplemental “kick” payments based on average utilization and treatment plans for the affected population. (A similar type of reimbursement was used during the initial stages of the CBAS program.) DHCS asked for feedback from the plans and will be finalizing the rates and operational aspects of the kick-payment proposal in the coming weeks.

AGENDA ITEM 2b

To: Gold Coast Health Plan Executive / Finance Committee

From: Michelle Raleigh, Chief Financial Officer

Date: July 7, 2014

Re: May 2014 Financials

SUMMARY

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

BACKGROUND / DISCUSSION

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

FISCAL IMPACT

Year-To-Date Results

On a year-to-date basis, the Plan's net income is approximately $18.9 million compared to $15.1 million assumed in the budget. These operating results have contributed to a Tangible Net Equity (TNE) level of approximately $30.8 million, which exceeds both the budget of $27.0 million (by $3.8 million) and the State minimum required TNE amount of $16.5 million, i.e., 84% of $19.6 million, which is the amount needed to achieve 100% of the calculated TNE requirement) by $14.4 million. Please note the following:

1. The Plan's TNE amount includes $7.2 million in lines of credit with the County of Ventura.
2. On the "Financial Overview" page attached, the YTD TNE excludes the initial Affordable Care Act (ACA) 1202 funds since the Plan is continuing discussions with the State as to whether these payments to qualifying providers are considered as "pass through" funds, as assumed in the budget.

May 2014 Results

Items to note for the month include:
Membership - May membership of 148,289 exceeded budget by 13,323 members. As in the prior month, the Adult / Family and Adult Expansion (AE) categories are driving membership growth. Current membership is 23% better than at December 31, 2013 and is more than 40%

better year-over-year. Consistent with the new Dual definition implemented by DHCS in April, there was a shift in members from Dual categories to the Seniors and Persons with Disabilities (SPD) aid category.

Revenue – May net revenue was $43.5 million which exceeded budget of $38.3 million by $5.2 million. On a per-member-per-month (PMPM) basis, net revenue was $293.14 PMPM which was $9.75 PMPM better than budget of $283.39 PMPM. The favorable to budget revenue performance was attributed to the membership growth being greater than anticipated in total, with significantly more members than expected in higher capitation rate cells. Specific variances include:

- Adult Expansion membership exceeded budget by approximately 5,100 members, generating an additional $3.7 million in revenue as compared with budget.
- The Adult / Family category also produced excess revenue of $0.9 million through a positive membership variance of approximately 6,900.
- The remaining variance is due to differences in mix of the population.

Health Care Costs – Heath care costs for May were $38.8 million and were $4.3 million more than budget. On a PMPM basis, reported health care costs were $261.74 PMPM versus a budgeted amount of $255.55. Causes for the variance include:

- Membership growth - Increases in membership over budget accounted for approximately $3.4 million of the variance. Much of the membership growth occurred in a high-cost aid category (AE).
- Inpatient – Reserves were increased in May after reviewing hospital data such as census reports, utilization and authorizations. In addition, the Plan continued to hold reserves for pending possible facility claims submissions.
- LTC/SNF – Reserves were maintained for estimated rate increases pursuant to AB 1629 which relate to months prior to the system implementation of the new rates.
- Pharmacy – Pharmacy expense has risen substantially, due in part to the new Hepatitis C drug (Sovaldi) as well as through the growing Adult Expansion population. However, the increase in utilization among the new population has not achieved the rate as expected in the revised budget. The Plan has continued to include additional reserves for this expense category.

As disclosed in prior months, the current financials continue to reflect an estimated 85% MLR for overall medical expenses specific to the Adult Expansion population. However the additional reserve still results in total expenses that are below budget for this new population, because pharmacy expenses have been less than budget. Other services will be evaluated as claims data is received. The Plan consulted with its audit firm and obtained agreement with the way the Plan is currently reporting this contract provision.

Administrative Expenses – For the month, overall operational costs were approximately $177,000 above budget. The main cause of the variance (approximately $102,000) was contracts driven by membership (e.g., ACS, Beacon). Legal fees also contributed to the negative variance when compared to budget; due to increased need for legal services. The negative variance to budget was partially offset by positive variances such as lower personnel costs due to timing of new hires and less use of consultants.

Cash + Medi-Cal Receivable - The total of Cash and Medi-Cal Premium Receivable balances of $143.6 million reported as of May 31, 2014 included a MCO Tax component amounting to $13.0 million. Excluding the impact of the tax, the total of Cash and Medi-Cal Receivable balance as of May 31, 2014 was $130.6 million, or $39.2 million better than the budgeted level of $91.4 million.

Note the May State Capitation Premium Receivable was not settled in June as would normally be expected. A system conversion at DHCS has delayed the May monthly payment processing cycle. Staff has been in contact with State personnel to resolve this issue as quickly as possible.

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

CONCURRENCE
N/A

Attachments
May 2014 Financial Package

Gold Coast Health Plan℠
A Public Entity

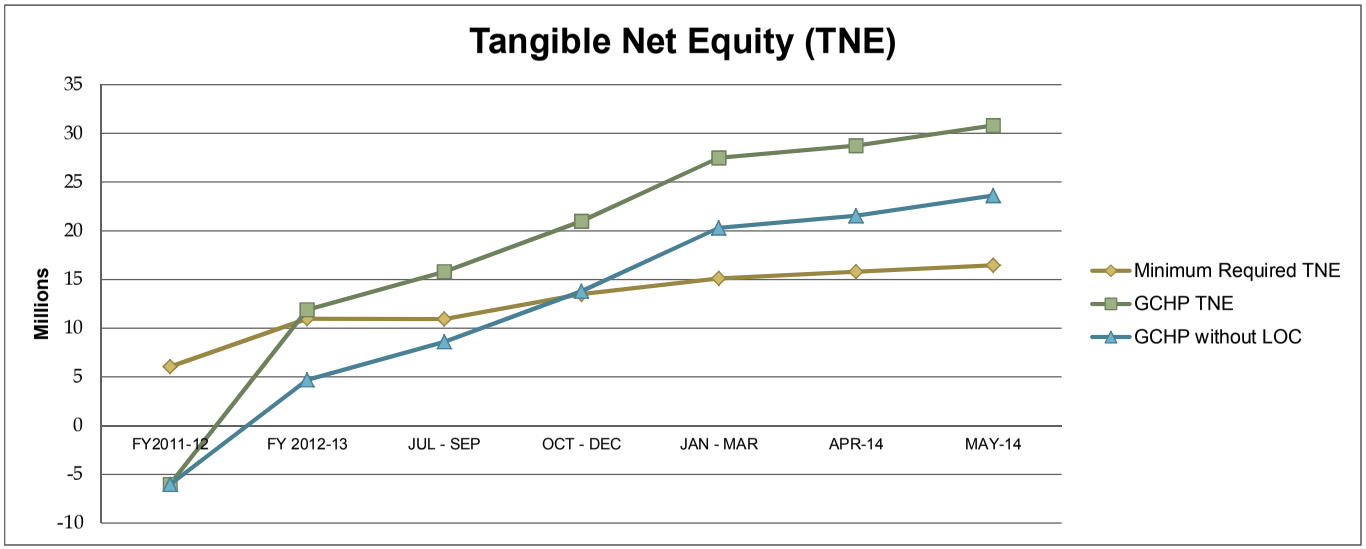
FINANCIAL PACKAGE
For the month ended May 31, 2014

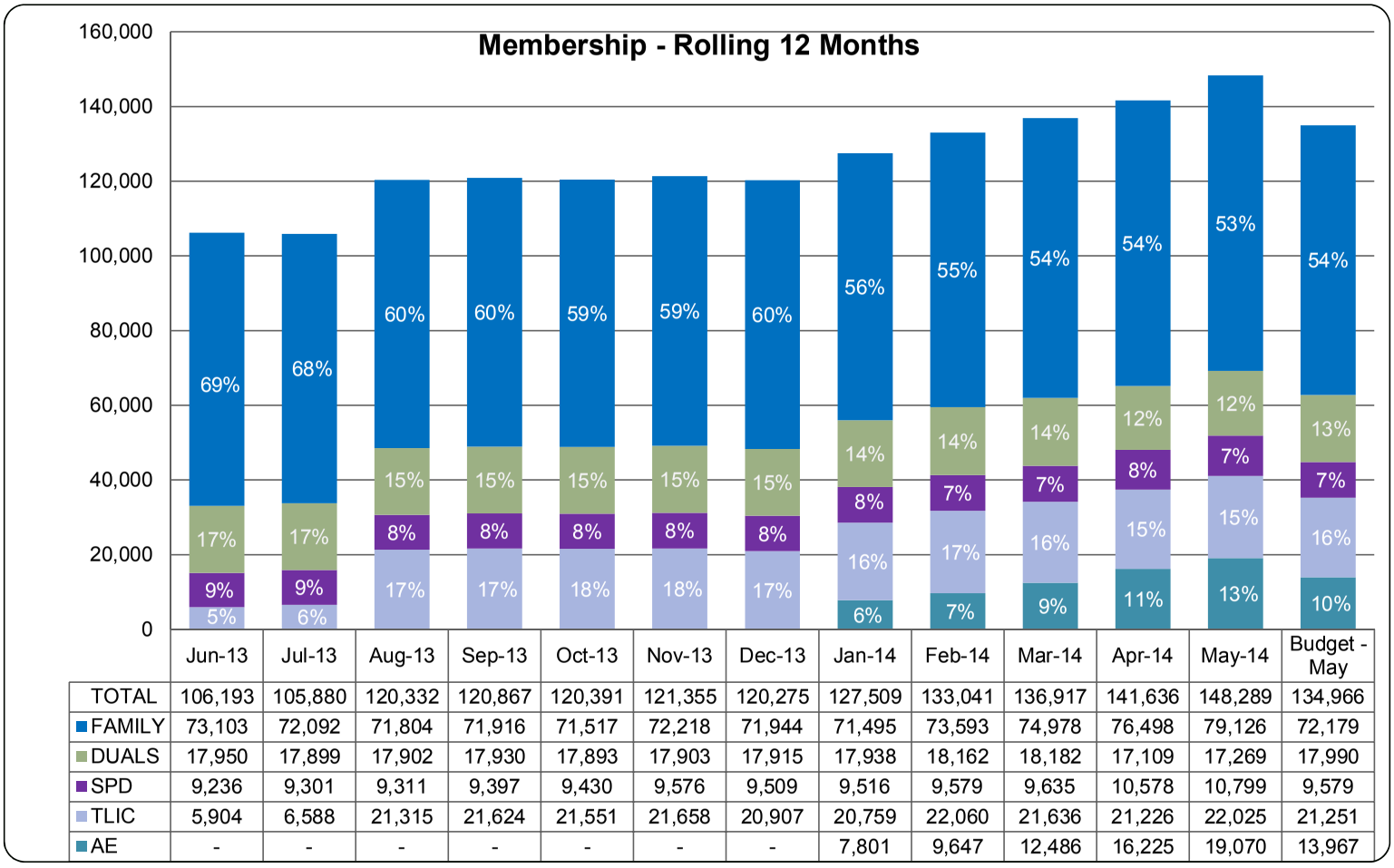
TABLE OF CONTENTS

Financial Overview

Description	AUDITED* FY2011-12	AUDITED* FY 2012-13	UNAUDITED FY 2013-14 Actual JUL - SEP	OCT - DEC	JAN - MAR	APR-14	MAY-14	YTD ADJUSTED**	Budget Comparison Budget YTD	Variance Fav/(Unfav)	Variance Fav/(Unfav) %
Member Months	**1,258,189**	**1,223,895**	347,079	362,021	397,467	141,636	148,289	**1,396,492**	**1,374,745**	21,747	1.6 %
Revenue	**304,635,932**	**315,119,611**	**81,988,709**	**84,070,456**	**106,860,786**	**40,868,789**	**43,468,897**	**357,257,637**	**351,505,379**	5,752,257	1.6 %
pmpm	*242.12*	*257.47*	*236.22*	*232.23*	*268.85*	*288.55*	*293.14*	*255.83*	*255.69*	0.14	0.1 %
Health Care Costs	**287,353,672**	**280,382,704**	**71,875,533**	**72,867,512**	**93,747,094**	**37,065,232**	**38,812,496**	**314,367,867**	**312,040,340**	(2,327,526)	(0.7)%
pmpm	*228.39*	*229.09*	*207.09*	*201.28*	*235.86*	*261.69*	*261.74*	*225.11*	*226.98*	1.87	0.8 %
% of Revenue	94.3%	89.0%	87.7%	86.7%	87.7%	90.7%	89.3%	88.0%	88.8%	-0.8%	-0.9%
Admin Exp	**18,891,320**	**24,013,927**	**6,202,007**	**6,014,475**	**6,597,110**	**2,563,313**	**2,597,338**	**23,974,244**	**24,354,182**	379,938	1.6 %
pmpm	*15.01*	*19.62*	*17.87*	*16.61*	*16.60*	*18.10*	*17.52*	*17.17*	*17.72*	0.55	3.1 %
% of Revenue	6.2%	7.6%	7.6%	7.2%	6.2%	6.3%	6.0%	6.7%	6.9%	0.2%	3.1%
Net Income	**(1,609,063)**	**10,722,980**	**3,911,169**	**5,188,469**	**6,516,582**	**1,240,243**	**2,059,063**	**18,915,526**	**15,110,857**	3,804,669	25.2 %
pmpm	*(1.28)*	*8.76*	*11.27*	*14.33*	*16.40*	*8.76*	*13.89*	*13.55*	*10.99*	2.55	23.2 %
% of Revenue	-0.5%	3.4%	4.8%	6.2%	6.1%	3.0%	4.7%	5.3%	4.3%	1.0%	23.2%
100% TNE	16,769,368	16,138,440	16,112,437	16,056,217	17,988,276	18,817,839	19,585,761	19,585,761	18,682,754	903,008	4.8 %
% TNE Required	36%	68%	68%	84%	84%	84%	84%	84%	84%		
Minimum Required TNE	6,036,972	10,974,139	10,956,457	13,487,223	15,110,152	15,806,985	16,452,040	16,452,040	15,693,513	758,526	4.8 %
GCHP TNE	**(6,031,881)**	**11,891,099**	**15,802,268**	**20,990,738**	**27,507,320**	**28,747,563**	**30,806,626**	**30,806,626**	**27,001,957**	**3,804,669**	**14.1 %**
TNE Excess / (Deficiency)	**(12,068,853)**	**916,960**	**4,845,810**	**7,503,516**	**12,397,168**	**12,940,578**	**14,354,587**	**14,354,587**	**11,308,444**	**3,046,143**	**26.9 %**

Note: TNE amount includes $7.2 million related to the Lines of Credit (LOC) from Ventura County.
* Audited amounts reflect financial adjustments made by auditors, but exclude presentation reclassifications without P&L impact (i.e. reporting package kept the same).
** Adjusted results remove ACA 1202 payments ($5.2 million) from both revenue and health care costs in order to compare to the budget (since budget assumed these funds were passed through





	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Budget - May
TOTAL	106,193	105,880	120,332	120,867	120,391	121,355	120,275	127,509	133,041	136,917	141,636	148,289	134,966
FAMILY	73,103	72,092	71,804	71,916	71,517	72,218	71,944	71,495	73,593	74,978	76,498	79,126	72,179
DUALS	17,950	17,899	17,902	17,930	17,893	17,903	17,915	17,938	18,162	18,182	17,109	17,269	17,990
SPD	9,236	9,301	9,311	9,397	9,430	9,576	9,509	9,516	9,579	9,635	10,578	10,799	9,579
TLIC	5,904	6,588	21,315	21,624	21,551	21,658	20,907	20,759	22,060	21,636	21,226	22,025	21,251
AE	-	-	-	-	-	-	-	7,801	9,647	12,486	16,225	19,070	13,967

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

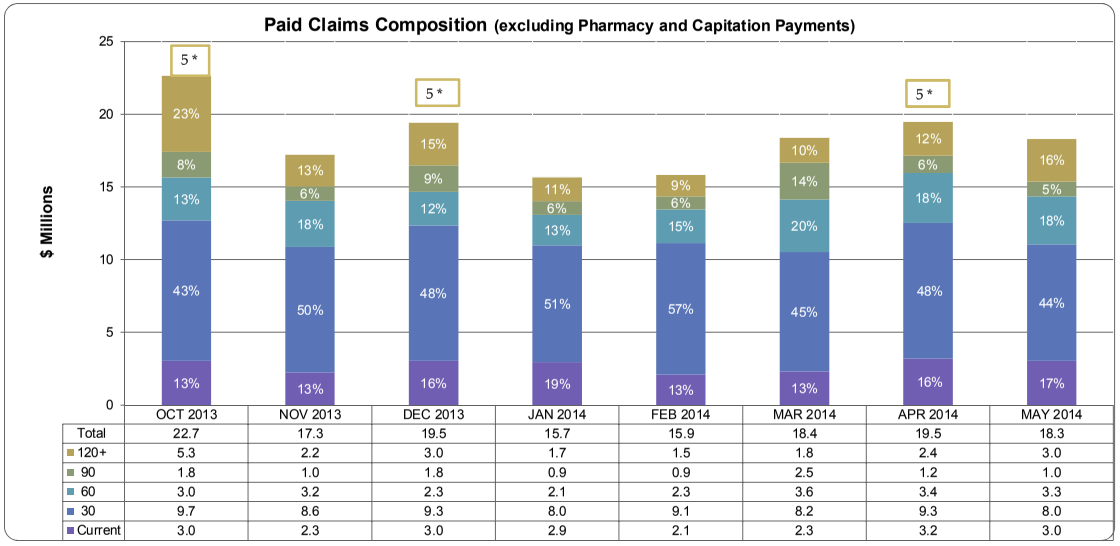
Note: Beginning in Apr '14 actual membership reflects new Duals definition as implemented by DHCS. Prior months and budget have not been restated.

Income Statement Monthly Trend

	FY2013-14 Monthly Trend			Current Month		
	FEB 2014	MAR 2014	APR 2014	MAY 2014		Variance
				Actual	Budget	Fav/(Unfav)
Membership (includes retro members)	133,041	136,917	141,636	148,289	134,966	13,323
Revenue:						
Premium	$ 37,669,204	$ 39,652,832	$ 42,486,972	$ 45,197,814	$ 40,030,224	$ 5,167,590
Reserve for Rate Reduction	(387,418)	(440,736)	-	-	(257,732)	257,732
MCO Premium Tax	(1,451,360)	(1,529,127)	(1,672,942)	(1,779,698)	(1,576,190)	(203,508)
Total Net Premium	**35,830,427**	**37,682,970**	**40,814,030**	**43,418,115**	**38,196,302**	**5,221,813**
Other Revenue:						
Interest Income	14,272	17,728	16,425	12,448	13,210	(762)
Miscellaneous Income	37,286	38,333	38,333	38,333	38,333	-
Total Other Revenue	51,559	56,061	54,759	50,782	51,543	(762)
Total Revenue	**35,881,985**	**37,739,031**	**40,868,789**	**43,468,897**	**38,247,845**	**5,221,052**
Medical Expenses:						
Capitation (PCP, Specialty, Kasier, NEMT & Visio	1,679,455	1,704,134	1,797,876	1,851,892	1,671,376	(180,516)
FFS Claims Expenses:						
Inpatient	5,139,891	7,940,779	9,670,256	9,002,937	7,498,934	(1,504,003)
LTC/SNF	7,988,436	7,256,361	6,106,318	8,116,213	6,067,808	(2,048,405)
Outpatient	3,057,728	2,631,325	3,845,231	3,312,183	3,418,299	106,116
Laboratory and Radiology	450,809	609,596	512,307	629,923	534,343	(95,580)
Physician ACA 1202	***104,094***	***102,189***	**-**	**-**	**-**	**-**
Emergency Room	871,674	975,817	1,127,040	1,093,890	1,056,758	(37,132)
Physician Specialty	1,930,722	2,433,750	2,572,332	2,306,001	2,675,372	369,370
Mental Health Services	233,276	254,043	248,532	297,327	191,921	(105,406)
Pharmacy	5,657,345	5,648,117	6,255,595	7,006,271	6,510,244	(496,027)
Other Medical Professional	192,695	218,265	200,064	224,924	189,157	(35,767)
Other Medical Care	-	3,645	331	-	-	-
Other Fee For Service	2,870,527	3,250,414	3,791,877	4,329,381	3,419,133	(910,248)
Transportation	83,111	79,919	111,272	77,615	89,403	11,788
Total Claims	28,580,309	31,404,220	34,441,155	36,396,665	31,651,371	(4,745,295)
Medical & Care Management Expense	774,659	828,605	896,582	921,915	961,818	39,903
Reinsurance	104,962	308,761	319,404	(120,034)	206,499	326,532
Claims Recoveries	(187,358)	(33,912)	(389,784)	(237,943)	-	237,943
Sub-total	692,263	1,103,455	826,202	563,938	1,168,316	604,379
Total Cost of Health Care	**30,952,027**	**34,211,809**	**37,065,232**	**38,812,496**	**34,491,063**	**(4,321,432)**
Contribution Margin	**4,929,959**	**3,527,222**	**3,803,556**	**4,656,402**	**3,756,782**	**899,620**
General & Administrative Expenses:						
Salaries and Wages	577,942	584,952	585,889	662,308	682,692	20,383
Payroll Taxes and Benefits	90,406	144,143	152,089	158,128	159,084	956
Travel and Training	9,270	7,364	8,647	7,786	26,101	18,314
Outside Service - ACS	1,024,850	1,044,479	1,127,533	1,167,563	1,021,787	(145,776)
Outside Services - Other	180,177	82,663	81,293	214,869	78,084	(136,786)
Accounting & Actuarial Services	14,226	29,239	17,051	(7,071)	13,333	20,405
Legal	47,032	71,044	33,293	134,879	36,340	(98,539)
Insurance	12,477	12,120	11,990	11,949	15,095	3,146
Lease Expense - Office	28,979	28,979	226,981	63,318	64,355	1,037
Consulting Services	53,700	57,096	71,630	35,325	127,477	92,153
Translation Services	2,554	5,197	1,963	5,152	2,417	(2,735)
Advertising and Promotion	790	(790)	1,300	-	12,110	12,110
General Office	83,285	73,897	126,456	91,250	107,586	16,336
Depreciation & Amortization	7,015	7,015	14,711	15,108	49,647	34,539
Printing	862	21,503	12,008	1,312	10,496	9,184
Shipping & Postage	5,822	464	1,945	318	2,950	2,632
Interest	14,746	27,738	22,754	35,144	11,108	(24,036)
Total G & A Expenses	**2,154,133**	**2,197,102**	**2,563,313**	**2,597,338**	**2,420,662**	**(176,677)**
Net Income / (Loss)	**$ 2,775,825**	**$ 1,330,120**	**$ 1,240,243**	**$ 2,059,063**	**$ 1,336,120**	**$ 722,943**

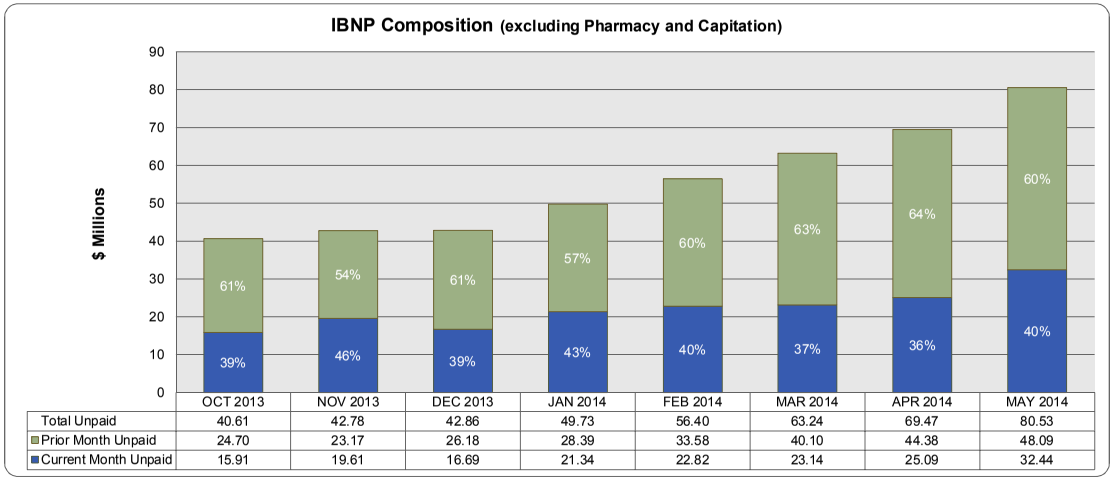
PMPM Income Statement Comparison

				MAY 2014		Variance
	FEB 2014	MAR 2014	APR 2014	Actual	Budget	Fav/(Unfav)
Membership (includes retro members)	133,041	136,917	141,636	148,289	134,966	13,323
Revenue:						
Premium	283.14	289.61	299.97	304.80	296.59	8.20
Reserve for Rate Reduction	(2.91)	(3.22)	-	-	(1.91)	1.91
MCO Premium Tax	(10.91)	(11.17)	(11.81)	(12.00)	(11.68)	(0.32)
Total Net Premium	**269.32**	**275.22**	**288.16**	**292.79**	**283.01**	**9.79**
Other Revenue:						
Interest Income	0.11	0.13	0.12	0.08	0.10	(0.01)
Miscellaneous Income	0.28	0.28	0.27	0.26	0.28	(0.03)
Total Other Revenue	**0.39**	**0.41**	**0.39**	**0.34**	**0.51**	**(0.17)**
Total Revenue	**269.71**	**275.63**	**288.55**	**293.14**	**283.39**	**9.75**
Medical Expenses:						
Capitation (PCP, Specialty, Kasier, NEMT & Visio	12.62	12.45	12.69	12.49	12.38	0.10
FFS Claims Expenses:						
Inpatient	38.63	58.00	68.28	60.71	55.56	(5.15)
LTC/SNF	60.04	53.00	43.11	54.73	44.96	(9.77)
Outpatient	22.98	19.22	27.15	22.34	25.33	2.99
Laboratory and Radiology	3.39	4.45	3.62	4.25	3.96	(0.29)
Physician ACA 1202	0.78	0.75	-	-	-	-
Emergency Room	6.55	7.13	7.96	7.38	7.83	0.45
Physician Specialty	14.51	17.78	18.16	15.55	19.82	4.27
Mental Health Services	1.75	1.86	1.75	2.01	1.42	(0.58)
Pharmacy	42.52	41.25	44.17	47.25	48.24	0.99
Other Medical Professional	1.45	1.59	1.41	1.52	1.40	(0.12)
Other Medical Care	-	0.03	0.00	-	-	-
Other Fee For Service	21.58	23.74	26.77	29.20	25.33	(3.86)
Transportation	0.62	0.58	0.79	0.52	0.66	0.14
Total Claims	214.82	229.37	243.17	245.44	234.51	(10.93)
Medical & Care Management Expense	5.82	6.05	6.33	6.22	7.13	0.91
Reinsurance	0.79	2.26	2.26	(0.81)	1.53	2.34
Claims Recoveries	(1.41)	(0.25)	(2.75)	(1.60)	-	1.60
Sub-total	5.20	8.06	5.83	3.80	8.66	4.85
Total Cost of Health Care	**232.65**	**249.87**	**261.69**	**261.74**	**255.55**	**(6.18)**
Contribution Margin	**37.06**	**25.76**	**26.85**	**31.40**	**27.83**	**3.57**
General & Administrative Expenses:						
Salaries and Wages	4.34	4.27	4.14	4.47	5.06	0.59
Payroll Taxes and Benefits	0.68	1.05	1.07	1.07	1.18	0.11
Travel and Training	0.07	0.05	0.06	0.05	0.19	0.14
Outside Service - ACS	7.70	7.63	7.96	7.87	7.57	(0.30)
Outside Services - Other	1.35	0.60	0.57	1.45	0.58	(0.87)
Accounting & Actuarial Services	0.11	0.21	0.12	(0.05)	0.10	0.15
Legal	0.35	0.52	0.24	0.91	0.27	(0.64)
Insurance	0.09	0.09	0.08	0.08	0.11	0.03
Lease Expense - Office	0.22	0.21	1.60	0.43	0.48	0.05
Consulting Services	0.40	0.42	0.51	0.24	0.94	0.71
Translation Services	0.02	0.04	0.01	0.03	0.02	(0.02)
Advertising and Promotion	0.01	(0.01)	0.01	-	0.09	0.09
General Office	0.63	0.54	0.89	0.62	0.80	0.18
Depreciation & Amortization	0.05	0.05	0.10	0.10	0.37	0.27
Printing	0.01	0.16	0.08	0.01	0.08	0.07
Shipping & Postage	0.04	0.00	0.01	0.00	0.02	0.02
Interest	0.11	0.20	0.16	0.24	0.08	(0.15)
Total G & A Expenses	**16.19**	**16.05**	**18.10**	**17.52**	**17.94**	**0.42**
Net Income / (Loss)	**20.86**	**9.71**	**8.76**	**13.89**	**9.90**	**3.99**



	OCT 2013	NOV 2013	DEC 2013	JAN 2014	FEB 2014	MAR 2014	APR 2014	MAY 2014
Total	22.7	17.3	19.5	15.7	15.9	18.4	19.5	18.3
120+	5.3	2.2	3.0	1.7	1.5	1.8	2.4	3.0
90	1.8	1.0	1.8	0.9	0.9	2.5	1.2	1.0
60	3.0	3.2	2.3	2.1	2.3	3.6	3.4	3.3
30	9.7	8.6	9.3	8.0	9.1	8.2	9.3	8.0
Current	3.0	2.3	3.0	2.9	2.1	2.3	3.2	3.0

Note: **Paid Claims Composition** - reflects adjusted medical claims payment lag schedule.
* Months Indicated with 5* represent months for which there were 5 claim payments. For all other months, 4 claim payments were made.



	OCT 2013	NOV 2013	DEC 2013	JAN 2014	FEB 2014	MAR 2014	APR 2014	MAY 2014
Total Unpaid	40.61	42.78	42.86	49.73	56.40	63.24	69.47	80.53
Prior Month Unpaid	24.70	23.17	26.18	28.39	33.58	40.10	44.38	48.09
Current Month Unpaid	15.91	19.61	16.69	21.34	22.82	23.14	25.09	32.44

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

For the month ended May 31, 2014

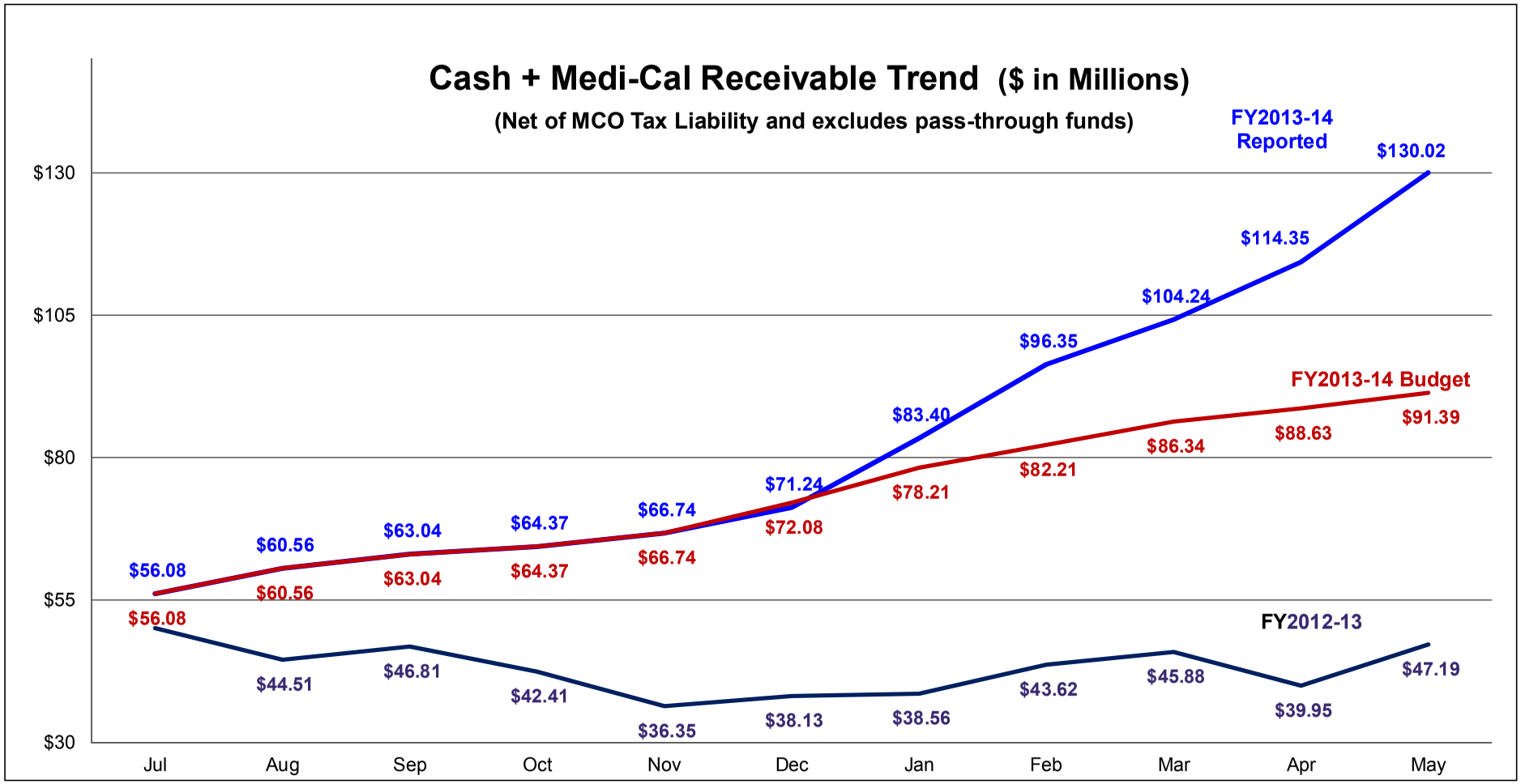
APPENDIX

- Comparative Balance Sheet
- Cash & Medi-Cal Receivable Trend
- Statements of Cash Flow
- YTD Income Statement
- Total Expenditure Composition
- Pharmacy Cost & Utilization Trends

Comparative Balance Sheet

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

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


Cash + Medi-Cal Receivable Trend ($ in Millions)
(Net of MCO Tax Liability and excludes pass-through funds)
FY2013-14 Reported
FY2013-14 Budget
FY2012-13
$130
$105
$80
$55
$30
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
$56.08
$60.56
$63.04
$64.37
$66.74
$71.24
$83.40
$96.35
$104.24
$114.35
$130.02
$56.08
$60.56
$63.04
$64.37
$66.74
$72.08
$78.21
$82.21
$86.34
$88.63
$91.39
$44.51
$46.81
$42.41
$36.35
$38.13
$38.56
$43.62
$45.88
$39.95
$47.19

Statement of Cash Flows - Monthly

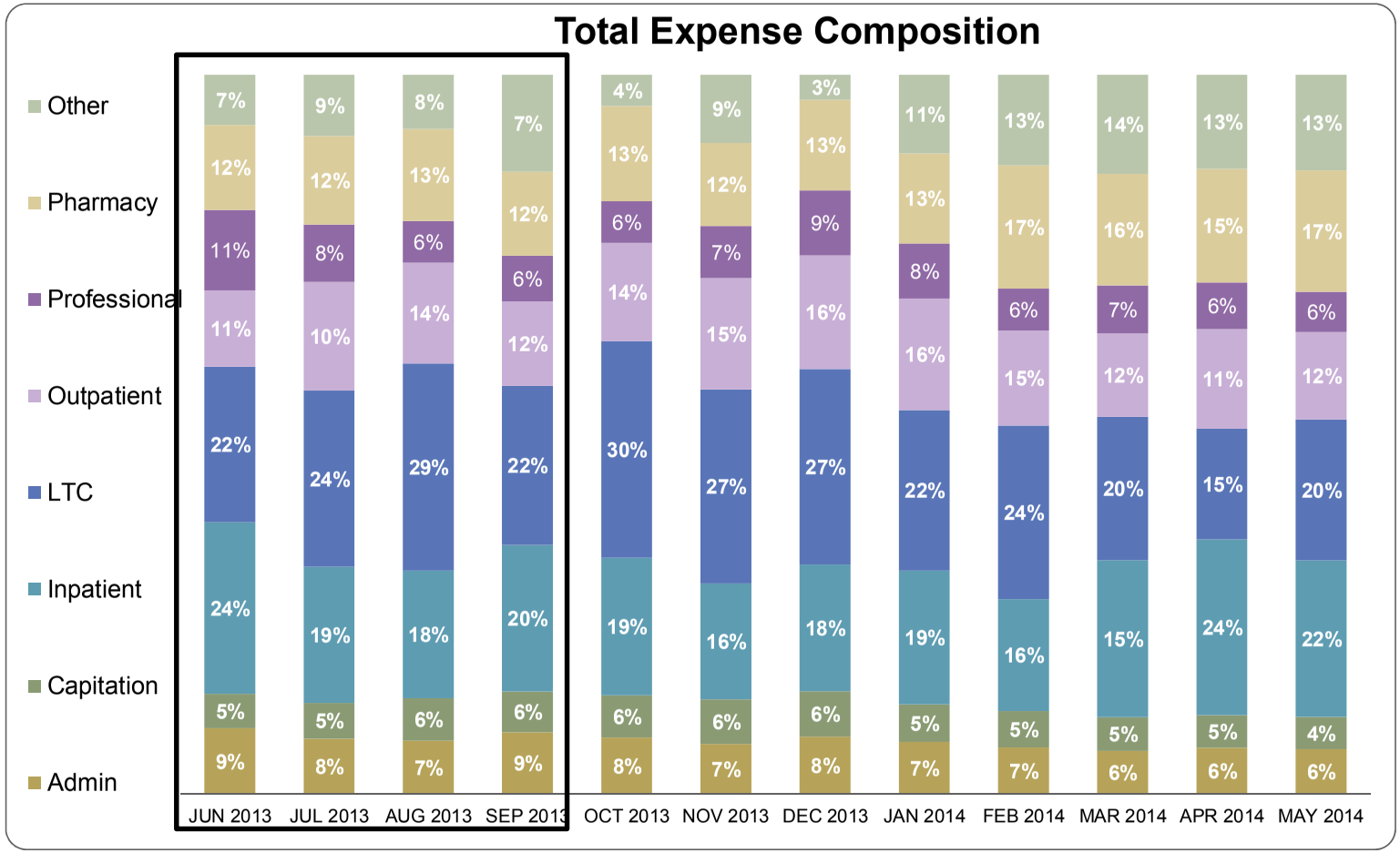
	MAY '14	APR '14	JUN'13
Cash Flow From Operating Activities			
Collected Premium	$ 47,033,424	$ 37,650,034	$ 52,138,834
Miscellaneous Income	12,448	16,425	8,594
State Pass Through Funds	610,463	547,636	34,346,474
Paid Claims			
Medical & Hospital Expenses	(18,074,838)	(22,006,605)	(17,277,826)
Pharmacy	(5,481,933)	(4,969,327)	(4,009,168)
Capitation	(1,813,549)	(1,707,411)	(1,162,302)
Reinsurance of Claims	(336,485)	(319,404)	(240,430)
State Pass Through Funds Distributed	-	(521,567)	(34,346,474)
Paid Administration	(2,609,727)	(1,271,656)	(2,616,623)
MCO Tax Received / (Paid)		(8,124,486)	829,564
Net Cash Provided/ (Used) by Operating Activities	**19,339,804**	**(706,361)**	**27,670,643**
Cash Flow From Investing/Financing Activities			
Proceeds from Line of Credit			-
Repayments on Line of Credit	-	-	-
Net Acquisition of Property/Equipment	(73,786)	(381,708)	(31,026)
Net Cash Provided/(Used) by Investing/Financing	**(73,786)**	**(381,708)**	**(31,026)**
Net Cash Flow	**$ 19,266,019**	**$ (1,088,069)**	**$ 27,639,617**
Cash and Cash Equivalents (Beg. of Period)	73,664,068	73,664,068	23,068,235
Cash and Cash Equivalents (End of Period)	91,842,018	72,576,000	50,817,760
	$ 18,177,950	**$ (1,088,069)**	**$ 27,749,525**
Adjustment to Reconcile Net Income to Net Cash Flow			
Net (Loss) Income	2,059,063	1,240,243	4,109,976
Loss on asset disposal	-	65,781	-
Depreciation & Amortization	45,083	44,605	11,407
Decrease/(Increase) in Receivables	1,670,751	(4,987,770)	22,788,941
Decrease/(Increase) in Prepaids & Other Current Ass	49,252	300,680	769,972
(Decrease)/Increase in Payables	680,609	1,113,941	(1,578,838)
(Decrease)/Increase in Other Liabilities	(38,333)	(38,333)	(121,667)
Changes in Withhold / Risk Incentive Pool	-	-	-
Change in MCO Tax Liability	1,807,947	(6,427,510)	1,433,012
Changes in Claims and Capitation Payable	3,527,743	(2,194,076)	1,913,029
Changes in IBNR	9,537,691	10,176,079	(1,655,189)
	19,339,804	(706,361)	27,670,643
Net Cash Flow from Operating Activities	**$ 19,339,804**	**$ (706,361)**	**$ 27,670,643**

Statement of Cash Flows - YTD

	MAY 2014 YTD
Cash Flow From Operating Activities	
Collected Premium	$ 338,499,858
Miscellaneous Income	137,077
State Pass Through Funds	63,097,322
Paid Claims	
Medical & Hospital Expenses	(196,290,626)
Pharmacy	(43,961,142)
Capitation	(17,247,549)
Reinsurance of Claims	(3,185,182)
State Pass Through Funds Distributed	(61,216,681)
Payment of Withhold / Risk Sharing Incentive	-
Paid Administration	(28,097,843)
Repay Initial Net Liabilities	-
MCO Taxes Received / (Paid)	(8,951,052)
Net Cash Provided/(Used) by Operating Activities	**42,784,183**
Cash Flow From Investing/Financing Activities	
Proceeds from Line of Credit	-
Repayments on Line of Credit	-
Net Acquisition of Property/Equipment	(1,759,925)
Net Cash Provided/(Used) by Investing/Financing	**(1,759,925)**
Net Cash Flow	**$ 41,024,258**
Cash and Cash Equivalents (Beg. of Period)	50,817,760
Cash and Cash Equivalents (End of Period)	91,842,018
	$ 41,024,258
Adjustment to Reconcile Net Income to Net Cash Flow	
Net Income/(Loss)	18,915,526
Depreciation & Amortization	261,340
Decrease/(Increase) in Receivables	(39,109,381)
Decrease/(Increase) in Prepaids & Other Current Assets	(238,034)
(Decrease)/Increase in Payables	7,258,675
(Decrease)/Increase in Other Liabilities	(422,821)
Change in MCO Tax Liability	5,659,160
Loss on asset disposal	65,781
Changes in Claims and Capitation Payable	(519,653)
Changes in IBNR	50,913,591
	42,784,183
Net Cash Flow from Operating Activities	**$ 42,784,183**

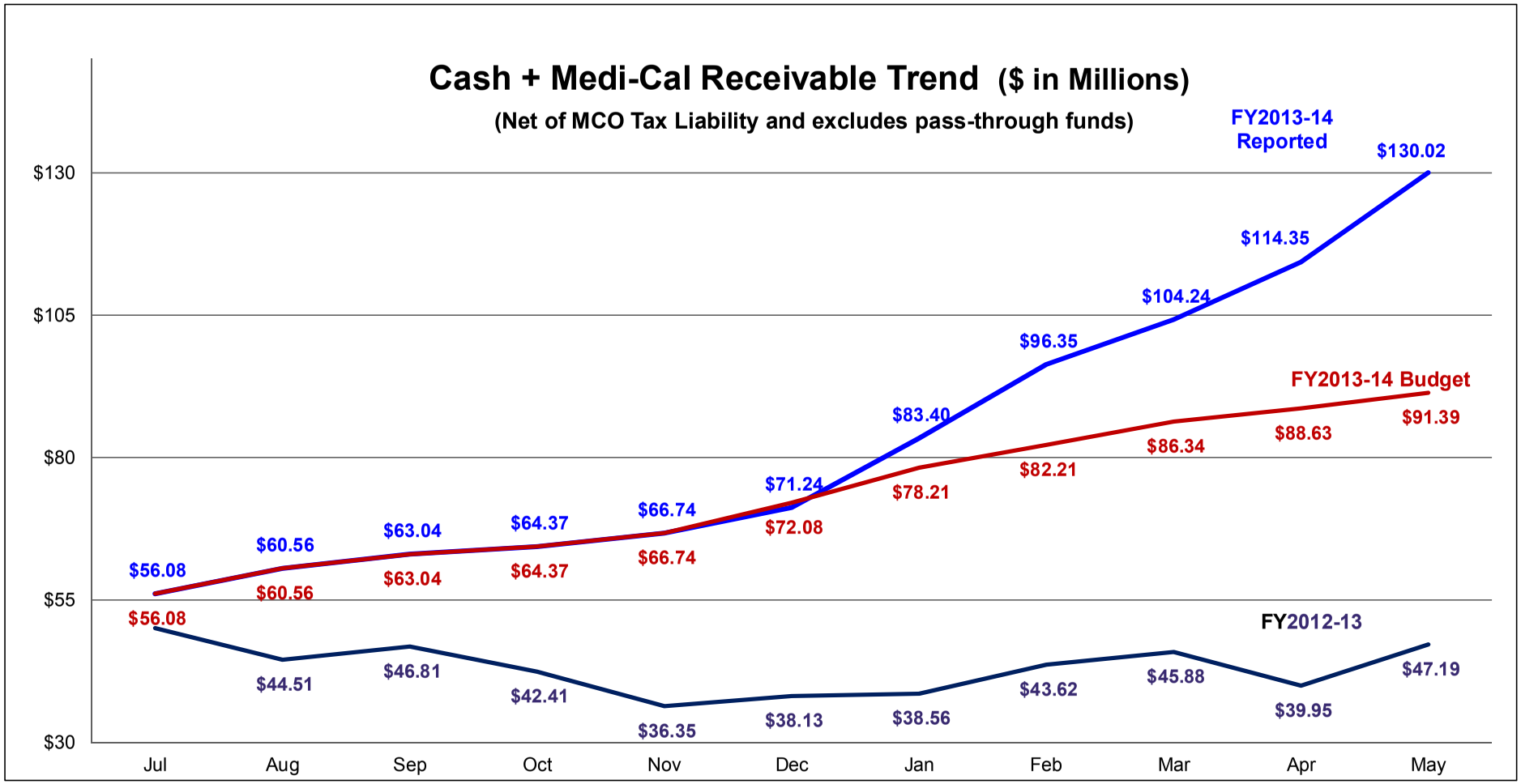
Income Statement
For The Eleven Months Ended May 31, 2014

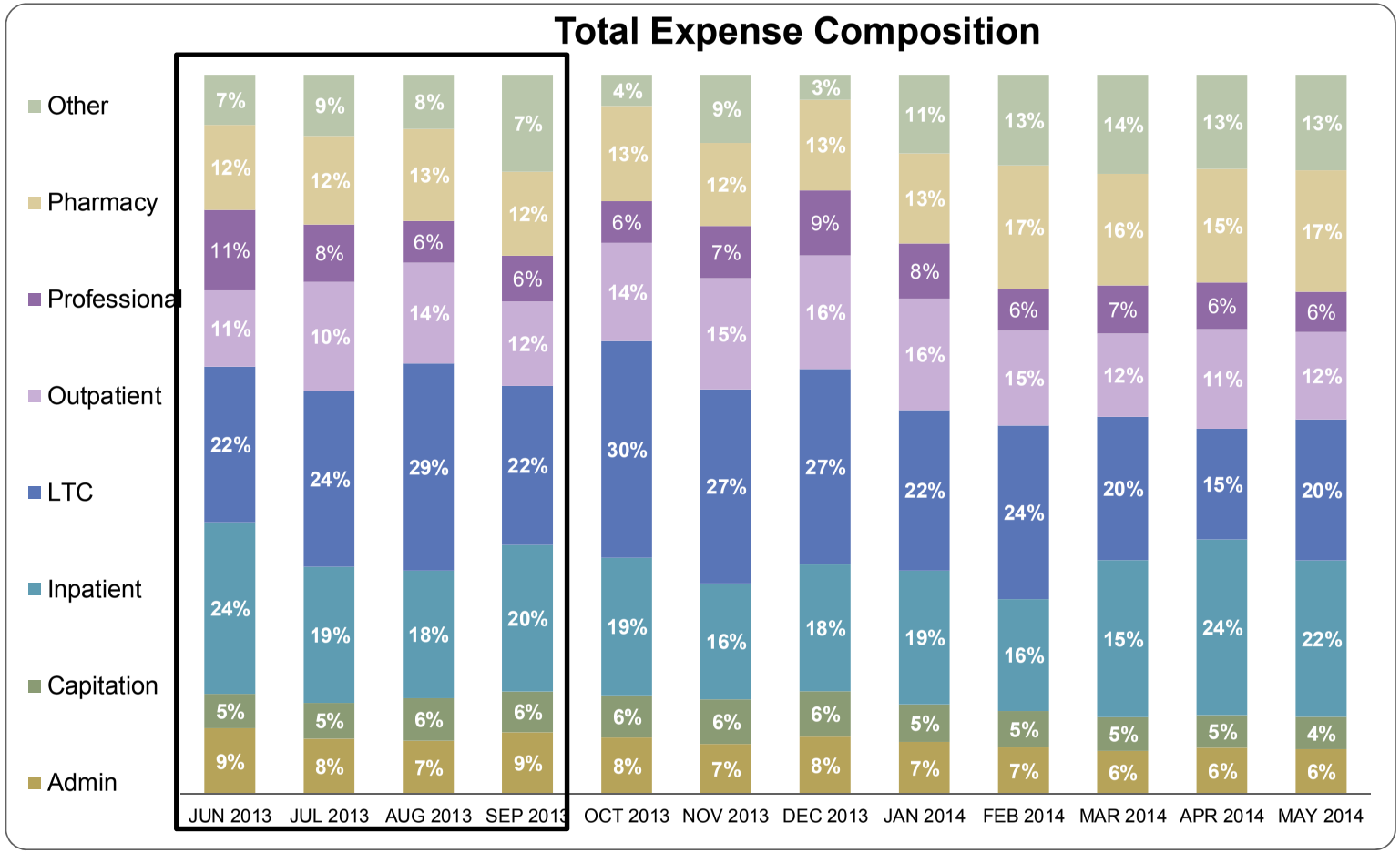
	May '14 Year-To-Date		Variance
	Actual	Budget	Fav/(Unfav)
Membership (includes retro members)	1,396,492	1,374,745	21,747
Revenue			
Premium	$ 378,471,493	$ 367,352,603	$ 11,118,890
Reserve for Rate Reduction	(2,096,754)	(2,107,661)	10,907
MCO Premium Tax	(14,507,465)	(14,284,208)	(223,257)
Total Net Premium	**361,867,275**	**350,960,734**	**10,906,541**
Other Revenue:			
Interest Income	137,077	122,978	14,099
Miscellaneous Income	420,620	421,667	(1,047)
Total Other Revenue	557,697	**544,645**	13,052
Total Revenue	**362,424,972**	**351,505,379**	**10,919,592**
Medical Expenses:			
Capitation (PCP, Specialty, Kaiser, NEMT & Vision)	17,777,790	17,472,729	(305,061)
FFS Claims Expenses:			
Inpatient	66,260,611	65,011,427	(1,249,184)
LTC/SNF	78,079,178	70,950,949	(7,128,229)
Outpatient	33,613,359	33,552,719	(60,640)
Laboratory and Radiology	3,349,627	3,322,868	(26,760)
Physician ACA 1202	5,373,618	-	(5,373,618)
Emergency Room	9,331,375	9,341,102	9,727
Physician Specialty	22,618,864	24,147,515	1,528,651
Mental Health Services	1,258,195	959,117	(299,078)
Pharmacy	47,820,475	50,380,754	2,560,279
Other Medical Professional	1,843,246	1,722,647	(120,599)
Other Medical Care	7,270	-	(7,270)
Other Fee For Service	26,794,305	25,748,742	(1,045,564)
Transportation	921,837	931,181	9,345
Total Claims	297,271,960	286,069,021	(11,202,939)
Medical & Care Management Expense	8,757,047	8,976,627	219,580
Reinsurance	(1,484,869)	(478,038)	1,006,831
Claims Recoveries	(2,786,727)	-	2,786,727
Sub-total	4,485,451	8,498,589	4,013,139
Total Cost of Health Care	**319,535,202**	**312,040,340**	**(7,494,861)**
Contribution Margin	**42,889,770**	**39,465,039**	**3,424,731**
General & Administrative Expenses:			
Salaries and Wages	6,109,199	6,313,066	203,867
Payroll Taxes and Benefits	1,477,230	1,484,218	6,988
Travel and Training	86,668	179,133	92,465
Outside Service - ACS	11,068,085	10,794,532	(273,552)
Outside Services - Other	782,688	599,854	(182,834)
Accounting & Actuarial Services	231,307	196,613	(34,694)
Legal	741,223	470,947	(270,277)
Insurance	130,938	132,879	1,942
Lease Expense - Office	536,639	556,553	19,914
Consulting Services	1,047,352	1,392,863	345,511
Translation Services	43,165	30,810	(12,354)
Advertising and Promotion	25,369	175,019	149,650
General Office	1,014,938	1,113,466	98,528
Depreciation & Amortization	88,871	213,622	124,751
Printing	104,559	194,670	90,111
Shipping & Postage	49,192	209,709	160,517
Interest	371,041	296,228	(74,813)
Other/ Miscellaneous Expenses	65,781	-	(65,781)
Total G & A Expenses	**23,974,244**	**24,354,182**	**379,938**
Net Income / (Loss)	**$ 18,915,526**	**$ 15,110,857**	**$ 3,804,669**



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

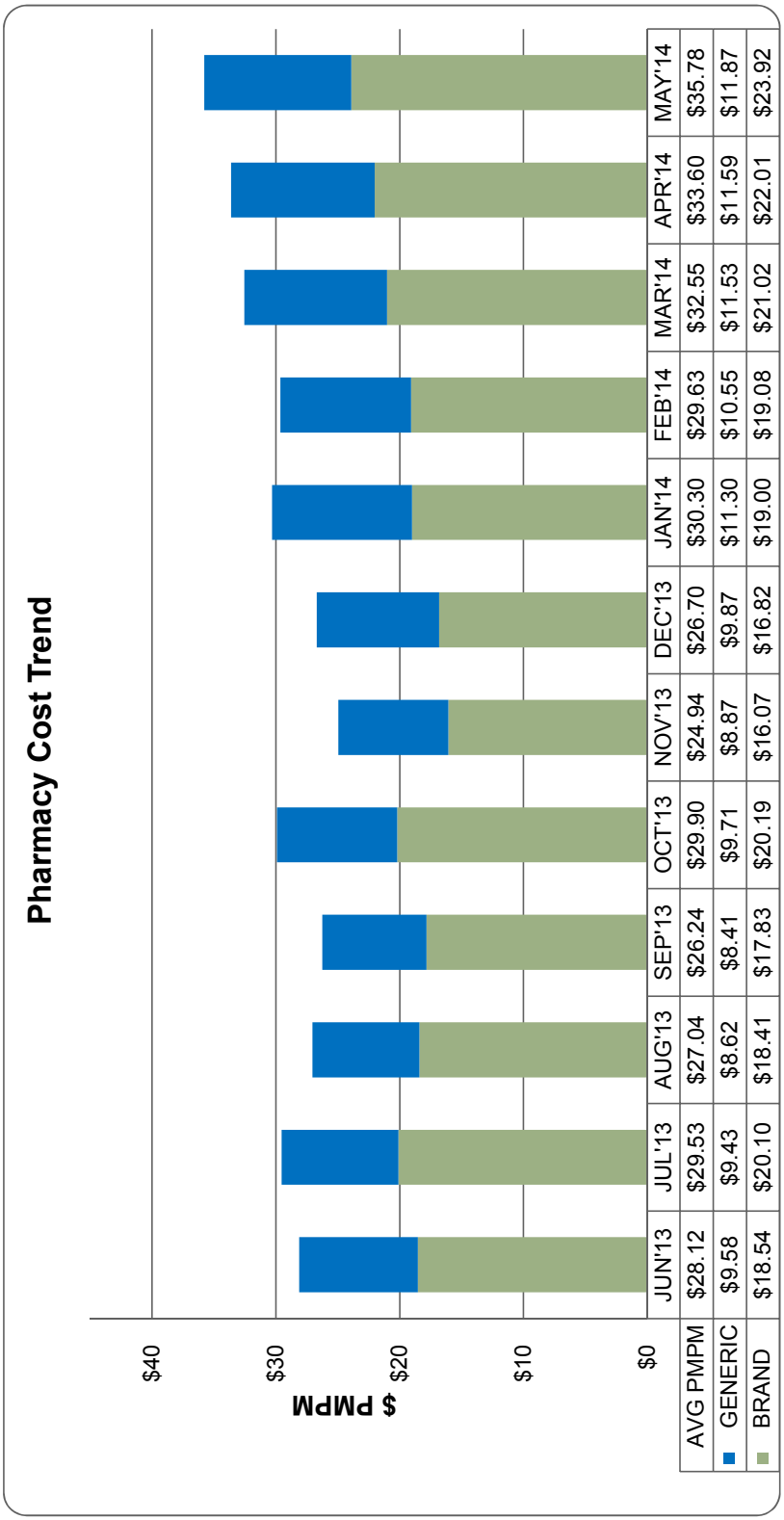
Beginning January 2014, "Other" category includes ACA 1202 physician supplement and mental health expenses.


Cash + Medi-Cal Receivable Trend ($ in Millions)
(Net of MCO Tax Liability and excludes pass-through funds)
FY2013-14 Reported
FY2013-14 Budget
FY2012-13
$130
$105
$80
$55
$30
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
$56.08
$60.56
$63.04
$64.37
$66.74
$71.24
$83.40
$96.35
$104.24
$114.35
$130.02
$56.08
$60.56
$63.04
$64.37
$66.74
$72.08
$78.21
$82.21
$86.34
$88.63
$91.39
$44.51
$46.81
$42.41
$36.35
$38.13
$38.56
$43.62
$45.88
$39.95
$47.19

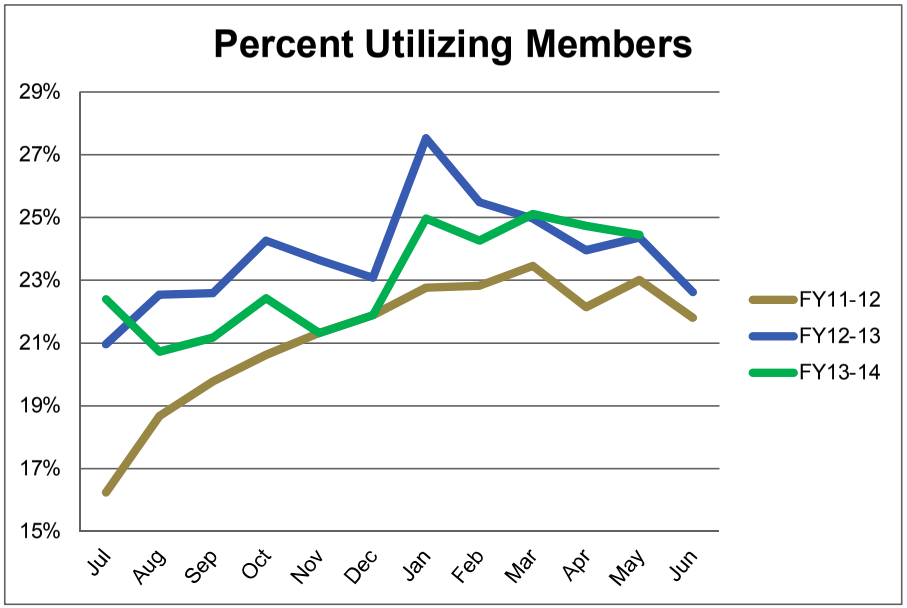


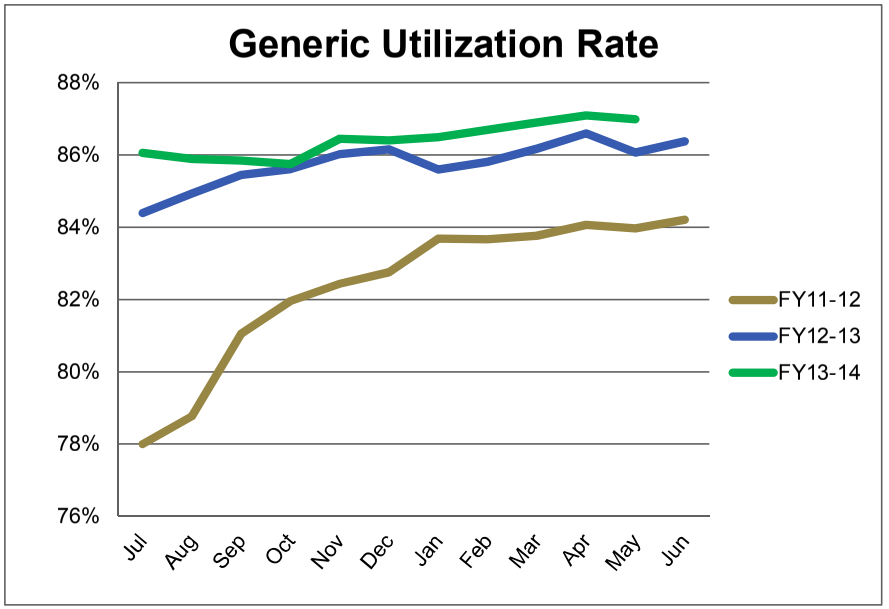
In May 2013, GCHP changed its method of distributing Health Care Costs (HCC) across categories of service. Prior months utilized an allocation methodology. The methodology was updated to utilize payment information by different categories of services. Further changes have been made with the assumption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

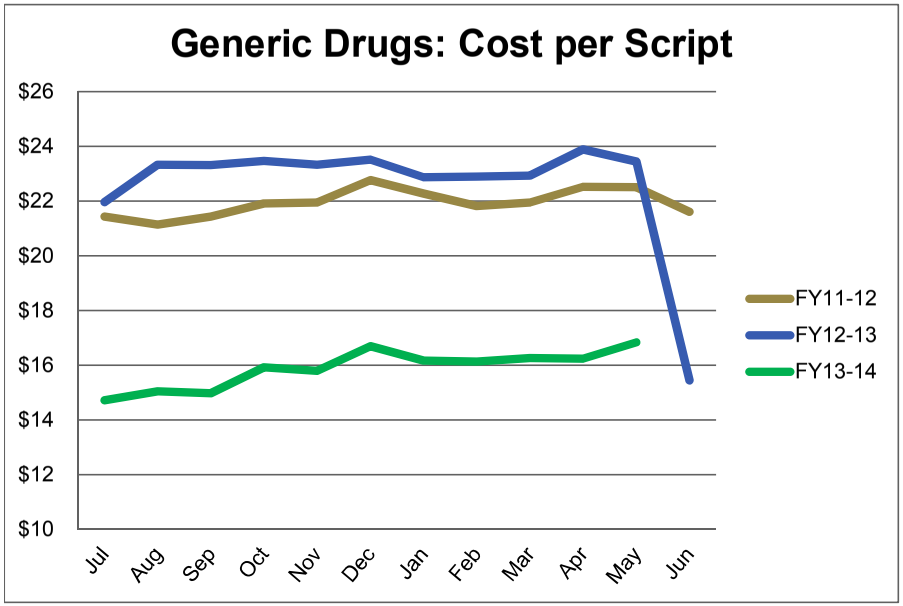
Beginning January 2014, "Other" category includes ACA 1202 physician supplement and mental health expenses.

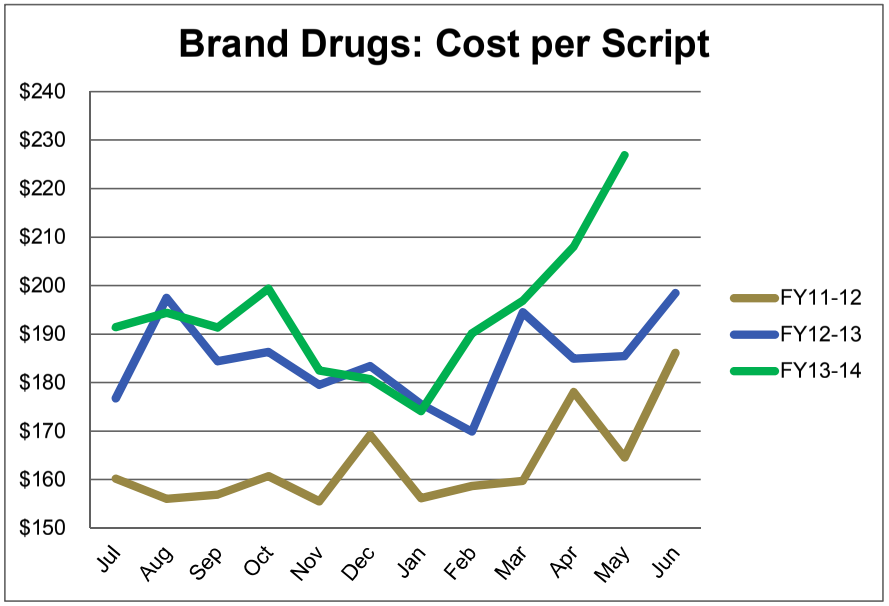


AVG PMPM	JUN'13	JUL'13	AUG'13	SEP'13	OCT'13	NOV'13	DEC'13	JAN'14	FEB'14	MAR'14	APR'14	MAY'14
GENERIC	$9.58	$9.43	$8.62	$8.41	$9.71	$8.87	$9.87	$11.30	$10.55	$11.53	$11.59	$11.87
BRAND	$18.54	$20.10	$18.41	$17.83	$20.19	$16.07	$16.82	$19.00	$19.08	$21.02	$22.01	$23.92
	$28.12	$29.53	$27.04	$26.24	$29.90	$24.94	$26.70	$30.30	$29.63	$32.55	$33.60	$35.78


Percent Utilizing Members
29%
27%
25%
23%
21%
19%
17%
15%
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
FY11-12
FY12-13
FY13-14


Generic Utilization Rate
88%
86%
84%
82%
80%
78%
76%
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
FY11-12
FY12-13
FY13-14


Generic Drugs: Cost per Script
$26
$24
$22
$20
$18
$16
$14
$12
$10
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
FY11-12
FY12-13
FY13-14


Brand Drugs: Cost per Script
$240
$230
$220
$210
$200
$190
$180
$170
$160
$150
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
FY11-12
FY12-13
FY13-14

Gold Coast Health Plan℠
A Public Entity

www.goldcoasthealthplan.org

AGENDA ITEM 2c

To: Gold Coast Health Plan Executive / Finance Committee

From: Michelle Raleigh, Chief Financial Officer

Date: July 7, 2014

Re: Financial Auditor Client Service and Audit Plan

SUMMARY

The Plan's financial auditors, McGladrey LLP (McGladrey), will be presenting the attached material which outlines the following steps for the upcoming audit of the FY 2013-14 (July 1, 2013 through June 30, 2014) financial statements:

- Expectations between the Plan and McGladrey
- McGladrey's service team,
- Key audit risks,
- Overall audit approach,
- Service deliverables,
- Timelines, and
- Other matters.

McGladrey's Partner Steve Draxler and Assurance Services Director Carrie Esler will also be available to answer any questions regarding the FY 2013-14 financial audit.

RECOMMENDATION

Staff requests that the Executive / Finance Committee accept and file the McGladrey's 2014 Client Service and Audit Plan.

CONCURRENCE

N/A

Attachments

McGladrey's 2014 Client Service and Audit Plan

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

2014 Client Service and Audit Plan

McGladrey

Assurance ▪ Tax ▪ Consulting

McGladrey

July 10, 2014

To the Executive/Finance Committee
Ventura County Medi-Cal Managed Care Commission
dba Gold Coast Health Plan
Camarillo, California

On behalf of McGladrey LLP, we are pleased to submit our 2014 client service and audit plan for Gold Coast Health Plan (GCHP). This report outlines our mutual understanding of the expectations between Gold Coast Health Plan and McGladrey LLP, our client service team, key audit risks, overall audit approach, service deliverables, timelines and other matters.

This plan has been developed to provide the Executive/Finance Committee with an overview of our plan to provide Gold Coast Health Plan with an efficient, high-quality audit that addresses key risks and business issues within the organization. It also incorporates best practices and efficiencies identified during the previous audits we have performed. This service plan will be monitored throughout the year to ensure that we meet your expectations and address key audit, business and industry risks as they arise.

We appreciate the time and resources that your team has committed to assisting us. We look forward to our meeting with you on July 10, 2014, to present this report, address any questions you may have, and discuss any other matters of interest to the Executive/Finance Committee.

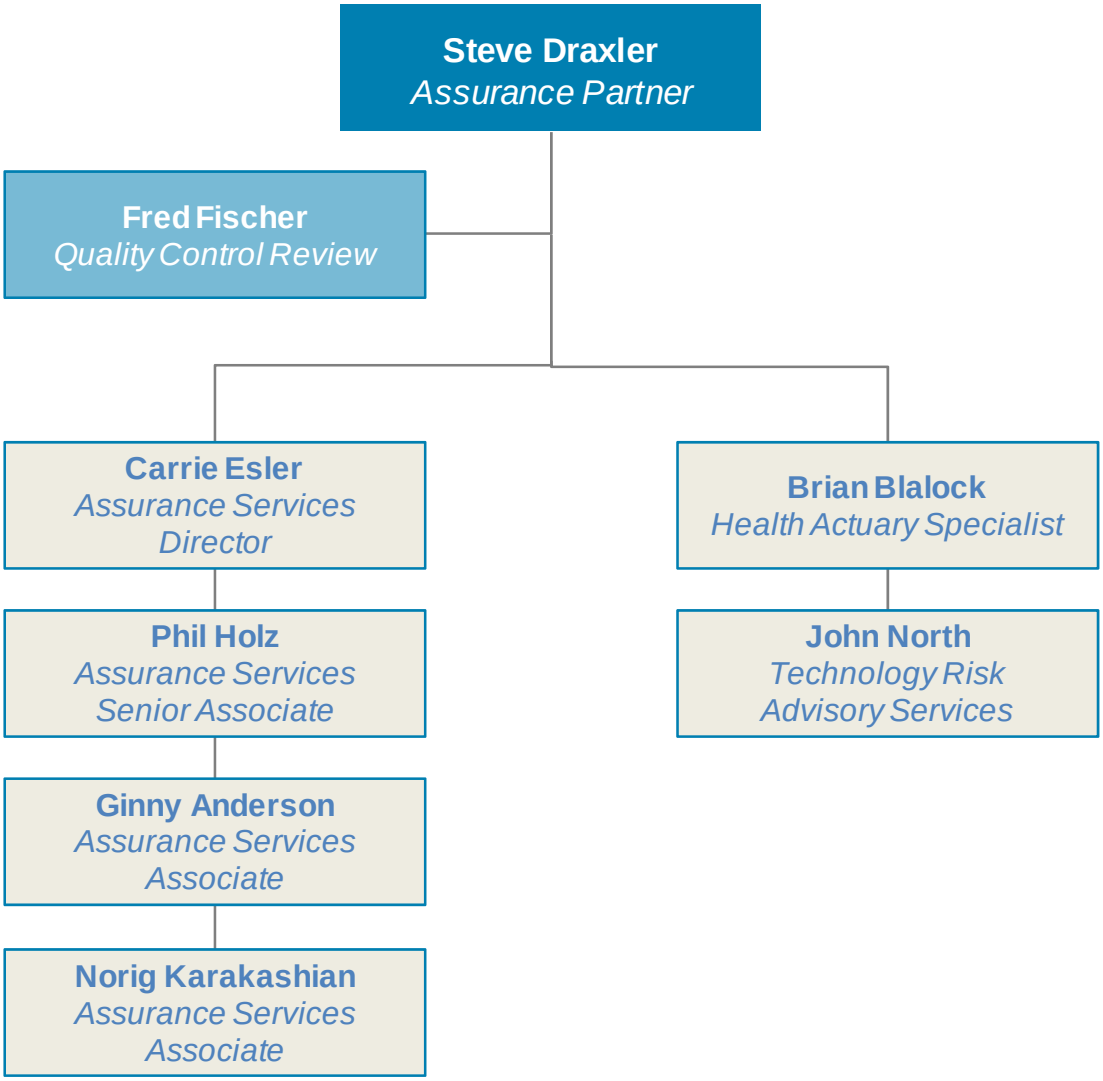
Sincerely,

Steve Draxler

Steven J. Draxler, Partner
steve.draxler@mcgladrey.com

The GCHP 2014 Client Service and Audit Plan

Client Service Team



Audit Scope

Auditing standards require that we plan and perform our audits to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Based on discussions with management, we are planning to audit the financial statements and provide other services as follows:

- Financial statement audit:
    - Perform an audit at a level that allows us to express an opinion on the financial statements as a whole. The procedures are designed to be performed on specific areas of risk, using a materiality threshold calculated based upon the relevant financial metrics.
- Written communication with the Executive/Finance Committee:
    - Issue a written report summarizing the results of our audit, including all required communications under the American Institute of Certified Public Accountants' (AICPA) AU-C Section 260 (AU-C 260), *The Auditor's Communication With Those Charged With Governance.*
    - If applicable, issue a management letter providing our observations and recommendations regarding internal controls (including all material weaknesses and significant deficiencies), business and industry matters, relevant technical advice, accounting guidance, and other matters.

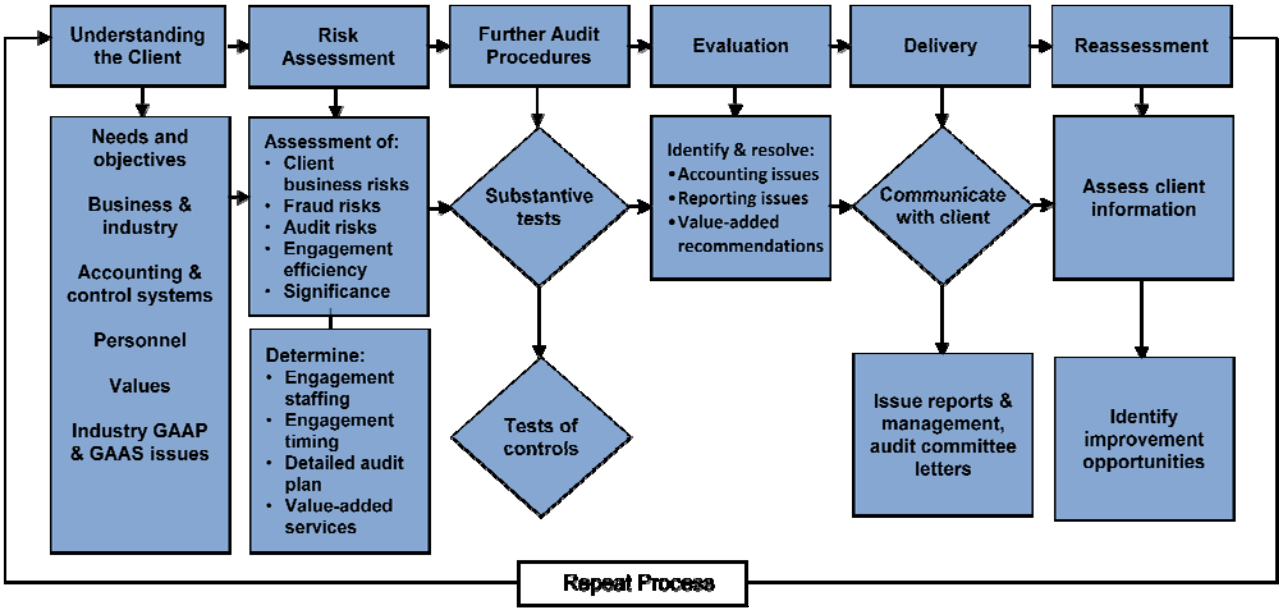
Summary Audit Approach

Gold Coast Health Plan

Communication: Effective, two-way communication between our firm and the Executive/Finance Committee is important for understanding matters related to the audit and in developing a constructive working relationship.

Your insights may assist us in understanding GCHP and its environment, in identifying appropriate sources of audit evidence, and in providing information about specific transactions or events. We will discuss with you your oversight of the effectiveness of internal control and any areas where you request additional procedures to be undertaken. We expect that you will timely communicate with us any matters you consider relevant to the audit. Such matters might include strategic decisions that may significantly affect the nature, timing and extent of audit procedures; your suspicion or detection of fraud or abuse; or any concerns you may have about the integrity or competence of senior management.

We will timely communicate to you any fraud involving senior management and other fraud that causes a material misstatement of the financial statements, illegal acts, instances of noncompliance, or abuse that come to our attention (unless they are clearly inconsequential) and disagreements with management and other serious difficulties encountered in performing the audit. We also will communicate to you and to management any significant deficiencies or material weaknesses in internal control that become known to us during the course of the audit. Other matters arising from the audit that are, in our professional judgment, significant and relevant to you in your oversight of the financial reporting process will be communicated to you in writing after the audit.



Independence: Independence is a cornerstone of our profession. As such, we actively monitor independence to ensure our firm and its personnel comply with applicable professional independence standards.

The GCHP 2014 Client Service and Audit Plan

Audit planning process: Our audit approach places a strong emphasis on obtaining an understanding of how your business functions. On the basis of this understanding, we will perform a detailed risk assessment to design the nature, timing and extent of audit procedures. We will also review recommendations made in prior years and assess current internal control procedures.

Similar to how we have approached our past audits of GCHP, we expect to perform planning procedures through an interim date, May 31, 2014, and then create expectations for year-end. At year-end we compare our expectations to the actual results and at that point determine appropriate procedures. That timing provides the ability to continue our “no surprises” audit approach.

Materiality: We apply the concept of materiality both in planning and performing the audit; evaluating the effect of identified misstatements on the audit and the effect of uncorrected misstatements, if any, on the financial statements; and in forming the opinions in our reports. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. We establish performance materiality at an amount less than materiality for the financial statements as a whole to allow for the risk of misstatements that may not be detected by the audit. We use performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further financial audit procedures. Our assessment of materiality throughout the audit will be based on both quantitative and qualitative considerations. Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements as well as financial statements of future periods. We will accumulate misstatements identified during the audit, other than those that are clearly trivial. At the end of the audit, we will inform you of all individual unrecorded misstatements aggregated by us in connection with our evaluation of our audit test results.

Internal controls: Our audit of the financial statements will include obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Our review and understanding of GCHP’s internal control is not undertaken for the purpose of expressing an opinion on the effectiveness of internal control.

Areas of Audit Focus and Summary Audit Procedures

The fiscal year 2014 audit will continue to take a risk-based approach based on our understanding of the control risk assessment from results of our initial audit scoping, as well as our continuous review process. Following are the audit areas that, based on a risk assessment performed by us, we believe pose a higher risk of misstatement to the financial statements. When deemed efficient by us, tests of controls will be performed. In those areas for which we are relying on controls, as required by audit standards, we will also perform certain limited substantive and analytic tests. In those areas for which controls are not relied upon, we will perform substantive and analytic tests with more selections and a lower scope than applied when we are relying on controls. A summary of the substantive and analytic tests we plan to perform is presented below:

Risk Area	Summary Audit Procedures
Medical expenses and medical claims payable	• Test claims adjudication process. • Assess adequacy of current reserving methodologies. • Assess independence and competence of actuaries and their methodology. • Test data provided to independent actuaries for accuracy and completeness. • Review of the actuarial firm's (engaged by management) methodologies and results by McGladrey's specialists.
Capitation revenue and capitation reserve	• Test management's calculations of capitation revenue. • Perform substantive tests on a selected sample, along with detailed analytical procedures. • Review management's methodology for allowance for uncollectibility. • Test cutoff. • Review subsequent cash receipts and credits.
Premium deficiency reserve	• Review management methodology and revenue and expense projections for determining if a premium deficiency reserve is needed.
Reinsurance recoverable	• Review management's process for calculating the reinsurance recoverable. • Review terms of the contract with the reinsurer. • Review management's methodology for allowance for uncollectibility.
Internal control documentation and testing	• Gain an understanding of internal control policies and procedures relevant to specific assertions that are likely to prevent, or detect and correct, material misstatement of financial statements. • Design and perform tests of controls to evaluate the operating effectiveness of those policies and procedures.
Information system general computer controls	• Assess information system controls relevant to financial reporting. Activities consist of the procedures (manual or automated) and records established to initiate, authorize, record, process and report entity transactions, events and conditions, and to maintain accountability for the related assets, liabilities and equity.
Operating expenses	• Perform analytical procedures and substantive test work to address risks.
Accrued expenses	• Test a sample of recorded balances. • Perform search for unrecorded liabilities. • Review subsequent disbursements.

Risk Area	Summary Audit Procedures
Commitments and contingencies	• Review status of any litigation with management and legal counsel. • Confirm with legal counsel. • Review Commission minutes. • Assess reasonableness of any reserve levels.
Unusual transactions	• Obtain an understanding of the background of the subject. • Review available documentation. • Test journal entries for consistency with evidence obtained. • Test details of unique programs, including intergovernmental transfers, senate and assembly bill adjustments to rates, etc.
Financial statement close process, including disclosures	• Gain an understanding of the financial statement close process and read financial statements and significant disclosures.

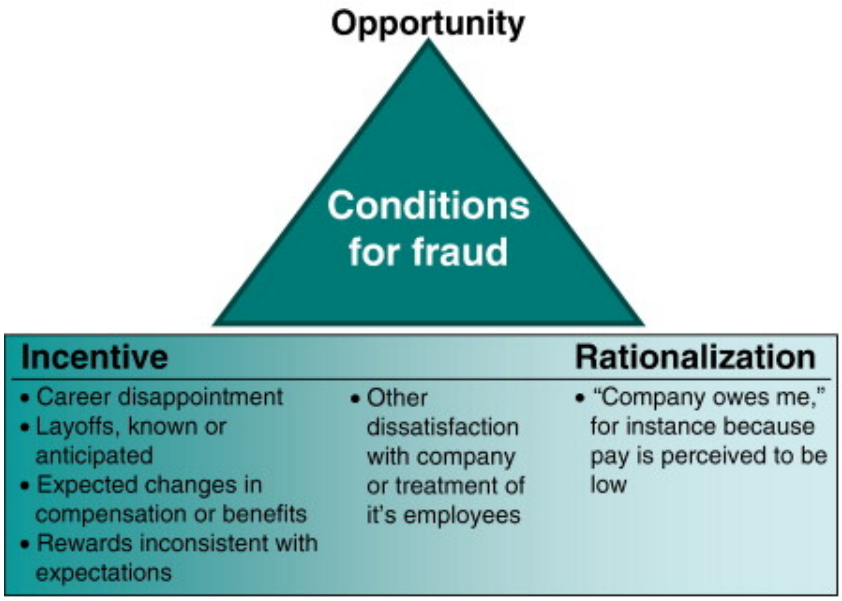
Use of Specialists

Gold Coast Health Plan is a complex organization. This complexity requires a level of additional specialized expertise. We have identified experts to evaluate key risk areas embedded in your business. These specialists will not only ensure we have the right resources to achieve our audit objectives, they will also be able to draw upon their best practice knowledge to identify areas of operational improvement for your business, as well as potential regulatory or compliance risks you were unaware of.

Area	Description of Services
Information technologies	Our information technologies specialists will assist with evaluating the current general computer controls implemented across GCHP.
Health actuarial	Our actuaries assist us in evaluating the methodologies utilized by the actuaries hired by management, as well as the estimated results of the actuarial calculations.

Fraud Risk Considerations

Auditing standards require us to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Following are the procedures designed to obtain reasonable assurance:



Summary Audit Procedures	
Consideration of fraud in a financial statement audit	Assess: • Risk of misstatement due to fraudulent financial reporting or misappropriation of assets • Entity's risk assessment process • Internal audit, compliance and Executive/Finance Committee activities • Financial performance versus budget and prior year
	Evaluate and review: • Code of conduct/ethics policies • Management programs and controls to deter and detect fraud for identified risk • Areas more likely susceptible to fraud • Business rationale for significant unusual transactions • Management structure and any changes • Accounting estimates, current and retrospective, for biases • Revenue recognition policies and procedures • Inquiries of management and others within GCHP, including the Executive/Finance Committee, those outside management, and those outside the finance function • Journal entries and other adjustments • Add an element of unpredictability in audit procedures year to year
	Consider the results of the information gathered through the procedures above.

New Accounting Guidance and Standards

The following standard will be analyzed for applicability to Gold Coast Health Plan.

Pending Guidance
The following topics are being contemplated by various authoritative and nonauthoritative accounting standard-setting bodies. Based on our preliminary assessment, these topics will not have a direct impact to GCHP for 2014. We will keep you apprised of developments in these areas: • Revenue recognition • Accounting for leases

Effective in the Current Year	
GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*	The objective of this statement is to determine whether certain balances currently reported as assets and liabilities should continue to be reported as such or as: • Deferred outflow of resources, or • An outflow of resources (expense/expenditure), Or • Deferred inflows or resources, or • An inflow of resources (revenue) This standfard is expected to have little to no impact on GCHP.

Effective in Future Years, Unless Optionally Adopted Early	
GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*	This statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Among other requirements, Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligations for pension benefits as a liability for the first time and calls for immediate recognition of more pension expense than is currently required. This standard is effective for fiscal year 2015.

Health Care Industry Trends

As we work with companies in the health care industry, these are some of the trends we see.

The Affordable Care Act: Implementation of the ACA has accelerated in 2014. As the ACA continues to roll out, the health care industry will be presented with additional opportunities and challenges.

The increasing role of the consumer: Consumers are becoming more price-sensitive, more discerning about the quality of care, more mobile, and exercising greater control over their health care spending. Increasingly, providers are responding to these changing dynamics.

Affiliations and partnerships: Providers are undertaking consolidations and building larger practices to take advantage of economies of scale. Providers are also focused on covering a wider swath of the care delivery system to manage consumer care. Integration of providers and insurers is also seeing a revival as a means to managing costs and for greater oversight of the care delivery system. Affiliations can be accomplished through forfeiture or acquisition of control of a targeted organization, or through strategic alliances that allow for affiliation without ownership. This variety of alignment of organizations is evidenced across the nation and across the spectrum of health care providers. It can allow both entities the opportunity to maintain control of their organization, while still benefiting from collaboration and affiliation.

Venture capital: Seeing opportunities in retail-model medicine and new technologies, capital from new sources is entering the market.

Pricing transparency: Employers are leading an effort to empower consumers to make better-informed choices. This will steer consumers to higher-value, lower-cost providers.

Using technology to interact: Many industries, such as banking, retail, insurance and real estate, have integrated technologies to interact with their customers. This trend has the potential to significantly impact how health care providers and consumers interact.

Risk-based payment arrangements: Outcomes-based medicine is causing a resurgence in risk-based payment arrangements. Such arrangements increase the risk to the provider, as they generally involve the provider accepting risk that previously was accepted by third-party payors.

Big data: The health care industry is producing an unprecedented level of data. Harnessing and analyzing data to use it for the betterment of the consumer and for a competitive advantage continues to be a challenge.

Health care worker shortages: It has been widely publicized that health care worker shortages are creating an increased demand for the immediate need for physicians and other workers.

Cost containment: Health care providers continue to focus on containing costs.

Audit Calendar

The timing of our auditing procedures is coordinated with management and has been designed to match Gold Coast Health Plan's needs. Ongoing communication with our key management contacts is a key to our successful relationship and will continue throughout the process through formal and informal means.

Pre-Audit Planning

Ongoing	-	We have been in discussions with management for several months regarding a variety of matters relating to 2014 audit planning.

Planning Fieldwork

June 9	-	Begin audit planning procedures, including claims sampling and internal control understanding.
	-	Internal planning meetings to facilitate efficiencies in the audit process
June 23	-	On-site planning procedures, including follow-up on prior-year findings and walk-throughs of key controls within the internal control cycle
	-	Meetings with key personnel, including inquiries with executives and those charged with governance
	-	Information technology specialist on-site before year-end fieldwork
July 10	-	Present 2014 audit plan to the Audit and Compliance Committee.

Final Fieldwork

August 11 – August 29	-	Audit partner, manager, in-charge and staff members on-site
	-	Actuarial specialist reviews health plan reserves
	-	Second partner review scheduled

Executive/Finance Committee Meeting

Fall of 2014	-	Present results of the 2014 audits and begin planning for 2015.

McGladrey's Peer Review Report

AICPA Peer Review Program
Administered by the National Peer Review Committee

American Institute of CPAs
220 Leigh Farm Road
Durham, NC 27707-8110

December 19, 2013

Joseph Michael Adams, CPA
McGladrey LLP
1 S Wacker Dr Ste 800
Chicago, IL 60606

Dear Mr. Adams:

It is my pleasure to notify you that on December 12, 2013 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is October 31, 2016. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

Betty Jo Charles

Betty Jo Charles
Chair, National Peer Review Committee
nprc@aicpa.org 919 402-4502

cc: John Mark Edwardson;Andrew V. Lear

Firm Number: 10046712 Review Number 347652

Letter ID: 850189

T: 1.919.402.4502 | F: 1.919.402.4876 | nprc@aicpa.org

BKD LLP
CPAs & Advisors

910 E. St. Louis Street, Suite 200 // P.O. Box 1190 // Springfield, MO 65801-1190
417.865.8701 // fax 417.865.0682 // bkd.com

System Review Report

To the Partners of
McGladrey LLP
and the National Peer Review Committee
of the American Institute of Certified
Public Accountants Peer Review Board

We have reviewed the system of quality control for the accounting and auditing practice of McGladrey LLP (the "firm") applicable to non-SEC issuers in effect for the year ended April 30, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, and audits of carrying broker-dealers, and examinations of service organizations [Service Organizations Control (SOC) 1 and 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of McGladrey LLP applicable to non-SEC issuers in effect for the year ended April 30, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. McGladrey LLP has received a peer review rating of *pass*.

BKD, LLP

December 4, 2013

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Gold Coast Health Plan℠
A Public Entity

www.goldcoasthealthplan.org

AGENDA ITEM 3a

To: Gold Coast Health Plan Executive / Finance Committee

From: Michelle Raleigh, Chief Financial Officer

Date: July 10, 2014

Re: Quarterly Update to Auditor's Recommendations

SUMMARY

As part of the FY 2012-13 audit performed by McGladrey LLP (McGladrey), recommendations were made as part of their report to the Executive / Finance Committee, as indicated in the following letters:

- Letter communicating deficiencies in internal controls in financial reporting
  1. Material Weaknesses (none)
  2. Significant Deficiencies
- Letter communicating comments, observations and suggestions

This quarterly status report provides an update on the Plan's progress and reflects additional progress made since the April report.

To summarize, the Plan has implemented many of the suggestions made by the auditors and is continuing to improve monitoring related activities, especially as staff has been hired.

Attachments

Quarterly Update to Auditor's Recommendations – July 2014

Quarterly Update to Auditor's Recommendation – July 2014

AUDITOR'S LETTER REGARDING CONTROLS			
McGladrey Recognized Significant Deficiencies	**Summary of McGladrey's Recommendations**	**GCHP Update April 2014**	**GCHP Update July 2014**
Claims Processing	1. Management should continue to perform audits on the procedures performed by third-party vendors who process claims information	GCHP audits the third-party vendors as follows: A. GCHP audits vendor ACS (A division of Xerox) by performing: • A post-payment audit of all claims that were included in the 2% random sample audit that ACS performs on processed claims. • A pre-payment audit of all claims with a payable amount greater than $25,000. In December 2013, GCHP updated the criteria to include all claims with a payable amount greater than $10,000. • Focused audits, as needed, are done based on trends resulting from routine audit results and adjustments B. GCHP audits the PMB vendor (Script Care, LTD) by performing: • Daily audits of all denied and 10% of approved prior authorizations from the prior day. • Monthly and Quarterly random audits of pharmacy claims to ensure proper formulary processing NOTE – Pharmacy claims processed by Script Care will be audited for contract performance by an independent vendor by June 30, 2014.	COMPLETED - Audits continue as described in April. Additionally, the Director of Operations reviews all claims with a payable amount greater than $50,000 for approval prior to payment. Pharmacy claim audit draft completion date was provided in early July and expected to be finalized in September, 2014.

AUDITOR'S LETTER REGARDING CONTROLS			
McGladrey Recognized Significant Deficiencies	**Summary of McGladrey's Recommendations**	**GCHP Update April 2014**	**GCHP Update July 2014**
Claims Processing (continued)	2. Consider performing an audit, similar to a Service Organization Controls (SOC1) report	GCHP acknowledges the need for a SOC1 report from ACS and has defined the process and timing. The SOC1 report is expected to be complete in the first half of FY 2014-15	The SOC1 project is on schedule.
	3. Review ongoing processing policies and controls by • Implementing formal review process of provider contracts / fee schedules • Continue to review process to ensure claim payment accuracy	GCHP's Director of Operations is working with ACS to: • Formulate a process to validate the accuracy of provider contract and fee schedules in GCHP's core system after they have been uploaded. • Review all activities related to the claims processing function (claims production, adjustments quality assurance, configuration, refunds, etc.) This is one of the topics covered during a standard meeting between ACS and GCHP staff.	COMPLETED - Processes continued to be reviewed / improved as described in April. Additionally, an Operations Support Manager is starting on July 7, 2014, and he will have oversight of fee schedule accuracy.
	4. Review ongoing processing policies and controls by: • Continuing to monitor IT change management policies	The following processing policies and controls have been updated: • GCHP has implemented an internal change management policy for Plan-supported production systems. Production changes are tracked in the Connectwise helpdesk configuration changes. As GCHP introduces new systems into the production environment, they will fall under the GCHP change management policy.	COMPLETED - Processing policies and controls continue to be reviewed / refined as described in April.

AUDITOR'S LETTER REGARDING CONTROLS			
McGladrey Recognized Significant Deficiencies	**Summary of McGladrey's Recommendations**	**GCHP Update April 2014**	**GCHP Update July 2014**
Claims Processing (continued)	• Continue to monitor ACS's policies and procedures regarding claims processing and IT controls	• Several controls were implemented in FY 2012-13 including review of ACS's process and increased auto-adjudication rate (i.e. auto adjudication increased from 33.78% to 60.44% between June 30, 2012 and June 30, 2013) Additionally, ACS follows a formal change management process to assure modification are reviewed by designated employees before entered into production. Production changes are tracked in a ticketing system called "Service Center". The Plan has obtained and reviewed ACS's policies for change management	
	5. Monitor the incurred but not paid (IBNP) levels monthly and incorporate estimates of reinsurance recoveries.	GCHP calculated IBNP estimates monthly. The Plan is evaluating the recommendation to include estimates of reinsurance recoveries within the IBNP estimate. It should be noted that the current methodology conservatively states IBNP. Also, the Plan's financial statement will reflect reinsurance recoveries of high dollar claims once payments are received from reinsurance vendor. In addition, GCHP had their actuaries (Milliman) separately calculate the IBNP estimate at November 30, 2013 and GCHP's estimate was in the range of Milliman's estimate.	COMPLETED - GCHP has included estimates of reinsurance recoveries into the IBNP estimates for large claims over $500,000 (starting October, 2013). GHCP staff is currently analyzing Milliman's IBNP estimate as of April 30, 2014.

AUDITOR'S LETTER REGARDING CONTROLS			
McGladrey Recognized Significant Deficiencies	**Summary of McGladrey's Recommendations**	**GCHP Update April 2014**	**GCHP Update July 2014**
Claims Reserve	6. Evaluate need for premium deficiency reserves (PDR)	As GCHP updates financial projections, the Plan will continue to perform on-going evaluations regarding the need for a premium deficiency reserve (PDR). This will formally be evaluated prior to end of the fiscal year, as part of the next year's budget process	COMPLETED - The fiscal year 2014-15 budget has been approved by the Commission and based on those projections and assumptions, a PDR is not necessary for FY 2014-15. This need for a PDR will continue to be evaluated as more information is obtained from the State / other sources.
Segregation of Duties Accounting	7. Hire staff to achieve proper segregation of duties and perform monthly reconciliations	GCHP has hired a Controller and two highly qualified accountants which are allowing the Plan to implement appropriate segregation of duties and reconcile accounts monthly. The Plan is also in the process of adding a third accountant position. A Director of Finance Analysis position has been created and filled, and two additional positions providing analysis of health care expense are in the process of being filled.	In addition to staff mentioned in the April update, GCHP has hired a financial consultant who is developing a responsibilities matrix to ensure proper segregation of duties.
	8. Review Procedures to ensure proper peer review and documentation	As staff has been hired, additional documentation on procedures and peer review has improved. New procedures have been adopted and will continue to augment to support appropriate documentation of peer review.	The new financial consultant will also recommend areas in need of further documentation and / or peer review.

AUDITOR'S LETTER REGARDING CONTROLS			
McGladrey Recognized Significant Deficiencies	**Summary of McGladrey's Recommendations**	**GCHP Update April 2014**	**GCHP Update July 2014**
Segregation of Duties Payroll	9. Review super-users and limit as appropriate	After a thorough review of the payroll super-users, it was determined that all super-users are appropriate.	COMPLETED - No additional update from April.
	10. Monitor supervisory approvals of payroll change	In June 2013, a process was implemented by human resource staff to review all changes made at every payroll cycle.	COMPLETED - In June 2014, the review process has been revised to coordinate reviews between human resources and finance departments.
	11. Implement a process to review changes made by super-users	Currently, GCHP finance and human resource staff are updating processes to ensure peer review of all payroll changes, including those done by super-users.	COMPLETED - No additional update from April.
Segregation of Duties - IT	12. Implement and monitor a formal review procedure of user accounts with network access and Multiview access	As of May 1, 2013, GCHP has implemented a policy for User Access Requests to track approvals and authorization for permitting new hires and removing terminations from logical and physical access to information resources, and recommended the procedures be consistently followed to ensure access is granted / termed in a timely manner. User access requests are captured and tracked in the Connectwise ticketing system.	COMPLETED - No additional update from April.

AUDITOR'S LETTER REGARDING CONTROLS			
McGladrey Recognized Significant Deficiencies	**Summary of McGladrey's Recommendations**	**GCHP Update April 2014**	**GCHP Update July 2014**
Segregation of Duties IT (continued)	13. Continue to eliminate conflicting duties through IT controls and segregation of duties	The Plan has performed the following regarding reducing conflicting duties: • A network user account clean-up was done in January 2013 and again in July 2013 as part of the GCHP active directory reconfiguration. As part of standard operating procedures, when a GCHP network Windows account is disabled, access to Multiview and Go-to-my-PC is subsequently restricted as the user no longer has access to the GCHP network. Go-To-My-PC access will be replaced with a secure VPN remote access solution and was implemented which included an annual review of remote user accounts • When an employee resigns/is terminated, the employees' manager or human resources will complete and submit a user access form with all term details. This creates a ticket to the GCHP IT Helpdesk ticket system – Connectwise. The ticket is closed once user account access is termed. In standard situation, human resources or management should submit term notices at least 5 days prior to employee leaving the Plan	COMPLETED - No additional update from April.

AUDITOR'S LETTER REGARDING CONTROLS			
McGladrey Recognized Significant Deficiencies	**Summary of McGladrey's Recommendations**	**GCHP Update April 2014**	**GCHP Update July 2014**
Accounts Receivable reconciliations and Allowances	14. Enhance reporting of provider accounts receivable	A review of provider receivable reports supplied by ACS Recoveries was completed. Standard, ongoing reports are utilized as part of the calculations of the provider receivable.	COMPLETED - ACS reports are delivered earlier and with improved regularity as compared with prior quarters.
	15. Review accounts monthly and assess collectability	Accounts are reviewed monthly and a formulaic allowance is applied to aged balances. On an ongoing basis, GCHP is reviewing the methodology to determine what additional enhancements are appropriate.	COMPLETED - Account balances have been significantly reduced through collection efforts, thereby reducing risk (e.g. April 2014 balance of $238,327 v. June 2013 balance of $1,161,379)

QUARTERLY UPDATE TO AUDITOR'S RECOMMENDATION – July 2014
AUDITOR'S LETTER REGARDING CONTROLS

McGladrey Recommendations	McGladrey Summary	GCHP Update April 2014	GCHP Update July 2014
Internal Audit function	Begin developing a department that can effectively execute the functions of an internal audit department to analyze, recommend and provide risk mitigation suggestions	As the Plan staffs appropriately, policies and controls will be finalized. At this time, GCHP will evaluate what types of internal and/or external resources should be dedicated to perform various internal audit functions.	No additional update from April.
Professional Services Provider Contracts	Revise Contracts to include specific language to clarify liability	GCHP has hired a permanent Chief Operations Officer and Director of Operations to manage the key professional services vendors, including ACS. The Plan concurs that contract language needs to be clarified regarding responsibility for processing run-out claims upon termination or expiration of the ACS contract. Currently, draft language has been proposed by ACS and is under review. These contracts are expected to be amended by June 30, 2014	ACS contract expected to be amended by August 31, 2014.