



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

CANCELLED DUE TO LACK OF QUORUM

Executive Conference Room, 711 E. Daily Drive, Suite 106, Camarillo, CA
Thursday, June 5, 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. [April Financials](#)

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

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

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

**Ventura County Medi-Cal Managed Care Commission (VCMCC) dba Gold Coast Health Plan
June 5, 2014 Executive / Finance Committee Meeting Agenda (continued)**

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

TIME: 3:00 p.m.

3. APPROVAL ITEMS

- a. [Continue Process to Secure Additional Medi-Cal Funds Through an Intergovernmental Transfer \(IGT\)](#)
- b. [FY 2014-15 GCHP Operating and Capital Budgets](#)
- c. Reinsurance Contract.

4. INFORMATION ITEMS

- a. Discuss FY 2014-15 Commission and Executive / Finance Committee Schedules and Meeting Frequency

COMMENTS FROM COMMISSIONERS

ADJOURNMENT

Unless otherwise determined, the next regular meeting of the Executive / Finance Committee will be held on July 10, 2014 at 3:00 p.m. in the Executive Conference Room at 711 E. Daily Drive, Suite 106, Camarillo, CA

**Ventura County Medi-Cal Managed Care Commission
(VCOMMCC) dba Gold Coast Health Plan (GCHP)
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 Glycer as the Temporary Chair of the Executive / Finance Committee. Committee Member Pawar seconded. Commissioner Glycer agreed to be the Temporary Chair. The motion carried with the following vote:

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

COMMITTEE MEMBERS PRESENT

David Glycer, 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: Glycer, 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 Glycer seconded. The motion carried with the following vote:

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

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

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

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

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

Committee Member Glycer 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 with managed care plans on the reconciliation process. 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, mostly due to several high cost but effective medications like Sovaldi, the new Hepatitis C drug. Dr. Reeves noted that Sovaldi is a revolutionary treatment for Hepatitis C, but 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: Glycer, 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 June 30, 2016 and it would not be prudent nor practical to attempt to perform conversions of two systems simultaneously. Consequently these two contracts will be reviewed to prioritize which contract would be better to extend and which would be better to issue 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 FY 2014-15 as compared to FY 2012-13 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 Commission meeting and at the June 5, 2014 Executive / Finance Committee meeting. The FY 2014-15 operating and capital budgets will come back for approval at the June 23, 2014 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.

AGENDA ITEM 2a

To: Gold Coast Health Plan Executive / Finance Committee

From: Michael Engelhard, Chief Executive Officer

Date: June 5, 2014

Re: CEO Update

Behavioral Health

GCHP's managed behavioral health organization, Beacon Health Strategies, has entered into a definitive agreement to merge with ValueOptions, another leading behavioral health organization in the U.S. The combined business will serve 43 million people across all 50 states and the United Kingdom. It will have approximately 4,000 employees and will be headquartered in Boston, MA. Beacon's CEO, Tim Murphy, will serve as the CEO for the combined companies. Regulatory review of the proposed merger is expected to be completed in the fall of 2014. Until then, Beacon will continue to operate and serve GCHP members as before."

Pharmacy Update

The Pharmacy Director has been conducting audits and implementing a comprehensive PBM vendor oversight program pursuant to the Plan's response to the Medical Review Audit Corrective Action Plan. As a result of this enhanced oversight activities, the pharmacy director has identified several claims processing issues that will need to be addressed.

The first issue is the payment of copays and co-insurance of drugs that are covered under Medicare. Medicare, through the prescription drug Part D program, offers a low-income cost-sharing subsidy, or Extra Help, for all dual eligible (Medicare and Medicaid) members. Through this program, a member will pay no more than \$2.55 for each generic medication and no more than \$6.35 for each brand medication. Because of the subsidies, Medicaid plans may not cover the member's cost share. GCHP has been paying for member's cost share since the plan inception.

The second issue is the payment of drugs for members who have a share of cost. The PBM previously has not set-up any block in the system to prevent claims for paying for members that have a share of cost, but have not yet met their share of cost.

GCHP is working on notifying DHCS regarding both issues and implementing system changes to correct prescription claims payment on October 1, 2014. This will result in members having to pay for their Medicare Part D copays or for the full cost of their medication until they have met their monthly share of cost. Due to the member impact, GCHP will be sending member

notification pieces at the beginning of July and the beginning of August as well as providing provider communication timed just prior to the member communication pieces.

GOVERNMENT AFFAIRS

Medi-Cal Renewal Determinations Begin

After delaying Medi-Cal redeterminations for several months, counties have begun to contact Medi-Cal beneficiaries about their renewals and convert them to MAGI Medi-Cal. Although forms are now being mailed to Medi-Cal members whose information cannot be electronically verified, the State does not plan to process the returned forms until June or July, when the backlog of 900,000 pending Medi-Cal applications is expected to be resolved. This delay is expected to cost the State \$68.8 million. Some advocates have criticized the process, arguing that the new forms mailed to members are confusing and are not available in languages other than English and Spanish. Beginning in 2015, annual renewals will be conducted using a simplified pre-populated form.

Section 1115 Waiver Renewal Stakeholder Engagement Planned

California's Section 1115 Medicaid Waiver, which allows funding for the Medi-Cal program to go towards demonstration projects, is set to expire in October 2015 and the State is planning to apply for a renewal. The current waiver funded the Low Income Health Program, managed care transitions, and the Delivery System Reform Incentive Pool, but the new waiver will shift to focus on delivery system transformation and payment reform. The Department of Health Care Services plans to engage stakeholders this summer and fall on what should be in the Waiver, although the method for engagement has yet to be determined. The Waiver renewal request will be submitted to the federal government next spring.

Legislative Update

May 23, 2014 was the last day for Senate and Assembly Budget Subcommittees to approve bills with a fiscal impact to the state budget and the Medi-Cal Program. Final budget deliberations will take place in the Legislature to meet the state constitutional deadline to pass a balanced state budget by midnight June 15, 2014. The Governor has until July 1, 2014 to either sign the final budget bill or veto individual line item appropriations.

The following are Medi-Cal related proposals and bills that were rejected by Senate and Assembly Budget Subcommittees:

Single State Wide Drug Formulary

On May 23, 2014 the Senate and Assembly Budget Subcommittees on Health and Human Services rejected the single state wide drug formulary proposal by the Department of Health Care Services. Medi-Cal managed care plans opposed this proposal because adoption of a statewide formulary proposal would drive up utilization of brand name drugs and significantly

increase costs. Medi-Cal managed care plans strongly opposed this proposal as did the California Association of Health Plans and the Local Health Plans of California.

SB 1081 Federally Qualified Health Centers Payment Reform

This bill proposed a 3-year alternative payment methodology pilot program for Federally Qualified Health Centers (FQHCs) in a select number of counties. Implementing monthly capitated payments for each Medi-Cal managed care enrollee assigned to an FQHC in place of the wrap-around, fee-for-service payments from the Department of Health Care Services (DHCS).

SB 1005 Health Care Coverage for Undocumented Immigrants

This bill proposed to extend full-scope Medi-Cal eligibility to individuals who are otherwise eligible except for immigration status. The bill would have created a Health Exchange Program similar to Covered California where undocumented individuals could purchase health insurance. The bill was held in the Senate Appropriations Committee with the stipulation that the author identify a funding mechanism for this proposal by late August.

AGENDA ITEM 2b

To: Gold Coast Health Plan Executive / Finance Committee

From: Michelle Raleigh, Chief Financial Officer

Date: June 5, 2014

Re: April 2014 Financials

SUMMARY

Staff is presenting the attached April 2014 financial statements of Gold Coast Health Plan (Plan) for review by the Executive / Finance Committee. The Plan requests that the Executive/Finance Committee recommend approval of these financials to the Commission.

BACKGROUND / DISCUSSION

The Plan staff has prepared the April 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 \$16.9 million compared to \$13.8 million assumed in the budget. These operating results have contributed to a Tangible Net Equity (TNE) level of approximately \$28.7 million, which exceeds both the budget of \$25.7 million by \$3.0 million and the State minimum required TNE amount as of April 30, 2014 of \$15.8 million (84% of \$18.8 million, which is the amount needed to achieve 100% of the calculated TNE requirement) by \$12.9 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.

April 2014 Results

Items to note for the month include:

Membership - April membership of 141,636 exceeded budget by 6,704 members. Driven by growth primarily in the Adult / Family and Adult Expansion (AE) categories, current membership is 18% better than at December 31, 2013 and is more than 35% better year-over-year.

Revenue – April net revenue was \$40.9 million which exceeded budget of \$38.3 million by \$2.6 million. On a per-member-per-month (PMPM) basis, net revenue was \$288.55 PMPM which was \$4.94 PMPM better than budget of \$283.61 PMPM. The favorable to budget revenue performance was attributed to the membership growth being greater than what was budgeted in total, with more members than expected in higher capitation rate cells.

The updated State capitation rates (i.e., DHCS contract amendment #11 approved by the Commission on April 28, 2014) were essentially revenue neutral to what the Plan anticipated in the budget. These updated rates include:

- The expanded mental health benefit that was effective January 1, 2014.
- Estimated expenditures for Community Based Adult Services (CBAS) which had previously been paid for separately.
- Reductions for AB 97 provider rate reductions effective October 1, 2014.
- Changes in capitation rate cell structure reflecting
 - A new definition of “Dual” whereby members with partial Medicare coverage shift from the “Dual” aid category to the Seniors and Persons with Disabilities (SPD) aid category.
 - A combined SPD rate cell where Aged and Disabled members are paid at blended rate.
 - A separation of adults and children that were previously blended together in the “Adult/Family” rate cell.

Health Care Costs – Health care costs for April were \$37.1 million and were \$2.6 million unfavorable to budget. On a PMPM basis, reported health care costs were \$261.69 PMPM versus a budgeted amount of \$255.59. Causes for the variance include:

- Membership growth - Increase in membership over budget accounted for approximately \$1.7 million of the variance.
- Inpatient – Reserves were increased in April after reviewing hospital census data and experiencing a rise in claims inventory. Additionally, a high cost claim (which was discovered in early May payment data) was also accrued, as it related to a prior month of service. The Plan continued to hold reserves for pending possible facility claims submissions.
- Outpatient – Reserves were added in response to an increase in outpatient authorizations and a rise in claims inventory.
- Pharmacy – Pharmacy expense have risen substantially, due in part to the new Adult Expansion population and a new Hepatitis C drug (Sovaldi). However, the increase in utilization among the new population has not achieved the rate as expected in the revised budget.

As disclosed in prior financials, the current financials continue to reflect an estimated 85% MLR for pharmacy expenses specific to the Adult Expansion population. However the additional reserve still results in a total expense below budget. Other services will be evaluated as claims data is received. The Plan consulted with its auditing firm and it agreed

with the way the Plan is currently reporting this contract provision.

Administrative Expenses – For the month, overall operational costs were in line with budget. Total administrative expenses were \$2.6 million or \$0.1 million better than budget. Administrative expense spending was favorable to budget primarily from lower personnel costs due to timing of new hires versus budget projections and less use of consultants. Offsetting these savings were higher ACS fees due to a higher than budgeted membership levels.

Cash + Medi-Cal Receivable - The total of Cash and Medi-Cal Premium Receivable balances of \$126.1 million reported as of April 30, 2014 included a MCO Tax component amounting to \$11.2 million. Excluding the impact of the tax, the total of Cash and Medi-Cal Receivable balance as of April 30, 2014 was \$114.9 million, or \$26.3 million better than the budgeted level of \$88.6 million.

Fixed Assets – The Plan moved into its new offices at 711 East Daily Drive on April 7, 2014. Capital expenditures for the new offices are expected to be \$682,000 and were approved by the Commission in January 2014. The cost incurred through April was approximately \$600,000 with the remainder expected to be incurred before year-end for post most-in expenditures. Assets at the Plan's former offices, primarily old furniture and leasehold improvements were written off because they were not usable or transferable at the new location (worth approximately \$66,000).

RECOMMENDATION

Staff requests the Executive / Finance Committee to recommend approval of the April, 2014 financial statements to the Plan's Commission.

CONCURRENCE

N/A

Attachment

April 2014 Financial Package



FINANCIAL PACKAGE

For the month ended April 30, 2014

TABLE OF CONTENTS

- Financial Overview
- Membership
- Income Statement
- PMPM Income Statement by Month
- Paid Claims and IBNP Composition

APPENDIX

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

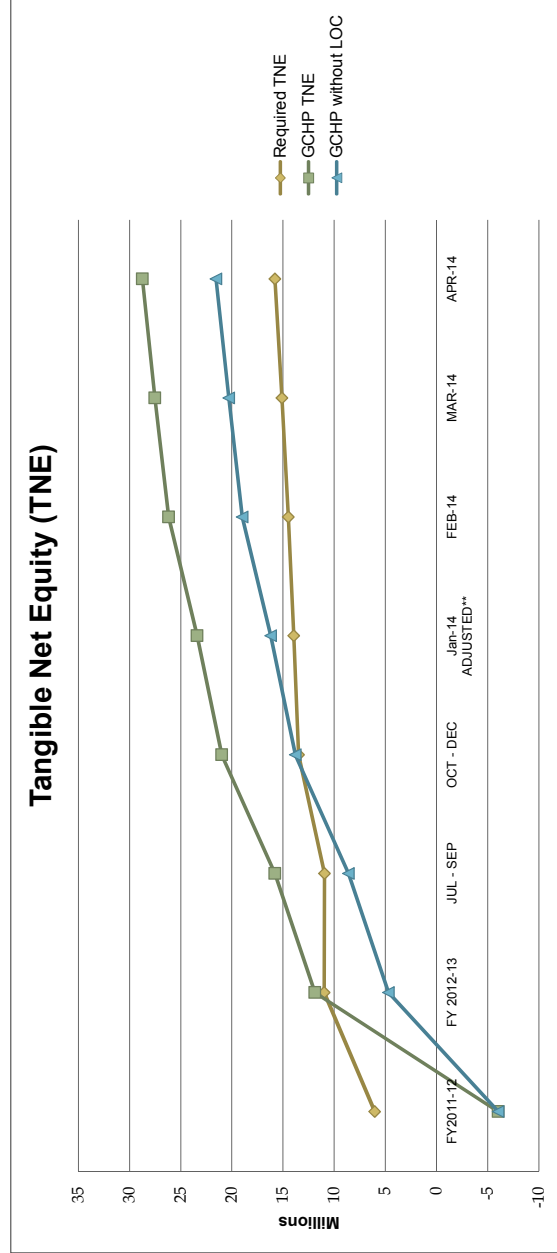
Financial Overview

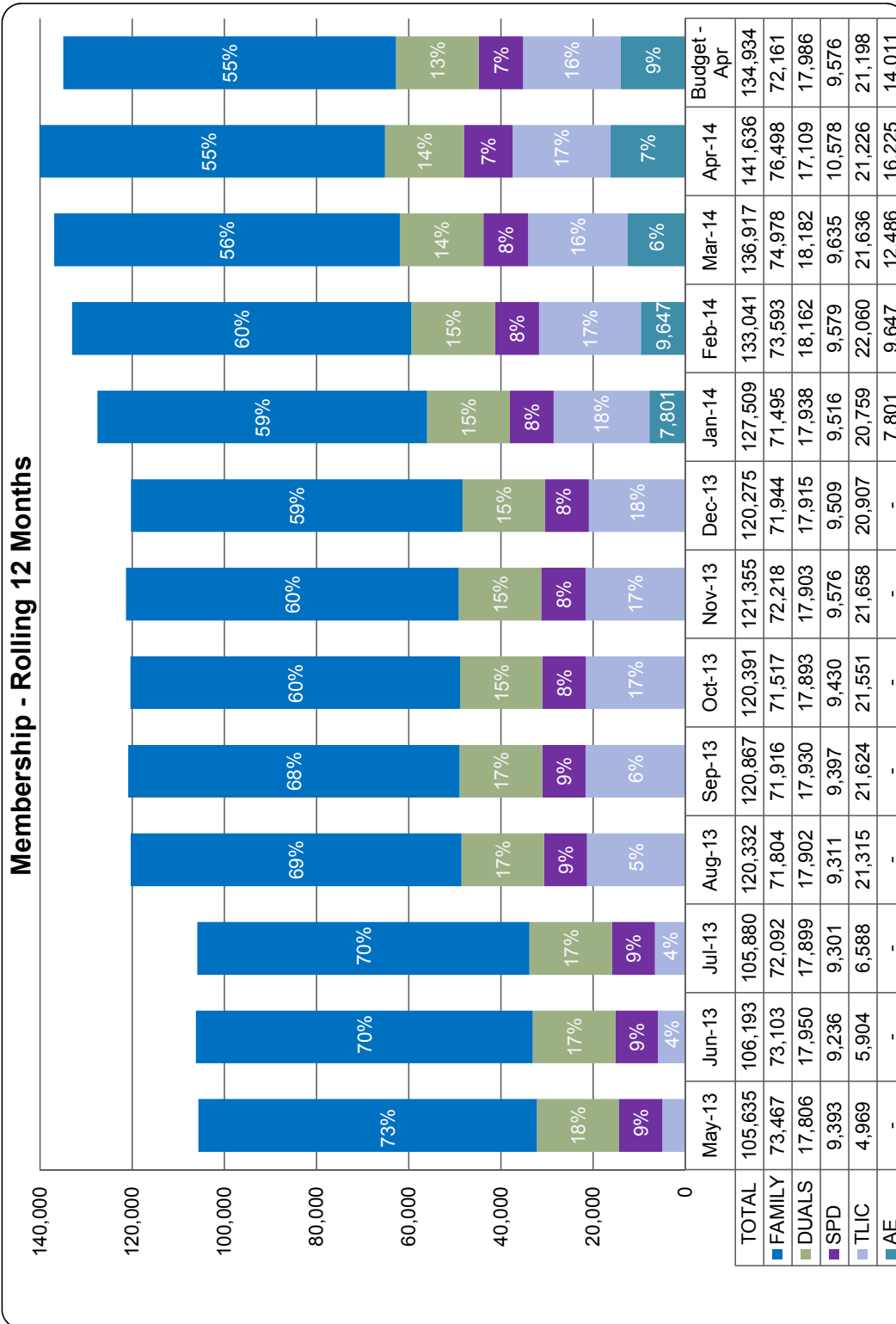
Description	UNAUDITED FY 2013-14 Actual										Budget Comparison	
	AUDITED*	AUDITED*	JUL - SEP	OCT - DEC	Jan-14 ADJUSTED*	FEB-14	MAR-14	APR-14	YTD ADJUSTED**	Budget YTD	Variance Fav/(Unfav)	Variance Fav/(Unfav) %
Member Months												
Revenue <i>pmpm</i>	1,258,189	1,223,895	347,079	362,021	127,509	133,041	136,917	141,536	1,248,103	1,239,779	8,324	0.7 %
	304,635,932	315,119,611	81,988,709	84,070,456	33,239,770	35,881,985	37,739,031	40,868,789	313,788,739	313,257,534	531,205	0.2 %
	242.12	257.47	236.22	232.23	260.69	269.71	275.63	288.75	251.41	252.67	(1.26)	(0.5)%
Health Care Costs <i>pmpm</i>	287,353,672	280,382,704	71,875,533	72,867,512	28,583,258	30,952,027	34,211,809	37,065,232	275,555,371	277,549,277	1,993,906	0.7 %
% of Revenue	228.39	229.09	207.09	201.28	224.17	232.65	249.87	261.88	220.78	223.87	3.09	1.4 %
	94.3%	89.0%	87.7%	86.7%	86.0%	86.3%	90.7%	90.7%	87.8%	88.6%	-0.8%	-0.9%
Admin Exp <i>pmpm</i>	18,891,320	24,013,927	6,202,007	6,014,475	2,245,874	2,154,133	2,197,102	2,563,313	21,376,906	21,933,521	556,615	2.5 %
% of Revenue	15.01	19.62	17.87	16.61	17.61	16.19	16.05	18.11	17.13	17.69	0.56	3.2 %
	6.2%	7.6%	7.6%	7.2%	6.8%	6.0%	5.8%	6.3%	6.8%	7.0%	0.2%	2.7%
Net Income <i>pmpm</i>	(1,609,063)	10,722,980	3,911,169	5,188,469	2,410,637	2,775,825	1,330,120	1,240,243	16,856,462	13,774,736	3,081,726	22.4 %
% of Revenue	(1.28)	8.76	11.27	14.33	18.91	20.86	9.71	8.76	13.51	11.11	2.40	21.6 %
	-0.5%	3.4%	4.8%	6.2%	7.3%	7.7%	3.5%	3.0%	5.4%	4.4%	1.0%	22.2%
100% TNE	16,769,368	16,138,440	16,112,437	16,056,217	16,597,381	17,247,717	17,988,276	18,817,839	18,817,839	18,237,403	580,436	3.2 %
% TNE Required	36%	68%	68%	84%	84%	84%	84%	84%	84%	84%		
Required TNE	6,036,972	10,974,139	10,956,457	13,487,223	13,941,800	14,488,083	15,110,152	15,806,985	15,806,985	15,319,418	487,566	3.2 %
GCHP TNE	(6,031,891)	11,891,099	15,802,268	20,990,738	23,401,375	26,177,200	27,507,320	28,747,563	28,747,563	25,665,837	3,081,726	12.0 %
TNE Excess / (Deficiency)	(12,068,853)	916,960	4,845,810	7,503,516	9,459,575	11,689,117	12,397,168	12,940,578	12,940,578	10,346,418	2,594,160	25.1 %

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 the 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 directly).





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

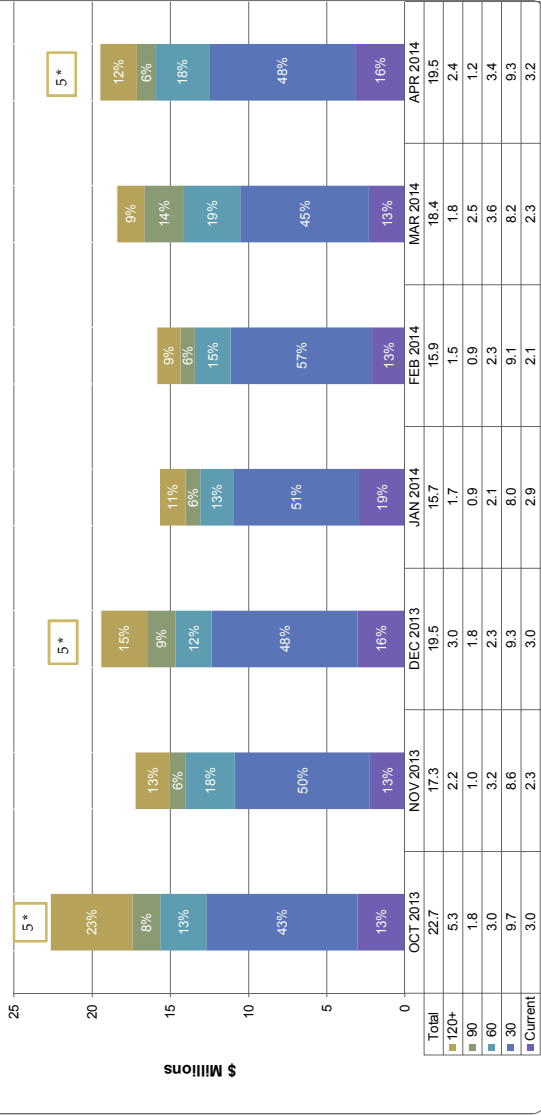
Income Statement Monthly Trend

	FY2013-14 Monthly Trend				Current Month		
	DEC 2013	JAN 2014	FEB 2014	MAR 2014	APR 2014		Variance
					Actual	Budget	Fav/(Unfav)
Membership (includes retro members)	120,275	127,509	133,041	136,917	141,636	134,932	6,704
Revenue:							
Premium	\$ 29,047,006	\$ 40,250,143	\$ 37,669,204	\$ 39,652,832	\$ 42,486,972	\$ 40,051,836	\$ 2,435,136
Reserve for Rate Reduction	(281,754)	(425,684)	(387,418)	(440,736)	-	(257,668)	257,668
MCO Premium Tax	(1,110,666)	(1,467,377)	(1,451,360)	(1,529,127)	(1,672,942)	(1,577,041)	(95,901)
Total Net Premium	27,654,585	38,357,083	35,830,427	37,682,970	40,814,030	38,217,127	2,596,903
Other Revenue:							
Interest Income	12,031	11,688	14,272	17,728	16,425	12,817	3,609
Miscellaneous Income	38,333	38,333	37,286	38,333	38,333	38,333	-
Total Other Revenue	50,364	50,021	51,559	56,061	54,759	51,150	3,609
Total Revenue	27,704,949	38,407,105	35,881,985	37,739,031	40,868,789	38,268,277	2,600,511
Medical Expenses:							
Capitation (PCP, Specialty, Kasier, NEMT & Visior)	1,610,161	1,609,561	1,679,455	1,704,134	1,797,876	1,670,150	(127,725)
FFS Claims Expenses:							
Inpatient	4,491,812	5,733,670	5,139,891	7,940,779	9,670,256	7,505,516	(2,164,741)
LTC/SNF	6,923,947	6,871,300	7,988,436	7,256,361	6,106,318	6,067,130	(39,188)
Outpatient	3,189,204	3,582,927	3,057,728	2,631,325	3,845,231	3,419,096	(426,135)
Laboratory and Radiology	111,157	352,687	450,809	609,596	512,307	535,342	23,036
Physician ACA 1202	-	5,167,335	104,094	102,189	-	-	-
Emergency Room	729,901	850,311	871,674	975,817	1,127,040	1,057,708	(69,332)
Physician Specialty	2,305,009	2,353,215	1,930,722	2,433,750	2,572,332	2,674,945	102,613
Mental Health Services	-	225,017	233,276	254,043	248,532	191,873	(56,659)
Pharmacy	3,210,998	3,863,088	5,657,345	5,648,117	6,255,595	6,518,347	262,752
Other Medical Professional	149,068	141,578	192,695	218,265	200,064	189,379	(10,685)
Other Medical Care	3,608	(1,935)	-	3,645	331	-	(331)
Other Fee For Service	1,645,707	2,634,006	2,870,527	3,250,414	3,791,877	3,424,582	(367,294)
Transportation	67,551	86,625	83,111	79,919	111,272	89,403	(21,869)
Total Claims	22,827,961	31,859,823	28,580,309	31,404,220	34,441,155	31,673,321	(2,767,834)
Medical & Care Management Expense	830,780	824,092	774,659	828,605	896,582	937,356	40,774
Reinsurance	(1,553,135)	(395,380)	104,962	308,761	319,404	206,447	(112,957)
Claims Recoveries	(259,182)	(147,503)	(187,358)	(33,912)	(389,784)	-	389,784
Sub-total	(981,537)	281,209	692,263	1,103,455	826,202	1,143,803	317,601
Total Cost of Health Care	23,456,586	33,750,593	30,952,027	34,211,809	37,065,232	34,487,274	(2,577,958)
Contribution Margin	4,248,363	4,656,511	4,929,959	3,527,222	3,803,556	3,781,003	22,554
General & Administrative Expenses:							
Salaries and Wages	592,047	596,197	577,942	584,952	585,889	664,034	78,145
Payroll Taxes and Benefits	151,109	187,611	90,406	144,143	152,089	157,671	5,582
Travel and Training	4,315	4,276	9,270	7,364	8,647	32,632	23,985
Outside Service - ACS	940,933	968,191	1,024,850	1,044,479	1,127,533	1,021,544	(105,989)
Outside Services - Other	19,158	79,142	180,177	82,663	81,293	111,675	30,382
Accounting & Actuarial Services	12,500	56,250	14,226	29,239	17,051	13,333	(3,717)
Legal	88,066	114,004	47,032	71,044	33,293	36,340	3,047
Insurance	13,265	9,615	12,477	12,120	11,990	15,095	3,105
Lease Expense - Office	25,980	28,480	28,979	28,979	226,981	224,355	(2,626)
Consulting Services	42,604	46,831	53,700	57,096	71,630	133,589	61,959
Translation Services	3,602	8,387	2,554	5,197	1,963	2,417	454
Advertising and Promotion	1,883	-	790	(790)	1,300	51,292	49,992
General Office	115,766	96,638	83,285	73,897	126,456	99,107	(27,348)
Depreciation & Amortization	7,015	7,015	7,015	7,015	14,711	45,819	31,108
Printing	2,022	10,344	862	21,503	12,008	23,688	11,680
Shipping & Postage	562	14,021	5,822	464	1,945	20,492	18,547
Interest	18,828	18,873	14,746	27,738	22,754	11,035	(11,719)
Total G & A Expenses	2,039,656	2,245,874	2,154,133	2,197,102	2,563,313	2,664,119	100,805
Net Income / (Loss)	\$ 2,208,708	\$ 2,410,637	\$ 2,775,825	\$ 1,330,120	\$ 1,240,243	\$ 1,116,884	\$ 123,359

PMPM Income Statement Comparison

	Actual Monthly				APR 2014		Variance
	DEC 2013	JAN 2014	FEB 2014	MAR 2014	Actual	Budget	Fav/(Unfav)
Membership (includes retro members)	120,275	127,509	133,041	136,917	141,636	134,932	6,704
Revenue:							
Premium	241.50	283.14	283.14	289.61	299.97	296.83	3.14
Reserve for Rate Reduction	(2.34)	(2.91)	(2.91)	(3.22)	-	(1.91)	1.91
MCO Premium Tax	(9.23)	(10.91)	(10.91)	(11.17)	(11.81)	(11.69)	(0.12)
Total Net Premium	229.93	269.32	269.32	275.22	288.16	283.23	4.93
Other Revenue:							
Interest Income	0.10	0.11	0.11	0.13	0.12	0.09	0.02
Miscellaneous Income	0.32	0.28	0.28	0.28	0.27	0.28	(0.01)
Total Other Revenue	0.42	0.39	0.39	0.41	0.39	0.51	(0.12)
Total Revenue	230.35	269.71	269.71	275.63	288.55	283.61	4.94
Medical Expenses:							
Capitation (PCP, Specialty, Kasier, NEMT & Visior)	13.39	12.62	12.62	12.45	12.69	12.38	0.32
FFS Claims Expenses:							
Inpatient	37.35	38.63	38.63	58.00	68.28	55.62	(12.65)
LTC/SNF	57.57	60.04	60.04	53.00	43.11	44.96	1.85
Outpatient	26.52	22.98	22.98	19.22	27.15	25.34	(1.81)
Laboratory and Radiology	0.92	3.39	3.39	4.45	3.62	3.97	0.35
Physician ACA 1202	-	0.78	0.78	0.75	-	-	-
Emergency Room	6.07	6.55	6.55	7.13	7.96	7.84	(0.12)
Physician Specialty	19.16	14.51	14.51	17.78	18.16	19.82	1.66
Mental Health Services	-	1.75	1.75	1.86	1.75	1.42	(0.33)
Pharmacy	26.70	42.52	42.52	41.25	44.17	48.31	4.14
Other Medical Professional	1.24	1.45	1.45	1.59	1.41	1.40	(0.01)
Other Medical Care	0.03	-	-	0.03	0.00	-	(0.00)
Other Fee For Service	13.68	21.58	21.58	23.74	26.77	25.38	(1.39)
Transportation	0.56	0.62	0.62	0.58	0.79	0.66	(0.12)
Total Claims	189.80	214.82	214.82	229.37	243.17	234.73	(8.43)
Medical & Care Management Expense	6.91	5.82	5.82	6.05	6.33	6.95	0.62
Reinsurance	(12.91)	0.79	0.79	2.26	2.26	1.53	(0.73)
Claims Recoveries	(2.15)	(1.41)	(1.41)	(0.25)	(2.75)	-	2.75
Sub-total	(8.16)	5.20	5.20	8.06	5.83	8.48	2.64
Total Cost of Health Care	195.02	232.65	232.65	249.87	261.69	255.59	(6.10)
Contribution Margin	35.32	37.06	37.06	25.76	26.85	28.02	(1.17)
General & Administrative Expenses:							
Salaries and Wages	4.92	4.34	4.34	4.27	4.14	4.92	0.78
Payroll Taxes and Benefits	1.26	0.68	0.68	1.05	1.07	1.17	0.09
Travel and Training	0.04	0.07	0.07	0.05	0.06	0.24	0.18
Outside Service - ACS	7.82	7.70	7.70	7.63	7.96	7.57	(0.39)
Outside Services - Other	0.16	1.35	1.35	0.60	0.57	0.83	0.25
Accounting & Actuarial Services	0.10	0.11	0.11	0.21	0.12	0.10	(0.02)
Legal	0.73	0.35	0.35	0.52	0.24	0.27	0.03
Insurance	0.11	0.09	0.09	0.09	0.08	0.11	0.03
Lease Expense - Office	0.22	0.22	0.22	0.21	1.60	1.66	0.06
Consulting Services	0.35	0.40	0.40	0.42	0.51	0.99	0.48
Translation Services	0.03	0.02	0.02	0.04	0.01	0.02	0.00
Advertising and Promotion	0.02	0.01	0.01	(0.01)	0.01	0.38	0.37
General Office	0.96	0.63	0.63	0.54	0.89	0.73	(0.16)
Depreciation & Amortization	0.06	0.05	0.05	0.05	0.10	0.34	0.24
Printing	0.02	0.01	0.01	0.16	0.08	0.18	0.09
Shipping & Postage	0.00	0.04	0.04	0.00	0.01	0.15	0.14
Interest	0.16	0.11	0.11	0.20	0.16	0.08	(0.08)
Total G & A Expenses	16.96	16.19	16.19	16.05	18.10	19.74	1.65
Net Income / (Loss)	18.36	20.86	20.86	9.71	8.76	8.28	0.48

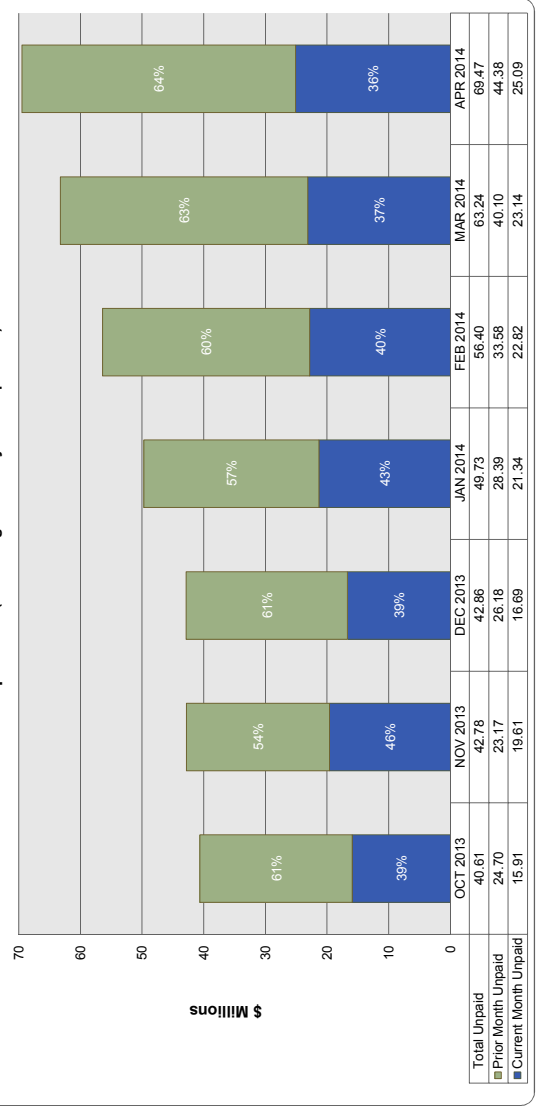
Paid Claims Composition (excluding Pharmacy and Capitation Payments)



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.

IBNP Composition (excluding Pharmacy and Capitation)



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



For the month ended April 30, 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

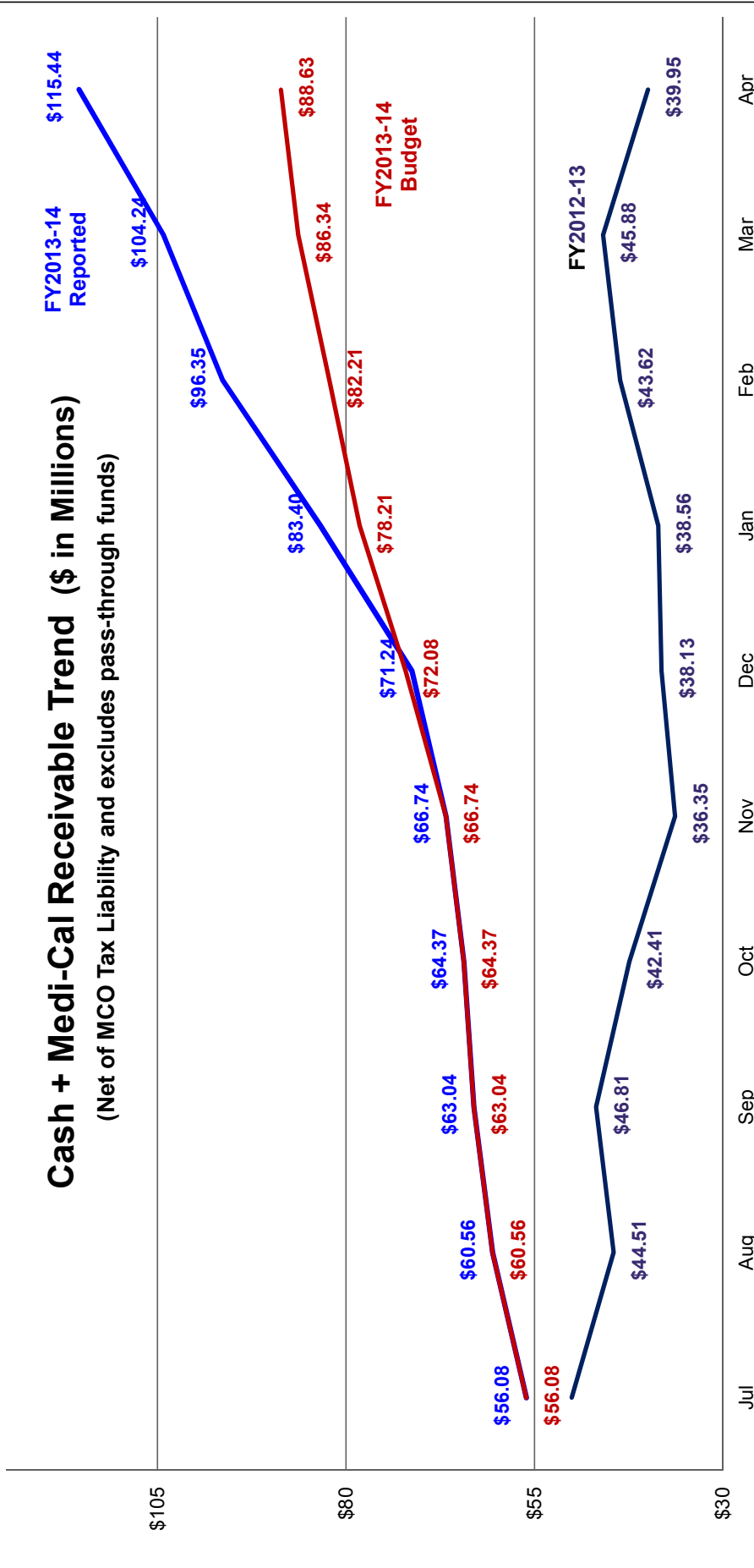
	4/30/14	3/31/14	2/28/14	Audited FY 2012-13
ASSETS				
Current Assets				
Total Cash and Cash Equivalents	\$ 72,576,000	\$ 73,664,068	\$ 68,790,390	\$ 50,817,760
Medi-Cal Receivable*	53,513,432	48,613,745	52,050,271	11,683,076
Provider Receivable	238,327	150,150	425,870	1,161,379
Other Receivables	173,225	173,318	178,153	300,397
Total Accounts Receivable	53,924,983	48,937,213	52,654,294	13,144,852
Total Prepaid Accounts	529,986	623,292	720,548	324,419
Total Other Current Assets	91,719	299,093	251,438	10,000
Total Current Assets	127,122,687	123,523,665	122,416,670	64,297,030
Total Fixed Assets	1,636,170	1,364,847	1,234,241	230,913
Total Assets	\$ 128,758,857	\$ 124,888,513	\$ 123,650,911	\$ 64,527,943
LIABILITIES & FUND BALANCE				
Current Liabilities				
Incurring But Not Reported	\$ 71,277,003	\$ 61,100,924	\$ 53,809,826	\$ 29,901,103
Claims Payable	5,259,002	7,509,972	6,477,413	9,748,676
Capitation Payable	1,444,901	1,388,007	1,366,703	1,002,623
Physician ACA 1202 Payable	3,357,133	3,357,133	5,271,429	-
AB85 Payable	590,735	525,951	735,137	-
Accrued Premium Reduction	2,096,754	2,096,754	1,656,018	-
Accounts Payable	1,430,185	208,214	238,242	1,751,419
Accrued ACS	1,149,054	1,023,582	1,095,479	422,138
Accrued Expenses	608,902	911,980	1,023,244	477,477
Accrued Premium Tax*	11,188,973	17,616,483	24,146,001	7,337,759
Accrued Interest Payable	37,061	35,207	33,466	9,712
Current Portion of Deferred Revenue	460,000	460,000	460,000	460,000
Accrued Payroll Expense	574,926	571,987	547,421	605,937
Total Current Liabilities	99,474,627	96,806,193	96,860,378	\$ 51,716,843
Long-Term Liabilities				
Deferred Revenue - Long Term Portion	536,667	575,000	613,333	920,000
Notes Payable	7,200,000	7,200,000	7,200,000	7,200,000
Total Long-Term Liabilities	7,736,667	7,775,000	7,813,333	8,120,000
Total Liabilities	107,211,294	104,581,193	104,673,711	59,836,843
Beginning Fund Balance	4,691,101	4,691,101	4,691,101	(6,031,881)
Net Income Current Year	16,856,462	16,946,339	14,286,099	10,722,981
Total Fund Balance	21,547,563	20,307,320	18,977,200	4,691,100
Total Liabilities & Fund Balance	\$ 128,758,857	\$ 124,888,513	\$ 123,650,911	\$ 64,527,943

* Note: Feb'14 balances include anticipated MCO Tax, reversed in March

FINANCIAL INDICATORS				
Current Ratio	1.28 : 1	1.28 : 1	1.26 : 1	1.24 : 1
Days Cash on Hand	55	61	62	58
Days Cash + State Capitation Receivable	95	101	110	72
Days Cash + State Capitation Rec (less Tax Liab)	87	86	88	63

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

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



Statement of Cash Flows - Monthly

	APR '14	MAR '14	FEB '14	JUN'13
Cash Flow From Operating Activities				
Collected Premium	\$ 37,650,034	\$ 35,133,669	\$ 47,761,779	\$ 52,138,834
Miscellaneous Income	16,425	17,728	14,273	8,594
State Pass Through Funds	547,636	423,117	342,152	34,346,474
<u>Paid Claims</u>				
Medical & Hospital Expenses	(22,006,605)	(20,564,629)	(15,766,152)	(17,277,826)
Pharmacy	(4,969,327)	(4,562,358)	(4,420,992)	(4,009,168)
Capitation	(1,707,411)	(1,689,109)	(1,601,382)	(1,162,302)
Reinsurance of Claims	(319,404)	(308,761)	(308,946)	(240,430)
State Pass Through Funds Distributed	(521,567)	(735,259)		(34,346,474)
Paid Administration	(1,271,656)	(2,674,644)	(1,509,345)	(2,616,623)
MCO Tax Received / (Paid)	(8,124,486)	-	-	829,564
Net Cash Provided/ (Used) by Operating Activities	(706,361)	5,039,755	24,511,385	27,670,643
Cash Flow From Investing/Financing Activities				
Proceeds from Line of Credit				-
Repayments on Line of Credit	-	-	-	-
Net Acquisition of Property/Equipment	(381,708)	(166,076)	(64,987)	(31,026)
Net Cash Provided/(Used) by Investing/Financing	(381,708)	(166,076)	(64,987)	(31,026)
Net Cash Flow	\$ (1,088,069)	\$ 4,873,678	\$ 24,446,398	\$ 27,639,617
Cash and Cash Equivalents (Beg. of Period)	73,664,068	68,790,390	44,343,991	23,068,235
Cash and Cash Equivalents (End of Period)	72,576,000	73,664,068	68,790,390	50,817,760
	\$ (1,088,069)	\$ 4,873,678	\$ 24,446,398	\$ 27,749,525
Adjustment to Reconcile Net Income to Net Cash Flow				
Net (Loss) Income	1,240,243	1,330,120	2,775,825	4,109,976
Loss on asset disposal	65,781	-	-	-
Depreciation & Amortization	44,605	35,470	35,321	11,407
Decrease/(Increase) in Receivables	(4,987,770)	3,717,081	1,654,180	22,788,941
Decrease/(Increase) in Prepaids & Other Current As	300,680	49,602	(79,327)	769,972
(Decrease)/Increase in Payables	1,113,941	(1,869,629)	2,301,865	(1,578,838)
(Decrease)/Increase in Other Liabilities	(38,333)	(38,333)	(38,333)	(121,667)
Changes in Withhold / Risk Incentive Pool	-	-	-	-
Change in MCO Tax Liability	(6,427,510)	(6,529,517)	9,560,469	1,433,012
Changes in Claims and Capitation Payable	(2,194,076)	1,053,864	324,792	1,913,029
Changes in IBNR	10,176,079	7,291,098	7,976,594	(1,655,189)
	(706,361)	5,039,755	24,511,385	27,670,643
Net Cash Flow from Operating Activities	\$ (706,361)	\$ 5,039,755	\$ 24,511,385	\$ 27,670,643

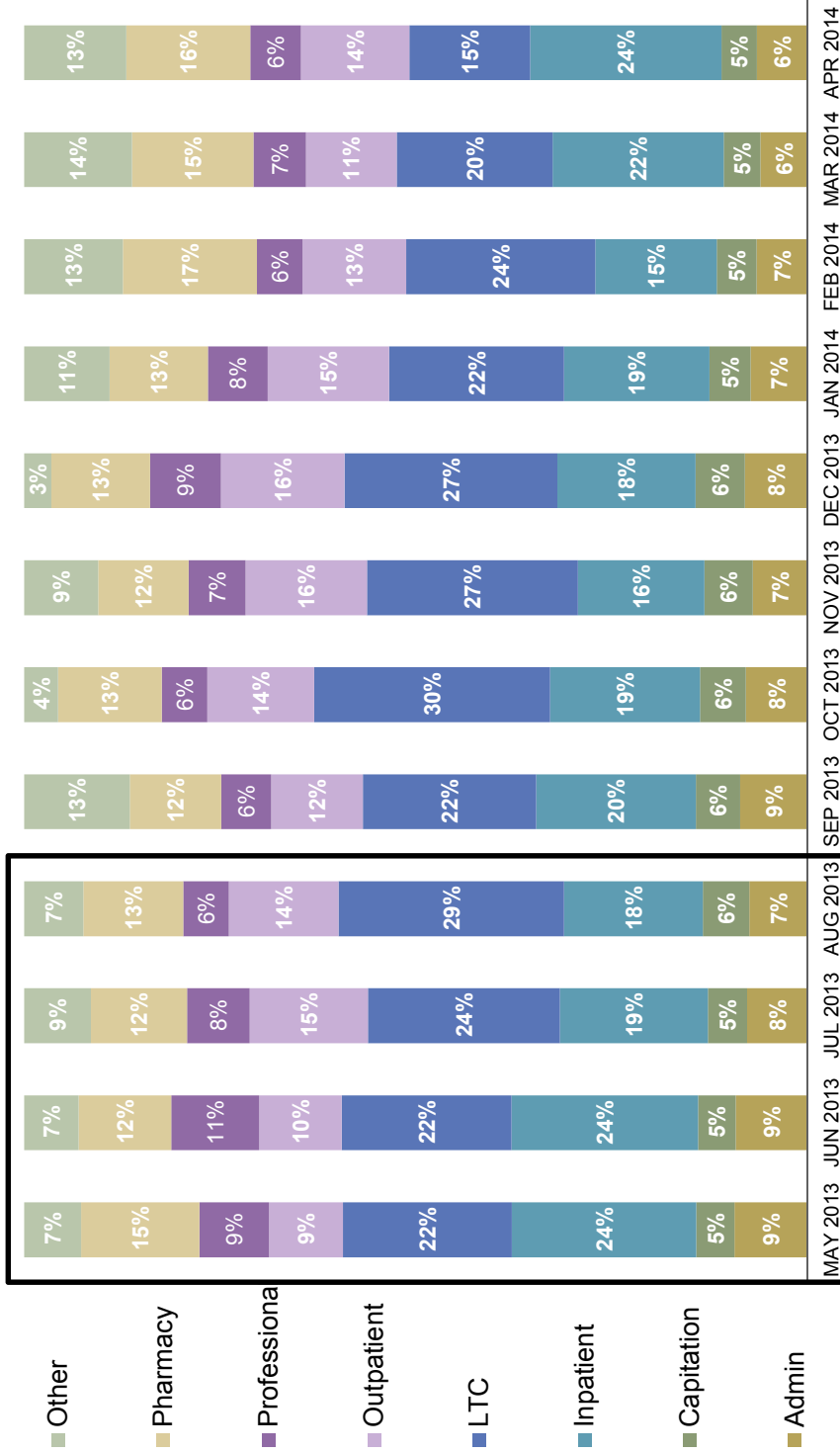
Statement of Cash Flows - YTD

	APR 2014 YTD
Cash Flow From Operating Activities	
Collected Premium	\$ 291,466,434
Miscellaneous Income	124,629
State Pass Through Funds	62,486,859
<u>Paid Claims</u>	
Medical & Hospital Expenses	(178,215,788)
Pharmacy	(38,479,209)
Capitation	(15,434,001)
Reinsurance of Claims	(2,848,696)
State Pass Through Funds Distributed	(61,216,681)
Payment of Withhold / Risk Sharing Incentive	-
Paid Administration	(25,488,116)
Repay Initial Net Liabilities	-
MCO Taxes Received / (Paid)	(8,951,052)
Net Cash Provided/(Used) by Operating Activities	23,444,379
Cash Flow From Investing/Financing Activities	
Proceeds from Line of Credit	-
Repayments on Line of Credit	-
Net Acquisition of Property/Equipment	(1,686,139)
Net Cash Provided/(Used) by Investing/Financing	(1,686,139)
Net Cash Flow	\$ 21,758,240
Cash and Cash Equivalents (Beg. of Period)	50,817,760
Cash and Cash Equivalents (End of Period)	72,576,000
	\$ 21,758,240
Adjustment to Reconcile Net Income to Net Cash Flow	
Net Income/(Loss)	16,856,462
Depreciation & Amortization	216,257
Decrease/(Increase) in Receivables	(40,780,132)
Decrease/(Increase) in Prepays & Other Current Assets	(287,286)
(Decrease)/Increase in Payables	6,578,066
(Decrease)/Increase in Other Liabilities	(384,488)
Change in MCO Tax Liability	3,851,214
Loss on asset disposal	65,781
Changes in Claims and Capitation Payable	(4,047,396)
Changes in IBNR	41,375,900
	23,444,379
Net Cash Flow from Operating Activities	\$ 23,444,379

Income Statement
For The Ten Months Ended April 30, 2014

	April '14 Year-To-Date		Variance
	Actual	Budget	Fav/(Unfav)
Membership (includes retro members)	1,248,203	1,239,779	8,424
Revenue			
Premium	\$ 333,273,680	\$ 327,322,379	\$ 5,951,301
Reserve for Rate Reduction	(2,096,754)	(1,849,929)	(246,825)
MCO Premium Tax	(12,727,767)	(12,708,018)	(19,749)
Total Net Premium	318,449,159	312,764,432	5,684,727
Other Revenue:			
Interest Income	124,629	109,768	14,860
Miscellaneous Income	382,286	383,333	(1,047)
Total Other Revenue	506,915	493,102	13,813
Total Revenue	318,956,074	313,257,534	5,698,540
Medical Expenses:			
<u>Capitation (PCP, Specialty, Kaiser, NEMT & Vision)</u>	15,925,898	15,801,353	(124,545)
FFS Claims Expenses:			
Inpatient	57,257,674	57,512,493	254,819
LTC/SNF	69,962,965	64,883,141	(5,079,824)
Outpatient	30,301,176	30,134,421	(166,755)
Laboratory and Radiology	2,719,704	2,788,525	68,821
Physician ACA 1202	5,373,618	-	(5,373,618)
Emergency Room	8,237,485	8,284,344	46,859
Physician Specialty	20,312,862	21,472,143	1,159,280
Mental Health Services	960,868	767,196	(193,672)
Pharmacy	40,814,204	43,870,510	3,056,306
Other Medical Professional	1,618,322	1,533,490	(84,832)
Other Medical Care	7,270	-	(7,270)
Other Fee For Service	22,464,924	22,329,609	(135,316)
Transportation	844,221	841,779	(2,443)
Total Claims	260,875,295	254,417,650	(6,457,644)
Medical & Care Management Expense	7,835,132	8,014,810	179,678
Reinsurance	(1,364,835)	(684,537)	680,299
Claims Recoveries	(2,548,784)	-	2,548,784
Sub-total	3,921,513	7,330,273	3,408,760
Total Cost of Health Care	280,722,706	277,549,277	(3,173,429)
Contribution Margin	38,233,368	35,708,257	2,525,111
General & Administrative Expenses:			
Salaries and Wages	5,446,891	5,630,375	183,484
Payroll Taxes and Benefits	1,319,102	1,325,134	6,032
Travel and Training	78,882	153,033	74,151
Outside Service - ACS	9,900,522	9,772,745	(127,776)
Outside Services - Other	567,819	521,770	(46,048)
Accounting & Actuarial Services	238,378	183,279	(55,099)
Legal	606,344	434,607	(171,738)
Insurance	118,988	117,784	(1,204)
Lease Expense - Office	473,321	492,198	18,877
Consulting Services	1,012,027	1,265,385	253,358
Translation Services	38,013	28,393	(9,619)
Advertising and Promotion	25,369	162,909	137,540
General Office	923,688	1,005,879	82,192
Depreciation & Amortization	73,763	163,976	90,212
Printing	103,247	184,174	80,927
Shipping & Postage	48,874	206,759	157,885
Interest	335,898	285,120	(50,778)
Other/ Miscellaneous Expenses	65,781	-	(65,781)
Total G & A Expenses	21,376,906	21,933,521	556,615
Net Income / (Loss)	\$ 16,856,462	\$ 13,774,736	\$ 3,081,726

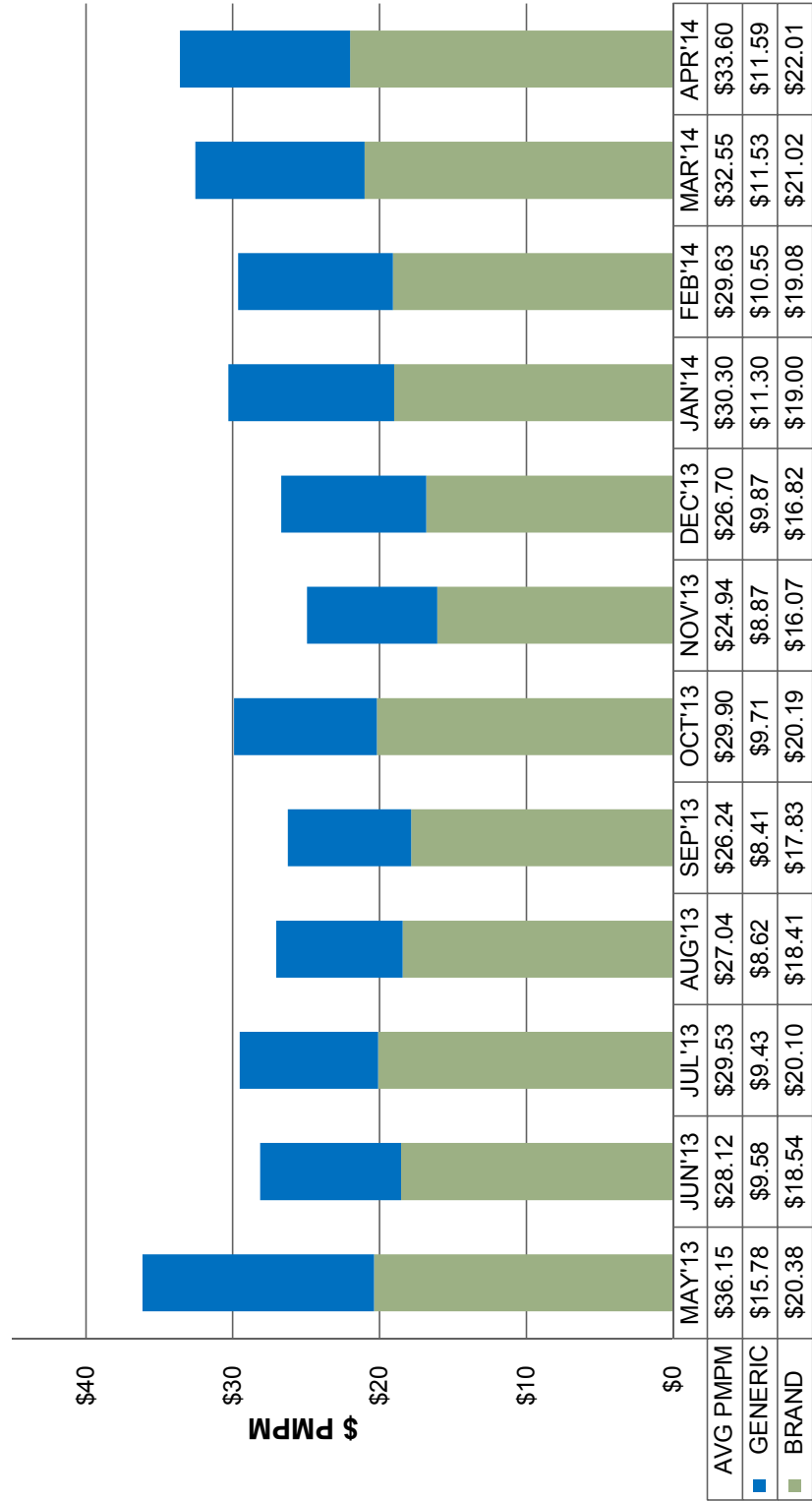
Total Expense Composition

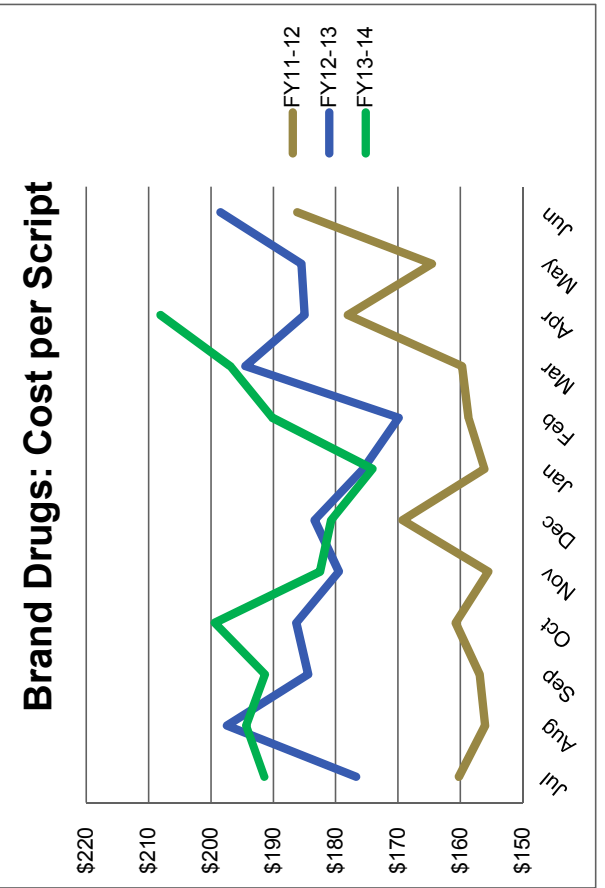
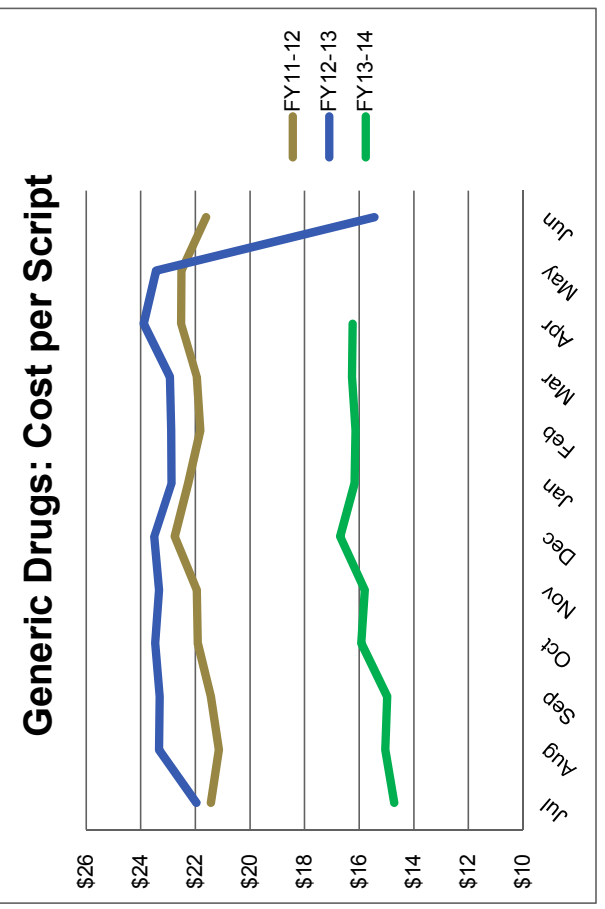
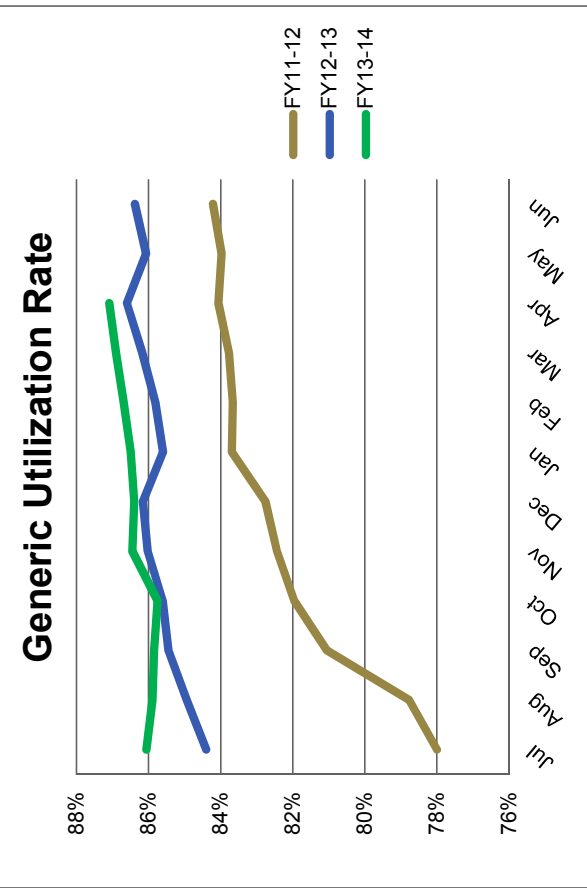
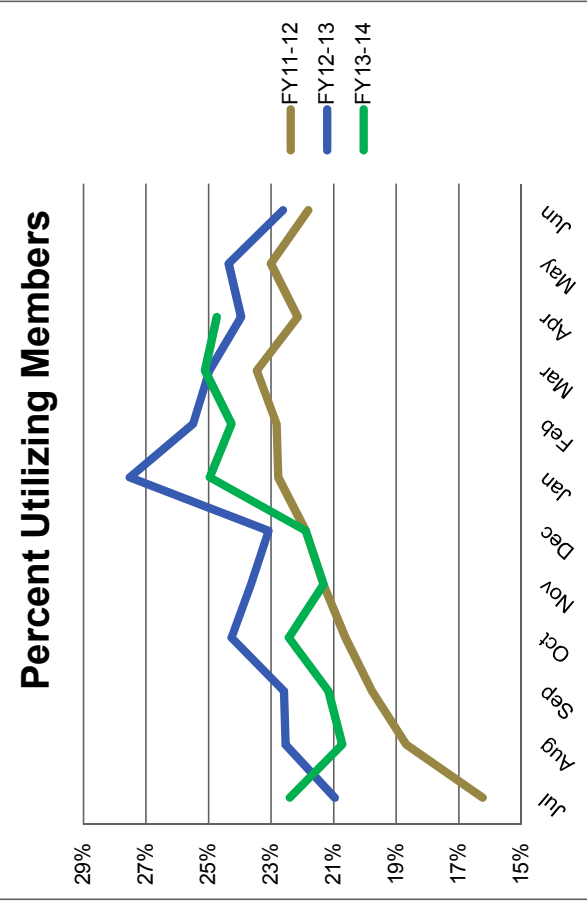


In May 2013, GCHP changed its method of distributing Health Care Costs (HCC) across categories of service. Prior months utilized an allocation methodology. The methodology was updated to utilize payment information by different categories of services. Further changes have been made with the assumption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

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

Pharmacy Cost Trend





AGENDA ITEM 3a

To: Gold Coast Health Plan Executive / Finance Committee

From: Michelle Raleigh, Chief Financial Officer

Date: June 5, 2014

RE: Continue Process to Secure Additional Medi-Cal Funds through an Intergovernmental Transfer (IGT)

SUMMARY:

Recommend approval to the Commission for the Chief Executive Officer to enter into necessary agreements with the Ventura County Medical Center (VCMC) or other appropriate County agency and the California Department of Health Care Services (DHCS) to secure additional Medi-Cal Funds through an Intergovernmental Transfer (IGT). This step follows the Plan's submission of a proposal to DHCS, which was approved by the Commission on May 19, 2014.

BACKGROUND:

Intergovernmental Transfers (IGTs) are a mechanism for Medi-Cal managed care plans, counties and certain types of public hospitals to work with the State of California in order to bring federal Medicaid matching dollars to the local level.

To accomplish an IGT, a "funding entity" provides funds to the State Department of Health Care Services (DHCS). A funding entity can be counties, cities and State University teaching hospitals, or any other political subdivision of the State, as long as they meet the requirements as defined by 42 C.F.R. Section 433.50 for the funding of IGTs. The federal government then matches those funds according to a set formula. The State uses these combined funds to increase the rates it pays to the local Medi-Cal managed care plan consistent with the Plan's actuarially determined payment rates. The funding entity recoups the original outlay of funds and the federal match to those funds. The funding entity for the FY 2012-13 IGT would be VCMC or other appropriate Ventura County agency.

DISCUSSION:

The FY 2012-13 IGT will be structured similar to the FY 2011-12 IGT and involve a transfer of funds from the funding entity to DHCS. The DHCS would then use a portion of these funds to leverage a federal match at the Federal Medical Assistance Percentages (FMAP) rate in effect during FY 2012-13. Additionally, the funding entity pays DHCS an assessment fee of 20%. Subsequently, Gold Coast Health Plan (GCHP or Plan) would receive an increased capitation payment via a rate amendment to the Primary Agreement between GCHP and DHCS. The Plan would return the funds received via the increased capitation rate to the

funding entity, after withholding amounts for MCO taxes (2.35%) and GCHP's administrative fee (expected to be 2%).

As approved at the May 19, 2014 Commission meeting, GCHP submitted a proposal on May 30, 2014 to DHCS that included the following:

- the Plan's contact person, funding entity and participation levels (i.e., expected percentage of dollars to fund) and
- the funding entity's voluntary letter of interest and some additional documentation regarding the Medi-Cal members served and scope of services.

On May 27, 2014, DHCS responded to ongoing inquiries by the Plan regarding the IGT process and related timing. In the email, DHCS alerted the Plan that signed contracts would need to be submitted between June 20, 2014 – July 3, 2014. Formal communication and documents are expected to be received by the Plan on June 6, 2014. In the meantime, the Plan will continue to work with the County to finalize required documents, with assistance of legal counsel. DHCS has communicated to the Plan that the following contract templates would remain the same as last year and are federally approved:

- Agreement between the funding entity and DHCS regarding the transfer of funds to the State,
- Agreement between the funding entity and DHCS regarding the State assessment fee,
- Amendment to Agreement between the funding entity and the Plan regarding the transfer of funds, and
- Amendment to Agreement between the Plan and DHCS in the form of a rate amendment to account for increased capitation rate resulting from the IGT between the funding entity and DHCS.

FISCAL IMPACT:

The impact to the Plan's FY 2014-15 revenue due to the FY 2012-13 IGT is estimated to be \$520,000.

RECOMMENDATION:

Subject to review by legal counsel, recommend approval to the Commission for the Chief Executive Officer to enter into agreements to secure funding for the FY 2012-13 IGT.

CONCURRENCE:

N/A.

Attachments:

None.



AGENDA ITEM 3b

To: Gold Coast Health Plan Executive / Finance Committee

From: Michelle Raleigh, Chief Financial Officer

Date: June 5, 2014

Re: Fiscal Year 2014 – 15 Operating and Capital Budget

SUMMARY:

Gold Coast Health Plan (GCHP or Plan) staff has updated the FY 2014-15 operating and capital budgets for the Executive / Finance Committee review and recommendation of approval to the Commission. The budget has been updated after both the May 7, 2014 Executive/Finance Committee meeting and the May 19, 2014 Commission meeting. The budget is summarized in this memo and in the attached presentation.

BACKGROUND / DISCUSSION:

The FY 2014-15 budget includes projections of membership, revenue, health care costs, and administrative expenses which drive estimates of tangible net equity (TNE) and other financial statement amounts. Staff followed a robust process of estimating:

- Membership growth and mix changes as GCHP experiences additional growth primarily due to the Affordable Care Act (ACA),
- Revenue based on the most recent capitation rates received by the State (DHCS contract amendment #11) and approved by the Commission on April 28, 2014. These rates have been adjusted to reflect the State's anticipated increase in the expansion of the mental health benefit,
- Health care costs utilizing a combination of Plan experience for the traditional Medi-Cal populations and State estimates for the newer populations (e.g., Targeted Low Income Children and Adult Expansion),
- Administrative expenses developed by Plan departments and vetted with leadership,
- Capital expenditures estimated to support Plan growth, projects, and regulatory needs.

An outline of the budget process, major assumptions, and initial estimates of some budget items was provided to the Executive/Finance Committee on May 7, 2014. Following that meeting, staff completed initial budget estimates and provided a comprehensive report to the Commission on May 19, 2014. This package represents an update to these previously discussed materials.

Major Assumptions

The budget includes the following major assumptions, with additional detail provided in the attached presentation:

- Membership growth and mix changes – primarily due to the expansion of the Medi-Cal program under the Affordable Care Act (ACA),
- Health Care Cost changes – reflective of recent Plan experience with estimates of known State policy changes and new Hepatitis C drug,
- Project Needs – incorporates Plan-wide proposal of projects to focus on during the next fiscal year, and
- Ongoing compliance - includes ongoing Plan support of 2012 / 2013 Corrective Action Plans (CAPs) and Medical Loss Ratio Evaluation (MLRE).

Additional details on budget assumptions are included below:

- **Membership** - Covered Lives are projected to average 154,681 and resulting in 1,856,173 member months for FY 2014-15. The budget includes approximately 23,000 Adult Expansion members on average, with additional growth expected in the traditional Medi-Cal populations.
- **Revenue**
 - **Capitation** - the budget reflects most recent rates approved by the Commission and expected to be paid by the State via contract amendment #11. Based on additional information communicated by DHCS, an increase in the current rates is expected on July 1, 2014 to account for assumed increased utilization of the mental health benefit that was expanded on January 1, 2014. Therefore, the Plan has also accounted for this in revenue estimates. To summarize, FY 2014-15 revenue is estimated to be \$563.8 million based on projected member months of 1,856,173 resulting in a weighted average capitation rate of approximately \$304 per member per month.
 - **Other Income** - On June 23, 2010 the Plan entered into a 5 year agreement with Affiliated Computer Services (ACS) to provide certain operational services. As part of the agreement, ACS provided the Plan with an implementation payment of \$2,300,000. Accordingly revenue is being recognized ratably over the 60 month term of the agreement. As with prior years, revenue recognized each month is \$38,333 or \$460,000 annually.
- **Health Care Cost Expense** - The FY 2014-15 medical and pharmacy expense budget was developed using the following information available for the traditional and newer populations:

- Traditional populations – the Plan utilized 12-24 months of historical data by major category of service to estimate future expenditures, which follows the Plan’s methodology to calculate incurred but not reported estimates. Specific adjustments were made to pharmacy to take into account expected utilization and cost trends, reflect expected State policy decisions (e.g., carving out of blood factor drugs, no statewide formulary) and the new drug to treat Hepatitis C.
- Newer populations (i.e., Targeted Low Income Children (TLIC) and Adult Expansion) – the Plan utilized information provided by the State to estimate health care expenses for the newer populations since sufficient historical data was not available to the Plan. The Plan’s actuaries (Milliman) is currently reviewing data to develop a recommendation on when the TLIC history is sufficient enough to rely upon.

To summarize, the health care cost expenses in the budget have been estimated to be \$513.0 million or \$276 PMPM, resulting in an estimated medical cost ratio of 91%.

- **Administrative Expense** - The administrative budget was developed by each department to reflect the resources necessary to adequately carry out their responsibilities to support GCHP and the major projects identified for the upcoming fiscal year. In general, the administrative expenses budget is \$34.4 million or 6.1% of revenue.
- **Net Income** – The result of the above assumptions are estimated to generate \$16.4 million in net income for FY 2014-15.
- **Lines of Credit** – The FY 2014-15 budget includes the two lines of credit from the County amounting to \$7.2 million. The Plan is in discussions with the State regarding a methodology as to when repayments could begin.
- **TNE** – The resulting TNE estimate at June 30, 2014 is \$48.5 million (including the lines of credit) or 192% of the required level. After removing the lines of credit, the Plan’s estimated TNE will be 164% of the required level.

Please note the following:

- Additional information regarding projected income statement, balance sheet, and cash flows are included in the appendix of the attached presentation.

- The Plan is awaiting formal feedback from the State regarding a recent medical loss ratio evaluation, whereby the Plan is likely to receive recommendations on reclassifying expenses between health care costs and administrative costs.
- The Plan is awaiting formal feedback from the State regarding the treatment of ACA 1202 revenue and expenses related to additional payments to Medicare rates for qualifying physicians.
- The revenue and expenses in the budget are presented and projected on the “accrual basis” of accounting in accordance with Generally Accepted Accounting Principles.
- Revenue and health care costs are based on historical information and actual utilization/ mix of services may vary from what is assumed, especially if membership mix and growth are different. Administrative expenses are also, in part, driven by membership growth assumptions.

FINANCIAL IMPACT:

To summarize, the FY 2014-15 budget includes the following estimates:

Average Monthly Membership:	154,681
Revenue:	\$563.8 million
Health Care Cost:	\$513.0 million
Administrative Cost:	\$34.4 million

Net Income:	\$16.4 million
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TNE at June 30, 2015 (including lines of credit):	\$48.5 million
TNE at June 30, 2015 (excluding lines of credit):	\$41.3 million

RECOMMENDATION:

Staff requests that the Executive / Finance Committee recommend approval to the Commission of the FY 2014-15 capital and operating budget.

CONCURRENCE

N/A

ATTACHMENTS:

FY 2014-15 Operating and Administrative Budget



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Fiscal Year 2014-15 Operating and Capital Budget

Executive/Finance Committee Meeting Michelle Raleigh, CFO June 5, 2014

Table of Contents

	<u>Page Number</u>
▪ Introduction	3
▪ Updates	5
▪ Highlights	6
▪ Projects	7
▪ Membership	8
▪ Revenue	11
▪ Health Care Costs	15
▪ Administrative Expenses	19
▪ Capital Budget	27
▪ Tangible Net Equity	28
▪ Next Steps	31
▪ Appendix	32

Introduction

Gold Coast Health Plan's (GCHP) FY2013-14 (7/1/14-6/30/15) budget is summarized in this document and reflects the following major assumptions:

- Membership Growth & Mix Changes – impacts all areas of the budget including revenue and expenses
- Health Care Cost Changes – reflective of recent Plan experience with estimates of known State policy changes and new Hepatitis C drug
- Projects Needs – incorporates Plan-wide proposal of projects to focus on during the next fiscal year
- Ongoing compliance - includes ongoing Plan support of 2012/2013 Corrective Action Plans (CAPs) and Medical Loss Ratio Evaluation (MLRE)

Introduction

Major items that are likely to continue to be pending and that may impact FY2014-15 budget:

- Final State capitation rates, including updates to Adult Expansion rates
- State's FY2014-15 budget

Updates

Changes Since the May 19, 2014 Commission Meeting:

- Membership and revenue updated based on additional State reporting
- Health care cost estimates analyzed and refined
- Administrative expenses updated based on Plan analysis of departmental budgets

Highlights

- 2 year growth: average monthly enrollment up 52% ; revenue up 79%
- Staffing, support and compliance costs increasing along with caseload growth and mix changes

	FY 2012-13	Projected FY 2013-14 *	Budget FY 2014-15
(Amounts are stated in thousands, except Enrollment and %)			
Average Monthly Enrollment	101,991	129,233	154,681
Premium Revenue	\$ 315,120	\$ 409,176	\$ 563,761
Health Care Costs	\$ 280,383	\$ 362,621	\$ 513,002
Administrative Expense	\$ 24,014	\$ 26,293	\$ 34,380
Net Income	\$ 10,723	\$ 20,262	\$ 16,378
MCR	89.0%	88.6%	91.0%
ACR	7.6%	6.4%	6.1%
Administrative Expense - PMPM	\$ 19.62	\$ 16.96	\$ 18.52
TNE**	\$ 11,891	\$ 32,153	\$ 48,531

* Reflects actual experience through 3/31/14 and estimates from 4/1/14 to 6/30/14

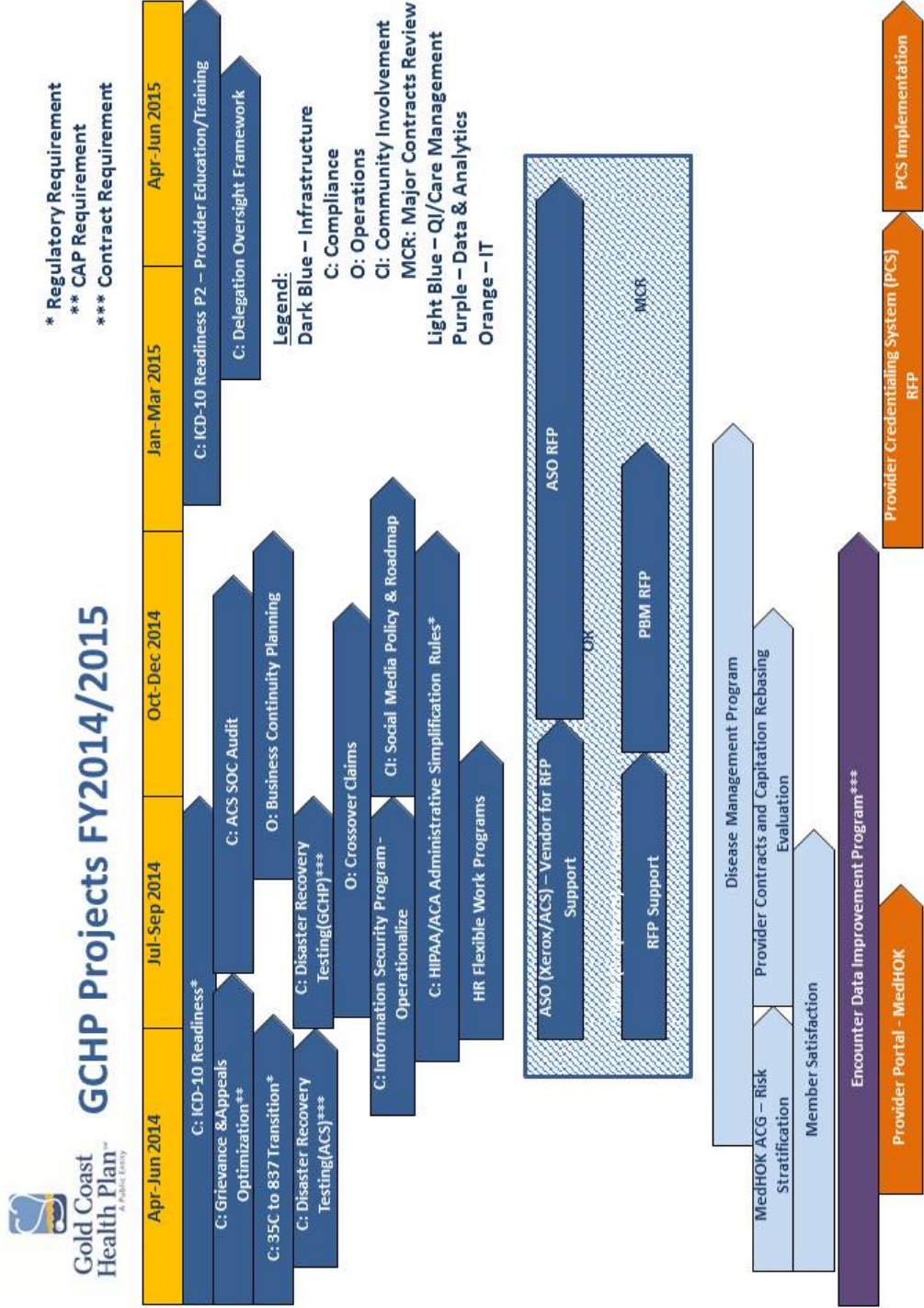
** TNE includes \$7.2M in lines of credit



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Projects

GCHP staff identified the following projects to focus on for FY2014-15 (as discussed May 7th Executive/ Finance Committee meeting and 19th Commission meeting)



Membership

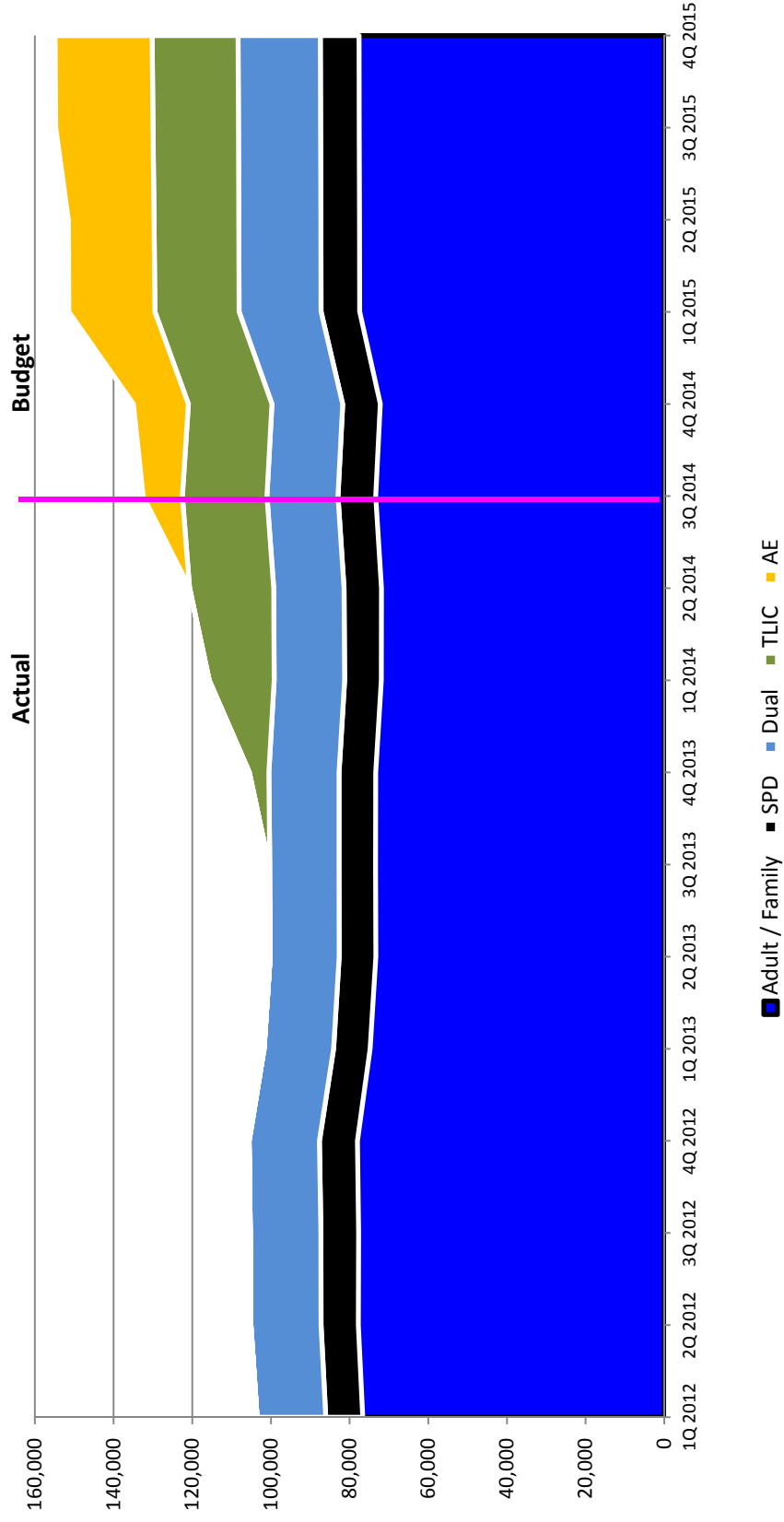
- Updated from prior discussions based on new State capitation reports
- Average monthly membership is expected to grow by over 19% from the current fiscal year
 - New Adult Expansion populations (e.g., LIHP, Medi-Cal Expansion, CalFresh adults) driving growth, which is difficult to predict given ongoing media focus and processing delays
- Note:
 - Adult/Family membership growing likely due to increased outreach/ media attention on health insurance/exchange
 - Dual/SPD membership growing likely due to aging population
 - State changed aid category definition of “Dual”, resulting in shift of members from “Dual” to “SPD”, change reflected in results as of 4/1/14
 - TLIC full transition occurred on 8/1/2013, will be combined with children within Adult/Family category, pending additional information from State
 - AE membership began 1/1/14 with LIHP transition and other Medi-Cal Expansion members, including CalFresh adults. Plan estimates to have 21,600 AE members on 7/1/14 and grow to 24,614 members by 6/30/15

Membership

Aid Category - Members *	FY 2012-13	Projected FY 2013-14	Budget FY 2014-15	June 2015
	(Stated in Averaged Member Months)			
Adult/Family	73,714	74,065	80,818	80,929
Dual	17,672	17,843	17,719	17,743
SPD	9,302	9,765	10,695	10,710
Traditional Medi-Cal	100,689	101,673	109,232	109,382
<i>Annual Percentage Growth - Traditional Medi-Cal</i>		<i>1.0%</i>	<i>7.4%</i>	
TLIC (Healthy Families)	1,303	20,313	22,565	22,876
Adult Expansion (AE)	-	7,247	22,884	24,193
Total Average Membership	101,991	129,233	154,681	156,451
<i>Annual Percentage Growth - Entire Population</i>		<i>26.7%</i>	<i>19.7%</i>	

* Member categories have been grouped to include as follows: Senior and persons with disabilities (SPD) includes Aged-Medi-Cal, Disabled-Medi-Cal, Long-term Care-Medi-Cal, and Breast and Cervical Cancer Treatment Plan (BCCTP). Dual (includes Aged-Dual, Disabled-Dual, and Long-term Care-Dual). Other member categories include: Targeted Low Income Children (TLIC), and Adult Expansion (AE). State definition of dual changed (from being defined as having any part of Medicare coverage to being defined as having all three parts of Medicare coverage) and is reflected on 4/1/14 in these results.

Members by Aid Category By Fiscal Year Quarter



Revenue

- Updated from prior discussions based on final membership projections
- FY2014-15 Revenue Assumptions:
 - Most recent State capitation rates approved by Commission are assumed to stay constant throughout FY2014-15 (actual rates not known until after start of fiscal year)
 - CBAS - expect further discussion with State to confirm full implementation of benefit
 - Mental health – incremental increases at July 1, 2014 included
 - LTC Dual capitation rate - clarified and revised
 - Adult Expansion rates will be recalculated during the next fiscal year – timing, process, and methodology pending from the State
 - As in prior financials, the following items were not included in the budget because the funds are passed through to other entities:
 - Sales Tax (SB78)
 - Hospital Quality Assurance Fee (HQAF)
 - AB85 provider payments

Revenue

- Items that are likely continue to be pending and that may impact FY2014-15 revenue estimates:
 - Adult Expansion recalculation of rates
 - State decision regarding treatment of ACA 1202 Payments & Reconciliation
 - Final FY2014-15 State capitation rates
 - FY2012-13 IGT

Revenue by Member Category

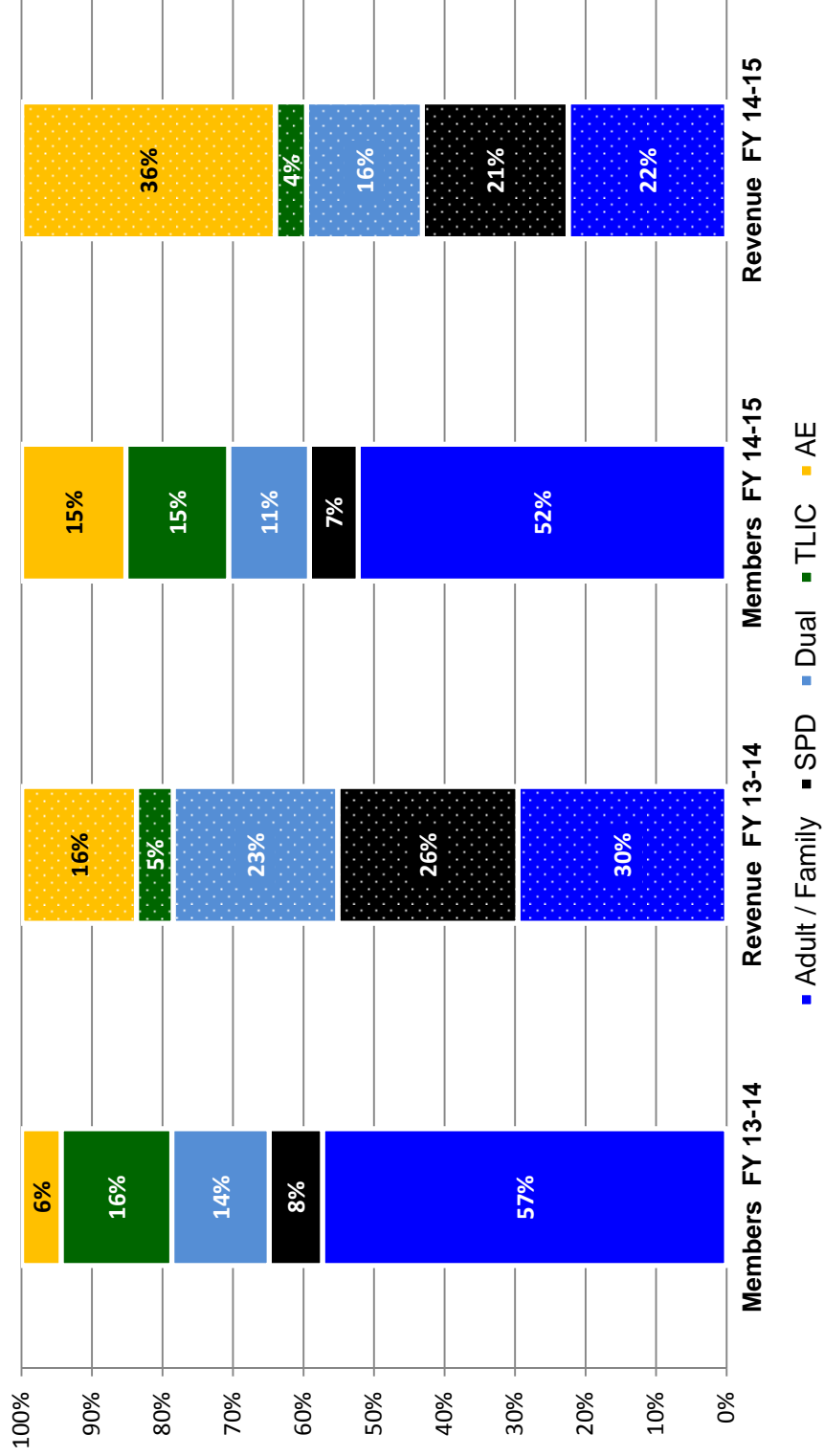
- Total revenue expected to grow 38% from FY2013-14
- Average PMPM expected to increase by over 15% from FY2013-14 due to mix change

Member Category	Projected		Budget
	FY 2012-13	FY 2013-14	
Traditional	\$ 313,948	\$ 323,698	\$ 336,174
TLIC (Healthy Families)	1,171	20,726	24,934
AE (Adult Expansion)	-	64,751	202,653
Total Revenue	\$ 315,120	\$ 409,176	\$ 563,761
<i>Averaged PMPM, Aggregate</i>	\$ 259.42	\$ 263.85	\$ 303.72

(Amounts are stated in thousands of \$)

Membership Mix and Revenue Impact

Revenue Mix Being Driven by Adult Expansion Population



Health Care Costs

- Updated from prior discussions based on final membership projections and cost estimates
- FY2014-15 Health Care Cost assumptions include the following:
 - Base experience – 12-24 months of historical experience utilized by major category of service – no additional trend assumed
 - Provider contracting changes – Adult Expansion PCP and Speciality capitation rates being implemented 6/1/2014
 - Mandatory Long-Term Care rate changes - Estimated 3% AB1629 facility provider rate increases reflected as of 8/1/2014 as per State budget
 - Mental Health costs – increased according to State rate assumptions
 - TLIC population – continue to estimate costs from State rates, pending impact of Milliman analysis
 - Adult Expansion population – continue to estimate costs from State rate worksheets – due to insufficient claims data to date
 - Care management staffing discussed on page 23

Pharmacy

- Pharmacy expense assumptions
 - Utilization (scripts per member) assumed to increase 2% from FY2013-14 to FY2014-15
 - Assumed unit cost for scripts to increase by 8% for brand and 5% for generic
 - Reflected expected adjustments based on audit findings
 - Assumed utilization of new Hepatitis C drug (Sovaldi) and estimated cost to be \$5 million
 - Adjusted for State carving out of benefit (e.g., blood factor drugs) - worth approximately \$900,000
 - Expenses for TLIC and AE populations used to be equal to State estimates

Health Care Costs

- Items that are likely to continue to be pending and that may impact health care cost estimates:
 - Net reinsurance costs pending final reinsurance premium
 - Actual costs of newer populations (TLIC and AE) vs. State estimates
 - Overall allocation of dollars between medical and administrative pending results of State’s MLRE
 - Final State budget and other contractual requirements

Health Care Costs

- Health care costs expected to grow by 41% from FY2013-14
- Adult Expansion population driving 84% of total health care cost increase

	FY 2012-13	Projected FY 2013-14	Budget FY 2014-15
Capitation *	\$ 11,159	\$ 21,407	\$ 31,071
Claims:		(in thousands)	
Inpatient	\$ 134,986	\$ 159,696	\$ 204,204
Outpatient	\$ 39,489	\$ 50,995	\$ 65,857
Professional/Mental Health	\$ 28,642	\$ 36,718	\$ 49,160
Pharmacy	\$ 41,118	\$ 58,080	\$ 104,628
Other **	\$ 17,430	\$ 25,913	\$ 45,376
Care Management	\$ 7,557	\$ 9,811	\$ 12,707
	269,224	341,213	481,931
Total	\$ 280,383	\$ 362,621	\$ 513,002

Total Health Care Costs in PMPM	FY 2012-13	Projected FY 2013-14	Budget FY 2014-15
	\$ 230.82	\$ 233.83	\$ 276.38

* Includes PCP, Specialty, Non-emergency transportation, and Vision

** Other claims include all other fee-for-service expenses, reinsurance and transportation expenses

Administrative Expenses

- Updated from prior discussions based on final Plan leadership review
- Departments produced initial budgets and staffing requests reviewed by Plan Leadership
- Plan needs to fund:
 - Growing membership with change in member mix
 - Achieving and maintaining ongoing CAP requirements
 - Increased regulatory and compliance needs
 - Projects needs
 - Building of infrastructure
- Administrative Cost Ratio (administrative expense as a percentage of revenue) is estimated to be 6.1%
- ACS fees increase due to increased enrollment but partially offset by lower per member fee

Administrative Costs

- Items that are likely to continue to be pending and that may impact administrative estimates:
 - Overall allocation of dollars between medical and administrative pending results of State’s MLRE
 - Final State budget and other contractual requirements

Administrative Expenses Crosswalk

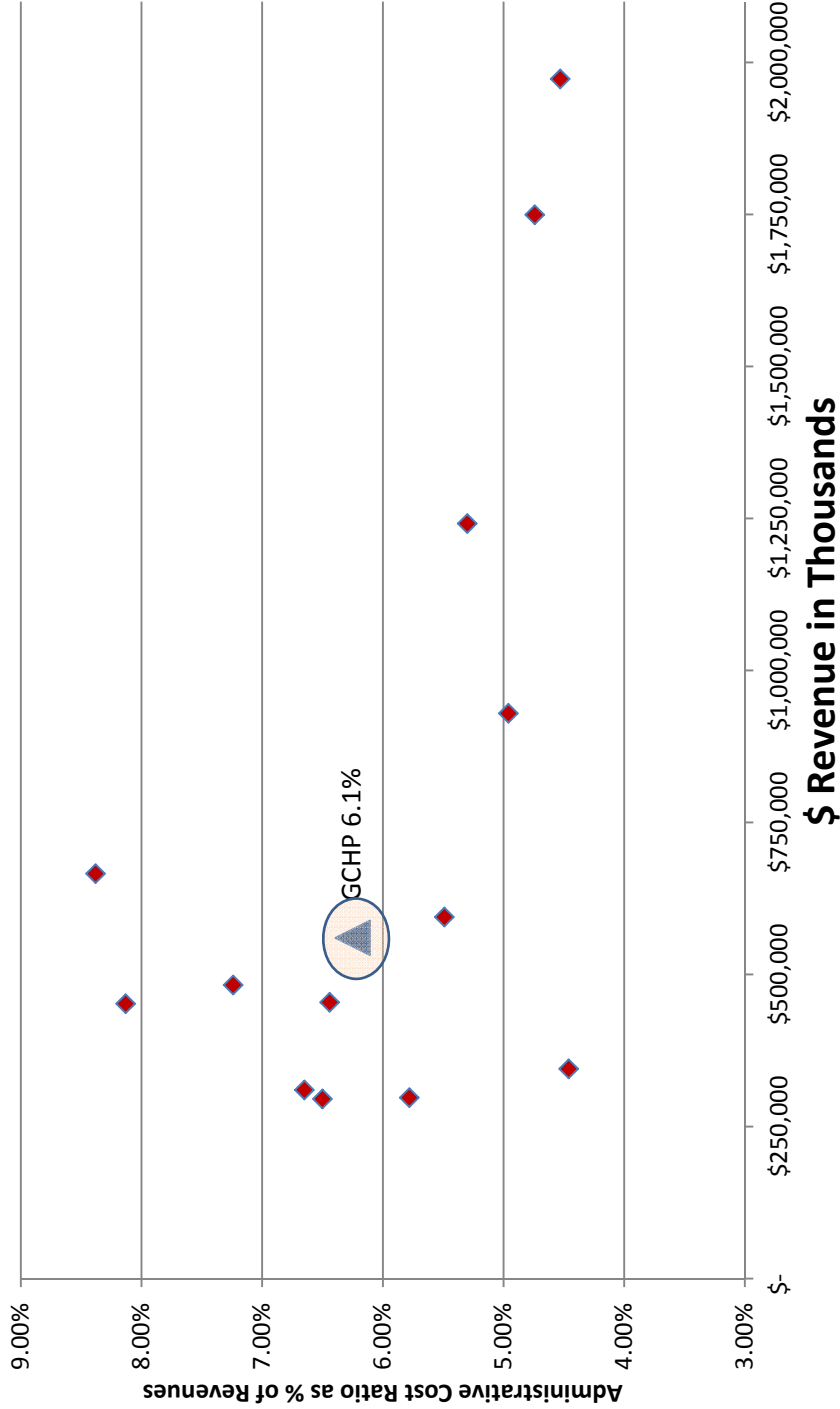
FY 2013-14 Administrative Expense Budget	\$ 26,293,000	
FY 2014-15 Administrative Expense Budget	34,380,000	
Increase in Administrative Expense Budget Request	<u>\$ 8,087,000</u>	100%
 <u>Growth-based and Required Expenses:</u>		
ACS	\$ 2,153,000	
Beacon Health	715,000	
Facilities expenses associated with a larger office	342,000	
Projects:		
Info Security Program for HIPAA compliance	\$ 150,000	
ICD-10	258,000	
	<u>\$ 408,000</u>	
	\$ 3,618,000	45%
 <u>Other Administrative Expenses:</u>		
Personnel expenses	\$ 4,170,000	
Professional services	(478,000)	
Operating expenses	778,000	
	<u>\$ 4,470,000</u>	55%



Administrative Expenses

GCHP estimated administrative cost ratio (ACR) is in line with other plans of GCHP size

Administrative Cost Ratio for Medi-Cal Plans in California
Plotted as ACR versus Annual Revenues (from DMHC 2013 Annual filings)



Staffing

- Staffing needs increase due to growth in membership and mix changes, ongoing compliance/regulatory/CAP needs, and building of infrastructure

	Projected FY 2013-14	Budget FY 2014-15
Beginning of Year	82	140
Non-Medical Hires	28	24
Medical Hires *	30	5
End of Year	140	169

- Salaries consistent with pay grades/ranges approved by the Commission
- Merit increases and employee appreciation and recognition programs included

* Currently categorized financially as part of medical costs, not administrative costs.

Vendor Contracts

Vendors contracts expected to be over \$100K annually:

Vendor	Services Provided	Projected		Budget
		FY 2013-14	FY 2014-15	
ACS	Health care administrative services	\$ 12,731,000	\$ 13,975,000	\$ 13,975,000
Scriptcare Ltd. *	Pharmacy benefits management	\$ 3,397,000	\$ 4,744,000	\$ 4,744,000
Insurance Vendors	Business insurance (not including reinsurance)	\$ 179,000	\$ 253,000	\$ 253,000
Lease Expense	Office space	\$ 757,000	\$ 772,000	\$ 772,000
Beacon Health Strategies, LLC	Outsourced mental health benefit management	\$ 306,000	\$ 1,374,000	\$ 1,374,000
CIO Solutions	IT support	\$ 334,000	\$ 107,000	\$ 107,000
Coffey Communications Inc.	Outreach programs and website contents	\$ 112,000	\$ 95,000	\$ 95,000
Crossroads Staffing Services	Temporary labor provider and personnel recruiter	\$ 235,000	\$ 139,500	\$ 139,500
MCG Health, LLC *	Milliman Guidelines license fee	\$ 178,000	\$ 260,000	\$ 260,000
Milliman	MedInsight license fee	\$ 134,000	\$ 134,000	\$ 134,000
MedHok Healthcare Solutions *	Medical Management System support	\$ 975,000	\$ 667,000	\$ 667,000
Optimty Consulting	ICD-10 implementation support	\$ 192,000	\$ 258,000	\$ 258,000
Quantix Consulting	Temporary staff support	\$ 130,000	\$ -	\$ -
Verisk Health Solutions, Inc.	HEDIS support	\$ 96,000	\$ 100,000	\$ 100,000

*Vendors noted by * reflect services that are classified as medical expenses*

Consulting Contracts

Major consulting contracts estimated to be over \$100K annually:

Consultant	Duties	Projected		Budget
		FY 2013-14	FY 2014-15	
State Monitor (BRG)	Performs on-going state monitoring duties	\$ 887,000	\$	25,000
Actuarial Consultants (Milliman)	Performs assistance related to claims reserving, state rate development, data requests, provider capitation and risk analysis	\$ 164,000	\$	198,000
Financial Auditor (McGladrey & Pullen LLP)	Performs financial audit required by the State and answers ongoing questions related to financial statement development	\$ 105,000	\$	130,000
Legal Services (Anderson Kill, Kennaday, Leavitt & Daponte PC, Wilke Fleury Hoffelt Gould & Birney, LLP)	Performs support for Commission and Committee meetings, employees issues, contracts review, and litigation support	\$ 572,000	\$	400,000

Plan Memberships

Organization	Projected		Budget
	FY 2013-14	FY 2014-15	FY 2014-15
California Association of Health Plans (CAHP)	\$ 7,000	\$ 7,000	\$ 7,000
Association of Community Affiliated Plans (ACAP)	\$ 33,200	\$ 33,200	\$ 45,000
California Association of Health Insuring Organizations (CAHIO)	\$ 14,000	\$ 14,000	\$ 34,000
Local Health Plans of California (LHPC)	\$ 70,000	\$ 70,000	\$ 70,000

Capital Budget

New capital expenditures for FY 2014-15 budget are:

Item	Estimated Amount to be Capitalized
IT hardware (servers) for business expansion	\$135,000
Data warehouse, storage and security	\$170,000
Provider Credentialing System	\$235,000
Medical Management System – Provider Portal enhancement	\$105,000
Intranet	\$25,000
Office furniture and configuration to accommodate personnel additions	\$100,000
Total	\$770,000

- Capital assets, including office furniture and fixtures, computer equipment, software and leasehold improvements, whose acquisition costs exceed \$1,500 are accounted for in the capital budget. Purchases less than \$1,500 are included in the administration budget.
- The capital budget assumes our current locations are adequate to absorb staff expansion.

Tangible Net Equity

As of 6/30/15,

- the Plan is projected to be at a TNE of \$48.5 million, which exceeds the TNE requirement of \$25.3 million (192% of requirement)
- the TNE requirement is fully phased-in at 100%, as of 6/30/14
- the required TNE is higher due to the growth and mix of membership
- the TNE includes \$7.2 million related to two lines of credit (LOC) with the County of Ventura

	Projected FY 2013-14	Budget FY 2014-15	Change
	(\$ amounts stated in thousands)		
Minimum Required TNE (100%)	\$ 19,649	\$ 25,277	\$ 5,629
GCHP TNE *	\$ 32,153	\$ 48,531	\$ 16,378
TNE Excess	\$ 12,505	\$ 23,254	\$ 10,750
GCHP TNE as a % of Required TNE	<u>163.6%</u>	<u>192.0%</u>	
150% of Minimum Required TNE	<u>\$ 29,473</u>	<u>\$ 37,916</u>	<u>\$ 8,443</u>

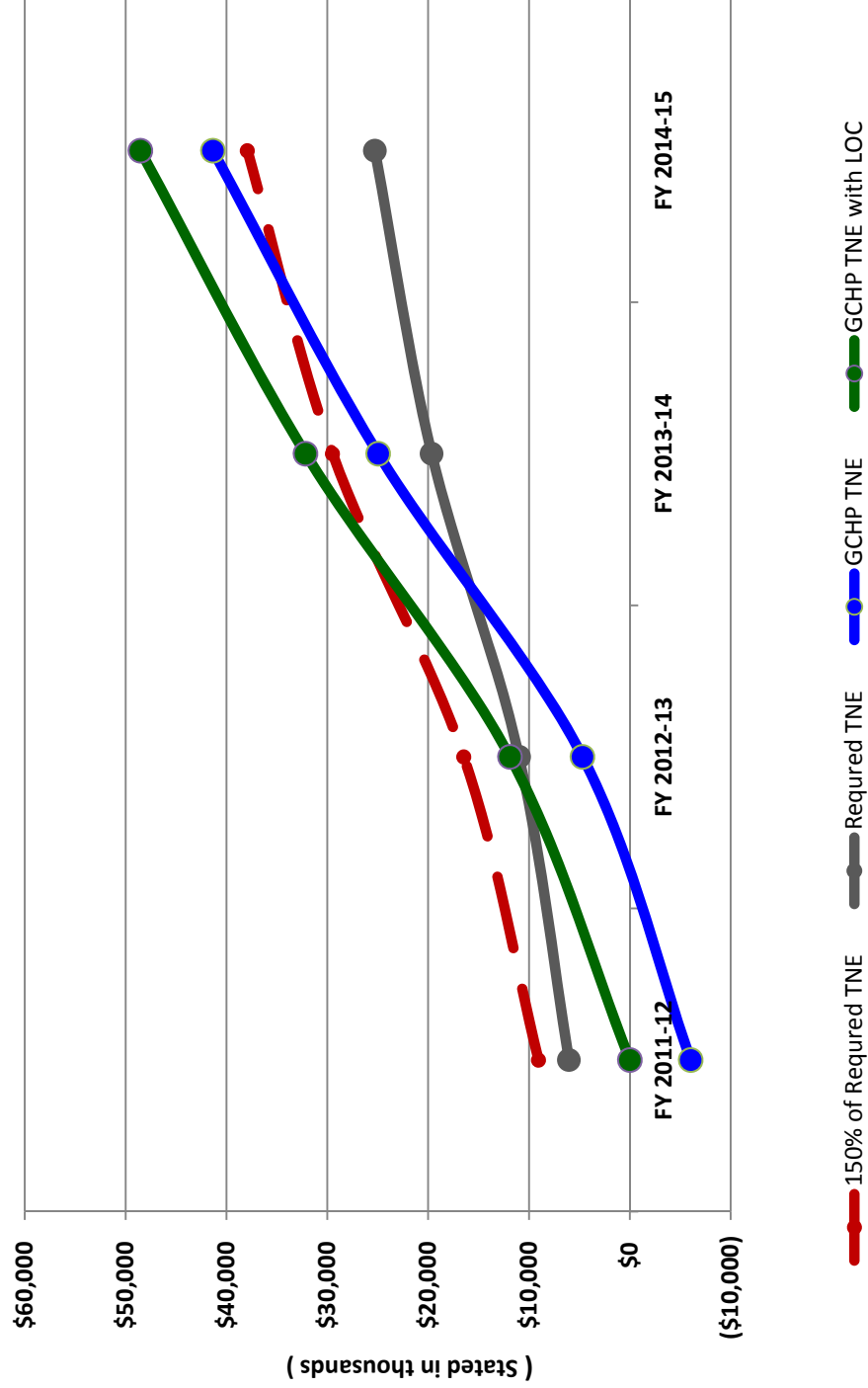
* Above amount includes \$7.2M in lines of credit.

Excluding the \$7.2 million lines of credit from TNE, GCHP TNE would be:

GCHP TNE (without lines of credit)	\$ 24,953	\$ 41,331	\$ 16,378
GCHP TNE as a % of Required TNE	<u>127.0%</u>	<u>163.5%</u>	
GCHP TNE as a % of 150% of Required TNE	<u>84.7%</u>	<u>109.0%</u>	

Tangible Net Equity

- Minimum TNE Requirement grows by \$5.6M
- 150% of TNE Requirement grows by \$8.4M
- GCHP estimated to be just over 150% of required TNE without LOC



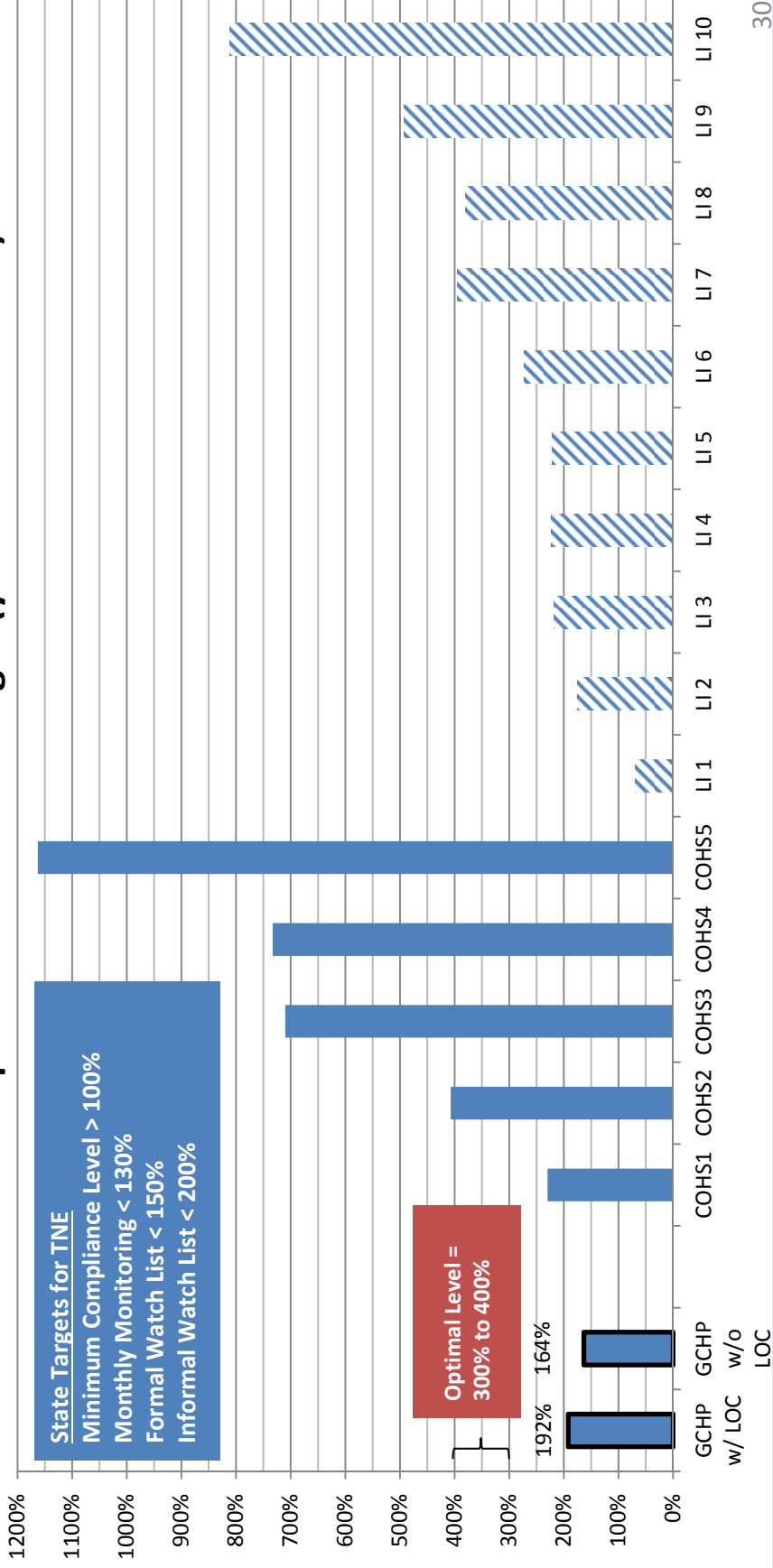


Tangible Net Equity

Plan will work with Commission to develop strategy for appropriate TNE levels

% TNE to Required - Public Plans

**Q4 2013 (from DHCS Medi-Cal Managed Care Dashboard)
GCHP for Proposed FY2014-15 Budget (year-end TNE values)**



Next Steps

- Present budget for approval during June 23rd Commission meeting



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Appendix

Balance Sheet Liquidity Ratios

	Actual 6/30/13	Projected 6/30/14	Budget 6/30/15
Current Ratio	1.24:1	1.33:1	1.43:1
Days Cash on Hand	61	62	63
Days Cash + State Capitation Receivable	77	117	104
Days Cash + State Capitation Receivable - MCO Tax Payable	68	81	103

Balance Sheet

	Actual 6/30/13	Projected 6/30/14	Budget 6/30/15
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(in thousands)

Assets

Cash	\$ 50,818	\$ 66,309	\$ 94,466
Receivables	13,145	58,885	61,158
Prepaid expenses	<u>324</u>	<u>451</u>	<u>499</u>
Total current assets	<u>64,287</u>	<u>125,644</u>	<u>156,124</u>
Deposits	10	79	79
Capital assets (net of accum deprec)	<u>231</u>	<u>1,647</u>	<u>1,708</u>
Total Assets	<u>\$ 64,528</u>	<u>\$ 127,370</u>	<u>\$ 157,912</u>

Balance Sheet – cont.

	Actual 6/30/13	Projected 6/30/14	Budget 6/30/15
(in thousands)			
Liabilities and Fund Balance			
Medical claims payable	\$ 40,652	\$ 86,617	\$ 103,225
Other payables	1,751	1,403	1,547
Payable to State	-	2,097	-
Accrued expenses	8,247	3,930	3,824
Current Portion of Deferred Revenue	460	460	460
Accrued Payroll Expense	606	168	243
Total current liabilities	51,717	94,675	109,299
Deferred Revenue - Long Term Portion	920	460	0
Subordinated Loan	7,200	7,200	7,200
Total non-current liabilities	8,120	7,660	7,200
Total Liabilities	59,837	102,335	116,499
Fund Balance	4,691	25,034	41,413
Total Liabilities & Fund Balance	\$ 64,528	\$ 127,370	\$ 157,912

Income Statement

	Actual 6/30/13	Projected 6/30/14	Budget 6/30/15
Member Months	1,224	1,551	1,856
	(in thousands)		
Revenues	\$ 315,120	\$ 409,176	\$ 563,761
Health Care Costs:			
Capitation	11,159	21,407	31,071
Claims:			
Inpatient	134,986	159,696	204,204
Outpatient	39,489	50,995	65,857
Professional	28,642	36,718	49,160
Pharmacy	41,118	58,080	104,628
Other	21,067	29,214	43,112
Reinsurance	(3,636)	(3,301)	2,265
Care management	7,557	9,811	12,707
	<u>269,224</u>	<u>341,213</u>	<u>481,931</u>
Total Health Care Costs	<u>280,383</u>	<u>362,621</u>	<u>513,002</u>
Administrative Expenses	24,014	26,293	34,380
Net Income	<u>\$ 10,723</u>	<u>\$ 20,262</u>	<u>\$ 16,378</u>



Cash Flow

	Actual 6/30/13	Projected 6/30/14	Budget 6/30/15
	(in thousands)		
Cash Flow from Operating Activities			
Collected Premium	\$ 336,042	\$ 378,465	\$ 584,004
Interest Income	114	153	193
Paid Claims	(291,770)	(303,291)	(495,274)
Admin Expenses	(26,393)	(33,196)	(49,179)
Provider Receivable	-	692	(79)
MCO Tax Received (Paid)	176	(25,613)	(10,743)
Net cash provided (used) by Operations	<u>18,169</u>	<u>17,210</u>	<u>28,922</u>
Cash Flow from Investing/Financing			
Net Prop & Equip	(106)	(1,719)	(764)
Proceeds from Subordinated Debt	7,200	-	-
Debt Payments	-	-	-
Net Cash Provided (Used) by Inv/Fin	<u>7,094</u>	<u>(1,719)</u>	<u>(764)</u>
Net Cash Flow	<u>25,264</u>	<u>15,491</u>	<u>28,158</u>
Cash & Equip at Beg of Period	<u>25,554</u>	<u>50,818</u>	<u>66,309</u>
Cash & Equip at End of Period	<u>\$ 50,818</u>	<u>\$ 66,309</u>	<u>\$ 94,466</u>