



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

2240 E. Gonzales, Suite 200, Oxnard, CA 93036  
Thursday, June 6, 2013  
3:00 p.m.

**AMENDED AGENDA**

**CALL TO ORDER / ROLL CALL**

**PUBLIC COMMENT**

1. **APPROVE MINUTES**
  - a. [May 2, 2013 Regular Executive / Finance Meeting Minutes](#)
  
2. **APPROVAL ITEMS**
  - a. [Reinsurance Contract](#)
  - b. [DHCS Contract Amendments 6 & 7](#)
  - c. [FY 2013-14 Budget](#)
  - d. [Medical Management System \(MMS\) Vendor Selection](#)
  
3. **ACCEPT AND FILE ITEMS**
  - a. [CEO Update](#)
  - b. [April Financials](#)
  
4. **INFORMATIONAL ITEMS**
  - a. [Financial Forecast Status Update](#)

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, 1701 LOMBARD STREET, SUITE 100, OXNARD, CA.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT TRACI AT 805/889-6900. 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 (VCOMMCC) dba  
Gold Coast Health Plan  
Executive Finance Committee Meeting Agenda (continued)**  
2240 E. Gonzalez, Room 230, Oxnard, CA  
**June 6, 2013** at 3:00 p.m.

## **CLOSED SESSION**

**Closed Session Conference with Legal Counsel – Existing Litigation  
pursuant to Government Code Section 54956.9 Lucas v. Regional  
Government Services et al, VCSC Case No. 56-2013-00432444-CU-CE-VTA**

Announcement from Closed Session, if any.

## **COMMENTS FROM COMMITTEE MEMBERS**

## **ADJOURNMENT**

Unless otherwise determined, the next regular meeting of the Executive / Finance Committee Meeting will be held on July 11, 2013 at 3:00 p.m. at 2240 E. Gonzales Road, Suite 230, Oxnard CA 93036

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

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

**May 2, 2013**

*(Not official until approved)*

**CALL TO ORDER**

Chair Gonzalez called the meeting to order at 3:07 p.m. in Suite 230 at the Ventura County Public Health Building located at 2240 E. Gonzales Road, Oxnard, CA 93036.

**COMMITTEE MEMBERS PRESENT**

**Anil Chawla, MD**, Clinicas del Camino Real, Inc.

**Robert Gonzalez, MD**, Ventura County Medical Health System

**Roberto Juarez**, Clinicas del Camino Real, Inc.

**Catherine Rodriguez**, Ventura County Medical Health System

**ABSENT / EXCUSED**

**David Glycer**, Private Hospitals / Healthcare System

**STAFF IN ATTENDANCE**

Michael Engelhard, CEO

Michelle Raleigh, CFO

Nancy Kierstyn Schreiner, Legal Counsel

Paula Cabral, Administrative Assistant

Sonia DeMarta, Controller

Guillermo Gonzalez, Government Affairs Director

Lyndon Turner, Finance Manager

**PUBLIC COMMENTS**

None.

**1. APPROVE MINUTES**

**a. April 4, 2013 Regular Meeting Minutes**

Committee Member Chawla moved to approve the April 4, 2013 Regular Meeting Minutes. Committee Member Rodriguez seconded. The motion carried. **Approved 4-0.**

**2. ACCEPT AND FILE ITEMS**

**a. CEO Update**

CEO Engelhard provided an update on the FY 2011-12 Intergovernmental Transfer (IGT). The Plan submitted the required documents to the State on April 25<sup>th</sup>. The

approval to proceed was granted in the Plan's Commission Meeting on April 22<sup>nd</sup> and the County of Ventura Board of Supervisors Meeting on April 23<sup>rd</sup>. The documents are being reviewed by the State, who will then submit to the Centers for Medicare and Medicaid Services (CMS). If there are any comments, the Plan should hear in June; and if all goes well funding would commence sometime the end of August and should be completed before the end of the third calendar quarter.

CEO Engelhard stated that permission was granted by the Commission at the April 22<sup>nd</sup> Commission Meeting to move forward with the additional Line of Credit (LOC) pending approval by the Ventura County Board of Supervisors. The Board of Supervisors granted approval on April 23<sup>rd</sup> to extend a new \$5 million LOC to the Plan. CFO Raleigh noted that GCHP had received an update from the County and are expecting to draw down on the additional funds by May 3, 2013.

CEO Engelhard said that at the last Commission Meeting, approval was granted for the Executive / Finance Committee to approve the Medical Management System. CEO Engelhard noted that a final system decision has not been made, so staff did not bring the item forward at this time.

Committee Member Juarez stated that he had voted against the IGT at the last Commission Meeting because when it was first presented it was going to temporarily be used for TNE for the Plan but then it changed. Chair Gonzalez explained that it was always the intention for it to go to the Plan for TNE. There were discussions between the State, County and GCHP where it was determined that there was insufficient time to vet the concept with CMS for this year's IGT. Given the timing concerns, a joint decision was made to submit a basic IGT this year and allowing the Plan to retain approximately \$500,000.

Committee Member Juarez moved to accept the CEO Report as presented. Committee Member Chawla seconded. The motion carried. **Approved 4-0.**

**b. March Financials**

CFO Raleigh reviewed the March financials and noted that GCHP did not have any reinsurance recoveries in March, but paid an approximate \$228,000 premium. Committee Member Rodriguez asked when amounts are booked as a receivable. CFO Raleigh stated that once it is sent to the reinsurance vendor it is booked as a receivable. Member Rodriguez stated that she wants to ensure the Plan is capturing true receivables.

There was an increase for added legal support for the employee handbook and potential claims. Committee Member Juarez asked if the Plan had recovered any legal expenses from the D&L carrier. Legal Counsel Schreiner stated that the D&L carrier did deny some of the claims, but to date nothing has been recovered.

Committee Member Chawla stated that there had been some previous discussions regarding hospital rates and asked if there had been any progress. CFO Raleigh said

there has been one round of meetings with seven different hospitals and another round is scheduled for May.

CEO Engelhard noted that additional staff has been added in the utilization management (UM) and reporting areas and GCHP is seeing some impact in the reduction of hospital days. Committee Member Chawla requested more information regarding UM. CFO Raleigh responded that Dr. Wharfield will be making a presentation to the Commission every other month.

Committee Member Rodriguez requested clarification on the Accrued Premium Reduction (includes AB97 rate cuts). CFO Raleigh noted the FY 2012-13 rates have not been finalized so staff uses an estimated premium and accounts for potential over / under payment by the State. An extra line or a footnote will be provided on next month's report to clarify these receivables and liabilities.

Committee Member Rodriguez moved to approve the March Financials as presented. Committee Member Juarez seconded. The motion carried. **Approved 4-0.**

### **3. FINANCIAL FORECAST UPDATE**

CFO Raleigh presented a review of the 19 Initiatives and highlighted the following:

Correct Coding of Members - LTC Coding. The Plan is working with LTC facilities to convert Members into the correct aid category to allow GCHP to receive the correct amount of revenue from the State. Chair Gonzalez added that this will correct patients getting assigned for primary care when they are in long-term care.

Medicare Part A - Some members are not signed up for Part A. Converting these members to Medicare Part A will decrease costs. CEO Engelhard stated that GCHP will not know for a couple of months how many Members have successfully converted.

Injectables. Committee Member Rodriguez asked if there was a prescription fee for administration. CEO Engelhard responded that for certain injectables there is a \$4.42 per unit charge, but the instructions from the State were not clear and it should be per course of treatment, not per unit of dosage. Chair Gonzalez suggested changing the word "administrative" to "administration."

Committee Member Juarez stated that the presentation does not include specific savings / revenue assumption. Chair Gonzalez noted that some of the initiatives go slower; a report could be submitted quarterly or twice per year. Chair Gonzalez also suggested looking at each Initiative individually and decide what would be the best reporting method (actual numbers, process status report).

Committee Member Juarez suggested just presenting the "Estimated Financial Impact of Initiatives" (page 3a-12) as a summary to the full Commission.

CFO Raleigh reviewed the monthly report that was provided to the State in March. Committee Member Rodriguez asked where the Plan was with the original forecast for June 30, 2013. CEO Engelhard noted that the draft budget will be presented at the May Commission Meeting.

### **COMMENTS FROM COMMITTEE MEMBERS**

None.

### **ADJOURNMENT**

The meeting adjourned at 4:45 p.m.

**AGENDA ITEM 2a**

To: Executive / Finance Committee of Gold Coast Health Plan  
 From: Michelle Raleigh, Chief Financial Officer  
 Date: June 6, 2013  
 Re: Reinsurance Contract

**SUMMARY:**

Gold Coast Health Plan’s (GCHP) contract with OneBeacon for reinsurance coverage expires on June 30, 2013. The Plan’s insurance broker, Beecher Carlson, has prepared a proposal of reinsurance options for coverage during FY 2013-14. GCHP staff requests that the Executive Finance Committee approve the recommendation to continue reinsurance coverage through OneBeacon and raise the deductible level to \$500,000. The Plan will request ratification of the contract during the June 26<sup>th</sup> Commission meeting.

**BACKGROUND / DISCUSSION:**

GCHP is currently utilizing OneBeacon to provide reinsurance coverage for hospital inpatient claims exceeding \$350,000 per member per year. OneBeacon also provided inpatient reinsurance coverage during FY 2011-12 at a \$350,000 deductible level. Note that once the claim reaches these levels, OneBeacon reimburses GCHP approximately 90% of the payment in excess of the deductible.

OneBeacon’s annual contract expires on 06/30/13. Therefore, Plan staff requested that Beecher Carlson (insurance broker), review GCHP’s experience and obtain bids from reinsurance vendors.

- GCHP’s experience – over the first two years of operations, it is expected that the Plan will pay significantly less in premium compared to the payments received back from the reinsurer, as shown below:

<b>Fiscal Year</b>	<b>Premium</b>	<b>Paid Claims</b>	<b>Loss Ratio (Paid Claims / Premium)</b>
FY 2011-12	\$1,108,795	\$2,631,671	237%
FY 2012-13	\$2,708,634	\$4,306,134*	159%

\* Note – this is an estimate based on \$2,583,680 paid claims through 04/30/13 at a 60% completion factor supplied by Beecher Carlson.

- Beecher Carlson has prepared a proposal of reinsurance options for coverage during FY 2013-14 (see attachment) with key premium information summarized below:

<b>Traditional Medi-Cal Population</b>				
<b>Reinsurance Vendor</b>	<b>Reinsurance Premium Rate (PMPM) at various deductible levels:</b>			
	<b>\$350k (current deductible)</b>	<b>\$400k</b>	<b>\$450k</b>	<b>\$500k</b>
OneBeacon	\$4.54	\$3.84	\$3.16	\$2.55
OnPoint / XL	\$5.14	N/A	\$3.36	\$2.76
ION Re	\$6.35	\$5.54	\$4.43	\$3.55

<b>Targeted Low Income Children Population (e.g., Healthy Families Program Transition)</b>				
<b>Reinsurance Vendor</b>	<b>Reinsurance Premium Rate (PMPM) at various deductible levels:</b>			
	<b>\$350k</b>	<b>\$400k</b>	<b>\$450k</b>	<b>\$500k</b>
OneBeacon	\$2.73	\$2.31	\$1.90	\$1.53
OnPoint / XL	N/A	N/A	\$2.02	\$1.66

After analyzing the Plan's claim history and premium amounts at the above deductible levels, staff is recommending moving to a \$500,000 deductible level with OneBeacon for the following reasons:

- The Plan is increasing staff, improving case and utilization management, and is engaged in provider re-contracting efforts; all designed to lower future claims costs.
- OneBeacon has been a reliable business partner providing good customer service.

**FISCAL IMPACT:**

The recommended annual premiums for FY 2013-14 are estimated to be \$2.98 million, compared to the approximate \$2.71 million for FY 2012-13 for the traditional Medi-Cal population.

By increasing the deductible, the Plan could potentially increase health care costs. However, given the experience of the Plan, the estimated cost of the claims that would be self-insured are less than the increased premium amounts, had the Plan remained at the current deductible level of \$350,000.



The premium for the TLIC population is expected to be approximately \$0.28 million. The TLIC population is new for FY 2013-14.

**RECOMMENDATION:**

Staff requests that the Committee approve the Plan's recommendation of selecting OneBeacon to provide reinsurance coverage at the \$500,000 deductible level for FY 2013-14. The Plan will request ratification of the contract during the June 26<sup>th</sup> Commission meeting.

**Attachments:**

Beecher Carlson Proposal

# **Gold Coast Health Plan**

## **PROPOSAL**

### **HMO SPECIFIC EXCESS OF LOSS REINSURANCE**



6 Hutton Centre Drive, Suite 1280  
Santa Ana, CA 92707  
(714) 481-7106 Phone \* (714) 444-4155 Fax

*June 3, 2013*

# **Gold Coast Health Plan**

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# Gold Coast Health Plan

## Market Summary

Managing General Underwriter / Carrier	Best's Rating	Quoted	Did Not Quote	Comments
OneBeacon Insurance Company	A	✓		Incumbent
OnPoint* / XL Reinsurance America	A+	✓		
Ironshore	A-	✓		
IOA Re	A	✓		
Midwest Risk / U.S. Fire	A		✓	Claims Experience
BEL / American Fidelity Assurance	A+		✓	Underwriting Criteria
Munich Re	A+		✓	Could Not Meet Deadline

\* Compensation Disclosure Statement for BCIS Placements into OnPoint Programs:

The total cost of this insurance program includes a fee to Beecher Carlson Insurance Services, LLC, a California limited liability company ("BCIS") as set forth in the quote. OnPoint Underwriting, Inc., a Delaware corporation ("OnPoint") is the program administrator for some or all of this insurance program. OnPoint receives compensation from the insurance companies that participate in this insurance program for providing services to those insurance companies, including underwriting, policy issuance and other services. OnPoint and BCIS are each wholly owned subsidiaries of Beecher Carlson Holdings, Inc. For more information, please refer to the Beecher Carlson Holdings, Inc. fee policy available at [www.beechercarlson.com](http://www.beechercarlson.com).

# Gold Coast Health Plan

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## Covered Persons

Covered Persons Classifications
Medi-Cal
TLIC (Targeted Low Income Children)

# Gold Coast Health Plan

## Premium Comparison Summary

Deductible	Medi-Cal
Rate PMPM	Estimated Annual Premium
<b>\$350,000 (expiring)</b>	
OneBeacon	\$5,306,243
OnPoint / XL (ASD Model)	\$6,007,509
IOA Re*	\$7,421,728
<b>Expiring 2012 Rates</b>	<b>\$2,723,248</b>
<b>\$400,000</b>	
OneBeacon	\$4,488,100
IOA Re*	\$6,475,019
<b>\$450,000</b>	
OneBeacon	\$3,693,332
OnPoint / XL	\$3,927,087
IOA Re*	\$5,177,678
<b>\$500,000</b>	
OneBeacon	\$2,980,379
OnPoint / XL	\$3,225,822
IOA Re	\$4,149,155
<b>\$700,000</b>	
IOA Re	\$1,273,966
Ironshore	\$2,898,564
<b>\$750,000</b>	
IOA Re	\$888,270
Ironshore	\$2,080,421
<b>\$800,000</b>	
Ironshore	\$1,402,531
<b>\$850,000</b>	
Ironshore	\$1,157,088

**Estimated Membership Total:**

97,398 \*Rate Indication Only (non-bindable)

# Gold Coast Health Plan

## Premium Comparison Summary

Deductible	TLIC (Healthy Families)	
	Rate PMPM	Estimated Annual Premium
<b>\$350,000</b>		
OneBeacon	\$2.73	\$491,400
<b>\$400,000</b>		
OneBeacon	\$2.31	\$415,800
<b>\$450,000</b>		
OneBeacon	\$1.90	\$342,000
OnPoint / XL	\$2.02	\$363,600
<b>\$500,000</b>		
OneBeacon	\$1.53	\$275,400
OnPoint / XL	\$1.66	\$298,800

**Estimated Membership**

**Total:** 15,000

# Gold Coast Health Plan

## Estimated Annual Premium Summary - ASD (Aggregating Specific Deductible)

Deductibles	Medi-Cal (Pay Rate)		Medi-Cal (Held Rate)		Total (Pay + Held Rate)	Total
	Rate (PMPM)	Estimated Pay Premium	Rate (PMPM)	Estimated Held Pool		
<b>Deductible \$350,000</b>						
OnPoint / XL	\$1.81	\$2,115,485	\$3.33	\$3,892,024	\$5.14	\$6,007,509
<b>Expiring 2012 Rates</b>	<b>\$2.33</b>	<b>\$2,723,248</b>	<b>\$0.00</b>	<b>\$0</b>	<b>\$2.33</b>	<b>\$2,723,248</b>

For the agreement period, payable claims are aggregated and deducted from the Held Rate Pool. Once exhausted, the Underwriter is responsible for all subsequent payable Claims.

**Estimated Membership (Current)**  
**Medi-Cal (All)**

97,398



# Gold Coast Health Plan

## Coverage Comparison

Coverage	Current	OneBeacon	OnPoint/XL
Maximum Payable Per Covered Member	\$2MM	✓	✓
Claims Basis	12/18/21	✓	✓
Coinsurance	90% / 50% for Non-Approved	✓	90%
Hospital Inpatient Services	Contracted Amount; if no contracted amount than the Medi-Cal Allowable	Amount Paid or Contracted Amount	Amount Paid
Hospital Outpatient Services	Contracted Amount; if no contracted amount than the Medi-Cal Allowable	Amount Paid or Contracted Amount	Amount Paid
Sub Acute Care (ECF, SNF, Home Health, Rehab and Long Term Acute Care)	Contracted Amount; if no contracted amount than the Medi-Cal Allowable	Amount Paid or Contracted Amount	Amount Paid
Pharmaceuticals (not including Retail Rx)	Contracted Amount; if no contracted amount than the Medi-Cal Allowable	Amount Paid or Contracted Amount	Amount Paid
Durable Medical Equipment	Contracted Amount; if no contracted amount than the Medi-Cal Allowable	Amount Paid or Contracted Amount	Amount Paid
Ambulance	Contracted Amount; if no contracted amount than the Medi-Cal Allowable	Amount Paid or Contracted Amount	Amount Paid
Physician Services	Included only when part of a Transplant Case Rate	Also includes Diagnostic Lab Services POS 81	Also includes Diagnostic Lab Services POS 81
Off Label Drugs	Excluded	New Language Proposed	Included
31 Day Carryforward Included	Included	✓	30 Day Run-In
Insolvency & Conversion	Not Covered	✓	✓
Experience Refund	30% of 60%	15% of 60% (no deficit carryforward)	N/A

Summary only, please refer to actual carrier Quotations for coverage detail.

\*OneBeacon: 50% for Non-Approved Transplant Provider

# **Gold Coast Health Plan**

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## *Disclaimer*

"This insurance document is furnished to you as a matter of information for your convenience. It only summarizes the listed proposed policy(ies) and is not intended to reflect all the terms and conditions or exclusions of such proposed policy(ies). Moreover, the information contained in this document reflects proposed coverage as of the effective date(s) of the proposed policy(ies) and does not include subsequent changes. This document is not an insurance policy and does not amend, alter or extend the coverage afforded by the listed proposed policy(ies). The insurance afforded by the listed proposed policy(ies) is subject to all terms, exclusions and conditions of such policy(ies)."



**Gold Coast  
Health Plan**<sup>SM</sup>  
A Public Entity



# Fiscal Year 2013-14 Draft Budget

# Executive Finance Committee Meeting June 6, 2013

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# Introduction

Gold Coast Health Plan's (GCHP) draft FY2013-14 (7/1/13-6/30/14) budget is summarized in this document and reflects the following major assumptions:

- Membership growth due to the transition of Healthy Families and the expansion of the Medi-Cal program under the Affordable Care Act (ACA)
- Provider contracting changes result in more services paid for and members under capitated arrangements
- Health care costs reflect the impact of GCHP's initiatives underway
- Revenue reflects new draft rates received by the State for FY2012-13 and FY2013-14
- New Medical Management System (MMS) implementation targeted for 1<sup>st</sup> Quarter of 2014 when case management nurses become GCHP employees

Pending items potentially impacting FY2013-14 Budget:

- State's FY2013-14 final budget
- FY2012-13 & 2013-14 final State capitation rates
- Selection of GCHP's MMS vendor
- Selection of GCHP's Reinsurance vendor
- Requirements for ACA implementation costs (e.g., physician rate increase), State program changes (e.g., Diagnostic Related Groups (DRG) requirement), and other pending items (e.g., provider capitation rate development)

# Updates

## Changes Since the May 20, 2013 Commission Meeting

- FY2012-13 results now reflect April 2013 actual results (vs. estimates), which include release of FY2011-12 AB97 Reserve
- FY2012-13 & FY2013-14 revenue has been updated to reflect new draft capitation rates received from State
- FY2011-12 IGT income of approximately \$535K has been reflected in revenue
- Certain administrative estimates (i.e. legal, State monitor, and actuarial expenses) have been refined
- Medi-Cal expansion population estimated enrollment, revenue, and costs have been updated based on State budget information

# Highlights

- Enrollment growth is driving increase in revenue and health care costs
- Health care costs reflect the impact of the financial forecast initiatives
- Administrative expenses (on a PMPM basis) are decreasing

	FY 2011-12	Projected FY 2012-13 *	Budget FY 2013-14
	(\$ amounts are stated in thousands)		
Average Monthly Enrollment	104,849	101,068	123,547
Premium Revenue	\$ 304,636	\$ 309,290	\$ 347,755
Health Care Costs	\$ 287,354	\$ 278,627	\$ 305,512
Administrative Expense	\$ 18,891	\$ 24,139	\$ 25,440
<b>Net Income</b>	<b>\$ (1,609)</b>	<b>\$ 6,523</b>	<b>\$ 16,804</b>
MLR	94.3%	90.1%	87.9%
ALR	6.2%	7.8%	7.3%
Administrative Expense - PMPM	\$ 15.01	\$ 19.90	\$ 17.16
<b>TNE</b>	<b>\$ (6,032)</b>	<b>\$ 7,691</b>	<b>\$ 24,495</b>

\* Reflects actual experience through 4/30/13 and estimates from 5/1/13 to 6/30/13

# Membership

- Covered lives are projected to average 123,547 resulting in 1,482,568 members months for FY2013-14
- Responsibility regarding retroactive membership has been clarified by the State, resulting in updated projections
- Other items impacting Membership
  - Continued phase-in of Targeted Low Income Children (TLIC) membership, with full transition of the approximate 17,000 members remaining in the HFP as of 8/1/2013
  - Phase-in of Medi-Cal Expansion (MCE) members, starting with approximately 6,800 on 1/1/14 and reaching approximately 11,600 by 6/30/14



# Membership

Aid Category - Members (See Note 1)	FY 2011-12	Projected FY 2012-13	Budget FY 2013-14
	(Stated in Averaged Member Months)		
Adult/Family	77,533	73,199	74,079
SPD	9,538	9,277	9,413
Dual	17,779	17,578	17,769
Sub-total (Note 2)	104,849	100,053	101,260
		-4.6%	1.2%
TLIC (Healthy Families)	-	1,015	17,676
Medi-Cal Expansion (Note 3)	-	-	4,611
<b>Averaged Members</b>	<b>104,849</b>	<b>101,068</b>	<b>123,547</b>
		-3.6%	22.2%

**Note 1** - Member categories have been grouped to include as follows: Senior People 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)

**Note 2** - Decrease from FY 2011-12 to FY 2012-13 due to change in retroactive eligibility

**Note 3** - Medi-Cal expansion starts on 1/1/14 with approximately 6,800 members and reaching approximately 11,600 members by 6/30/14

# Revenue

- Draft FY2012-13 State capitation rates have been updated based on information sent by State:
  - Estimated Assembly Bill #97 (AB97) provider reductions have been reserved for both years
  - Estimated MCO Tax will be treated as a pass-through
  - Estimated retroactive eligibility enrollment policy change has reduced rates for both years
  - FY2013-14 State capitation rates are assumed to be equal to FY2012-13 State capitation rates

# Revenue

Total Revenues in PMPM (See Note)	FY 2011-12	Projected FY 2012-13	Budget FY 2013-14
Adult/Family	\$ 132.37	\$ 129.90	\$ 130.10
SPD	\$ 846.76	\$ 896.60	\$ 914.87
Dual	\$ 436.92	\$ 442.73	\$ 440.19
<i>Averaged PMPM for Existing Categories</i>	\$ <i>249.00</i>	\$ <i>255.95</i>	\$ <i>257.46</i>
TLIC (Healthy Families)	\$ -	\$ 77.90	\$ 77.90
Medi-Cal Expansion	\$ -	\$ -	\$ 321.94
<i>Averaged PMPM - Aggregate</i>	\$ <i>249.00</i>	\$ <i>254.16</i>	\$ <i>234.18</i>
<b>Total Revenues in \$</b> (stated in thousands)	<b>\$ 304,636</b>	<b>\$ 309,290</b>	<b>\$ 347,755</b>

**Note:** Member categories have been grouped to include as follows: SPD (includes: Aged-Medi-Cal, Disabled-Medi-Cal, Long-term Care-Medi-Cal, and BCCTP). Dual (includes Aged-Dual, Disabled-Dual, and Long-term Care-Dual)

# Revenue Cross-walk

## FY2012-13 to FY2013-14

- Growth in revenue driven by new populations
- Rates are constant across both years
- Financial forecast included assumptions in revenue growth for conversion of members in LTC facilities

	<b>Amount</b> (in thousands)
<b>FY2012-13 Projected Revenue</b>	<b>\$ 309,290</b>
Volume	
TLIC (Healthy Families Kids)	\$ 16,523
Medi-Cal Expansion	\$ 17,814
Financial forecast Initiatives	\$ 1,573
Membership Mix	\$ 2,555
<b>FY2013-14 Budget Revenues</b>	<b>\$ 347,755</b>

# Health Care Costs

- Medical and pharmacy expenses were derived from actual costs over the Plan's history (7/1/11-4/30/13) and projected forward, reflecting impact of:
  - Provider contracting assumed changes
    - Clinicas "Specialty" contract is replaced with Americas Health Plan (AHP) "plan-to-plan" contract (approximately 14,000 members)
    - Potential "plan-to-plan" contract with Kaiser to cover their current Healthy Families members (approximately 2,900 members)
  - GCHP financial forecast initiatives
    - Overall impact is approximately \$14.0 Million in health care cost reductions

# Health Care Costs

- Health care cost reflects the shift from fee-for-service to capitation
- Total health care costs are decreasing (on a PMPM basis) due to financial forecast initiatives and transition of TLIC (Healthy Families Transition) members

	FY 2011-12	Projected FY 2012-13	Budget FY 2013-14
Capitation *	\$ 7,535	\$ 10,623	\$ 46,085
Claims:		(in thousands)	
Inpatient	\$ 140,403	\$ 132,500	\$ 122,713
Outpatient	\$ 45,802	\$ 41,194	\$ 39,943
Professional	\$ 29,560	\$ 27,564	\$ 27,058
Pharmacy	\$ 36,022	\$ 40,867	\$ 38,992
Other	\$ 22,268	\$ 18,448	\$ 22,390
Care Management	\$ 5,763	\$ 7,432	\$ 8,331
	279,819	268,004	259,427
<b>Total</b>	<b>\$ 287,354</b>	<b>\$ 278,627</b>	<b>\$ 305,512</b>

Total Health Care Costs in PMPM	FY 2011-12	Projected FY 2012-13	Budget FY 2013-14
	\$ 228.39	\$ 229.74	\$ 206.07

\* Includes PCP, Specialty, Plan-to-Plan, Non-emergency transportation, and Vision Service Plan

# Health Care Costs Cross-walk FY2012-13 to FY2013-14

- Health care cost grow by approximately \$33 million due to growth in membership
- Financial Forecast Initiatives reflect full impact in FY2013-14
- Additional initiatives not yet estimated present opportunities for further reductions (e.g., new pharmacy price list for a majority of generics)

	Member Months	PMPM	Amount (in thousands)
<b>FY2012-13 Projected Health Care Costs</b>			
Volume			
TLIC (Healthy Families Kids)	212,110	\$ 69.67	\$ 14,778
Medi-Cal Expansion	55,333	\$ 325.49	\$ 18,010
Financial forecast Initiatives			\$ (14,039)
Other			\$ 8,135
<b>FY2013-14 Budget Health Care Costs</b>			<b>\$ 305,512</b>

# Provider Capitation

- Health care cost reflects the shift from fee-for-service to capitation
- In addition to new capitated arrangements in FY2012-13 (i.e., Specialty, NEMT, Vision), the Plan is expected to assume full-risk contracts with Kaiser and AHP in FY2013-14
- Capitation rates are being developed by actuarial consultants

	FY 2011-12	Projected FY 2012-13 (in thousands)	Budget FY 2013-14
Plan-to-Plan and Cap Rate Re-Basing	\$ 7,534	\$ 8,411	\$ 37,560
Non-Emergency Transportation	\$ -	\$ 1,121	\$ 5,006
Vision	\$ -	\$ 788	\$ 3,519
<b>Total</b>	<b>\$ 7,534</b>	<b>\$ 10,320</b>	<b>\$ 46,085</b>



# Administrative Expenses

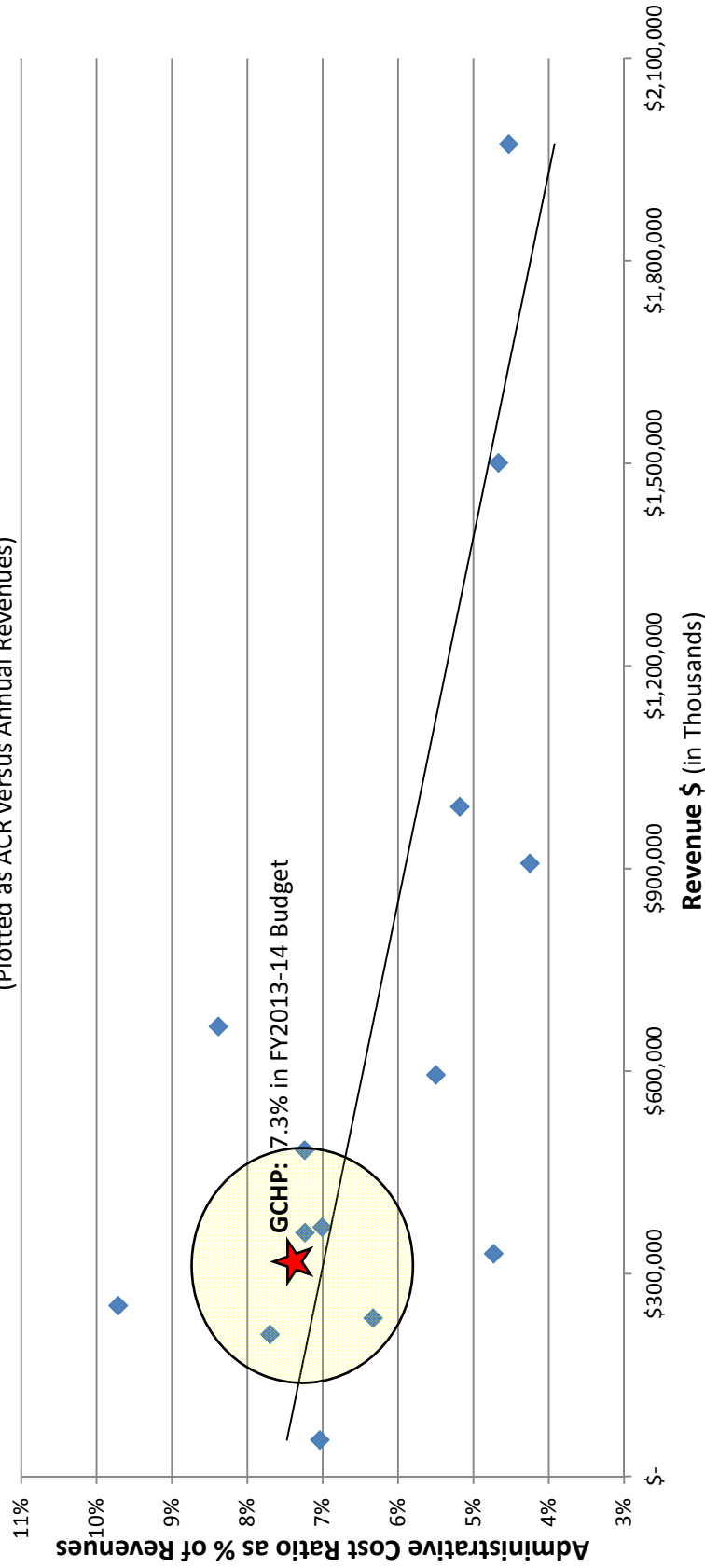
- In addition to increases due to staffing Plan (more details on next slide), other items impacting administrative expenses include:
  - Implementation of Medical Management System
  - Community Outreach includes community events, translation services, cultural and linguistics, and health educational materials
  - Increase in FY2012-13 staffing resulted in increase in square footage (average rent per square foot dropped by 9%)
  - Increases due to additional oversight and compliance requirements

# Administrative Expenses

GCHP administrative cost ratio is in line with other plans consistent with GCHP size

**Administrative Cost Ratio for Medi-Cal Plans in California**

(Plotted as ACR versus Annual Revenues)



# Staffing

- GCHP shifts from utilizing consultants to hiring full-time employees
  - FY2012-13 FTEs: 84 (year-end target), including Chief Operating Officer
  - FY2013-14 FTEs: 123 (84 previous + 19 new hires + 20 nurses). New full-time employees will fill needs for:
    - Health services staffing - 20 ACS nurses converted to GCHP, plus additional medical management (3) and health services (6)
    - Other Plan staffing – including staff additions in finance (3), information technology (2), administrative support(2), quality improvement (1), government relations (1), and compliance (1)

These additional positions will enhance the Plan’s analytical and compliance-related capabilities as well as to meet the demands of health care reform and enrollment growth

- Salaries consistent with pay grades/ranges approved by the full Commission on 8/27/2012

# Consulting Contracts

Major consulting contracts assumed (contracts over \$100K annually):

Consultant	Duties	Projected FY 2012-13	Budget FY 2013-14
State Monitor	Performs on-going state monitoring duties	\$ 1,500,000	\$ 996,000
Actuarial Consultants	Performs assistance related to claims reserving, state rate development data requests, provider capitation and risk analysis	\$ 217,000	\$ 100,000
Financial Auditor	Performs financial audit required by the state and answers ongoing questions related to financial statement development	\$ 150,000	\$ 150,000
Legal Services	Performs support for Commission and Committee meetings, employees issues, and review of contracts (for both vendor and provider)	\$ 390,000	\$ 365,000

# Administrative Expenses

- Increased enrollment allows Plan to access reduced pricing tier for ACS
- Reflects a shift from consultants to employees
- Lower PMPM expenses leverages infrastructure while growing membership

	Projected FY 2012-13	Budget FY 2013-14	Increase (Decrease)	% Change
	(PMPM)			
ACS Management Fees	\$ 9.44	\$ 7.68	\$ (1.76)	-18.6%
Personel expenses	\$ 4.26	\$ 5.57	\$ 1.31	30.7%
Legal and professional services	\$ 5.13	\$ 1.82	\$ (3.31)	-64.5%
Infrastructure expenses	\$ 1.03	\$ 1.97	\$ 0.94	91.8%
Community and provider outreach	\$ 0.04	\$ 0.12	\$ 0.08	173.2%
<b>Total</b>	<b>\$ 19.90</b>	<b>\$ 17.16</b>	<b>\$ (2.74)</b>	<b>-13.8%</b>
<b>Total Admin Expenses in \$ (thousands)</b>	<b>\$ 24,139</b>	<b>\$ 25,440</b>	<b>\$ 332</b>	<b>1.4%</b>

# Capital Budget

Capital expenditures for FY 2013-14 budget is primarily for acquisition and implementation of the Medical Management System (MMS) with other small amounts for equipment used to support member/staff expansion:

- 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.
- Capital asset acquisitions for FY 2013-14 budget is estimated to be \$1.4 million of which \$1.3 million pertains to the MMS System and its implementation. The new MMS is needed to coordinate authorization of medical services for our member population.
- The capital budget assumes our current locations are adequate to absorb staff expansion
- No provisions have been made in the capital budget for any needed DRG software and related implementation costs

# Tangible Net Equity

- As of 6/30/14,
  - the Plan is projected to be at a TNE of \$24.5 million, which exceeds the TNE requirement of \$15.8 million (155% of requirement)
  - the TNE requirement is fully phased-in (at 100%) versus 68% of the requirement at 6/30/13
  - the required TNE is lower due to the shift to capitation being a larger portion of health care costs
  - the TNE includes \$7.2 million related to two lines of credit with the County of Ventura

	Projected		Budget
	FY 2011-12	FY 2012-13	FY 2013-14
	(\$ amounts stated in thousands)		
100% TNE	\$ 16,769	\$ 16,140	\$ 15,846
% TNE Required	36%	68%	100%
Required TNE	\$ 6,037	\$ 10,975	\$ 15,846
<b>GCHP TNE</b>	\$ <b>(6,032)</b>	\$ <b>7,691</b>	\$ <b>24,495</b>
TNE Excess / (Deficiency)	\$ (12,069)	\$ (3,284)	\$ 8,649
GCHP TNE as a % of Required TNE	<u>-99.9%</u>	<u>70.1%</u>	<u>154.6%</u>

- Additional TNE items not included in budget:
  - Release of FY2012-13 AB97 reserves (approximately \$1.1 million through 4/30/13)
  - Potential impact of FY 2012-13 IGT

# Tangible Net Equity Roll-forward Schedule

- Plan is projected to exceed FY2012-13 Net Income budget of \$4.1 million partially due to:
  - Updated revenue based on new draft State capitation rates (\$2.6 million),
  - Release of FY2011-12 AB97 reserves (\$1.9 million),
  - Reflection of FY2011-12 IGT revenue (\$536k),
  - Improved operations and ongoing initiative efforts (\$1.6 million+), and
  - Lines of Credit (\$7.2 million) provided by the County of Ventura.

	Amounts (in thousands)
<b>Tangible Net Equity - 6/30/12</b>	<b>\$ (6,032)</b>
Projected Net Income for FY 2012-13	
YTD Net Income through 4/30/13	\$ 1,104
Projected Net Income for May and June 2013	5,419
Subordinated Debt	7,200
<b>Projected Tangible Net Equity - 6/30/13</b>	<b>7,691</b>
Budget Net Income for FY 2013-14	16,804
<b>Budget Tangible Net Equity - 6/30/14</b>	<b>\$ 24,495</b>



# Cash & Liquidity

- Cash & Medi-Cal Receivable balance increasing next year as full impact of initiatives are realized
- Ongoing cash management processes will be in effect

	Actual 6/30/12	Projected 6/30/13	Budget 6/30/14
	(in thousands)		
Cash	\$ 25,554	\$ 27,949	\$ 44,966
Medi-Cal Receivable	28,535	26,355	31,265
Total Cash & Medi-Cal Receivable	\$ 54,089	\$ 54,304	\$ 76,231

## Financial Indicators:

Current Ratio	92.4%	117.5%	143.5%
Days Cash on Hand	30	33	49
Days Cash + State Capitation Receivable	64	65	83

# Next Steps

- Update budget
- Present final budget to Commission on June 24<sup>th</sup> for approval

# Appendix A - Balance Sheet

	Actual 6/30/12	Projected 6/30/13	Budget 6/30/14
(in thousands)			
<b>Assets</b>			
Cash	\$ 25,554	\$ 27,949	\$ 44,966
Receivables	35,074	28,750	32,588
Prepaid expenses	2,334	1,204	948
Total	<u>62,963</u>	<u>57,904</u>	<u>78,502</u>
Deposits	375	131	131
Computers (Net of Accum Deprec)	176	208	1,503
Total Assets	<u>\$ 63,514</u>	<u>\$ 58,243</u>	<u>\$ 80,136</u>

# Appendix A - Balance Sheet – cont.

	Actual 6/30/12	Projected 6/30/13	Budget 6/30/14
(in thousands)			
<b>Liabilities and Fund Balance</b>			
Payables *	\$ 66,361	\$ 41,327	\$ 47,049
Accrued expenses	803	7,958	7,650
Current Portion of Deferred Revenue	460	460	460
Accrued Payroll Expense	-	337	558
Current Portion of L/T Debt	500	83	-
	<u>68,124</u>	<u>50,166</u>	<u>55,716</u>
Deferred Revenue - Long Term Portion L/T Debt	1,380	385	(75)
	42	-	-
Subordinated Loan	-	7,200	7,200
	<u>1,422</u>	<u>7,585</u>	<u>7,125</u>
Total Liabilities	69,546	57,751	62,841
Fund Balance	(6,032)	491	17,295
Total Liabilities & Fund Balance	<u>\$ 63,514</u>	<u>\$ 58,243</u>	<u>\$ 80,136</u>

# Appendix B - Cash Flow

	Actual 6/30/12	Projected 6/30/13	Budget 6/30/14
	(in thousands)		
Cash Flow from Operating Activities			
Collected Premium	\$ 284,748	\$ 315,654	\$ 332,789
Interest Income	190	115	(2,300)
Paid Claims	(223,143)	(295,567)	(281,728)
Admin Expenses	(23,029)	(27,701)	(31,232)
Provider Receivable	(6,540)	5,045	1,072
MCO Tax Expense	(6,759)	(1,780)	(4)
Net cash provided (used) by Operations	<u>25,467</u>	<u>(4,233)</u>	<u>18,598</u>
Cash Flow from Investing/Financing			
Net Prop & Equip	(116)	(75)	(1,497)
Proceeds from Subordinated Debt	-	7,200	-
Debt Payments	(458)	(497)	(83)
Net Cash Provided (Used) by Inv/Fin	<u>(574)</u>	<u>6,628</u>	<u>(1,580)</u>
Net Cash Flow	24,893	2,395	17,017
Cash & Equiv at Beg of Period	661	25,554	27,949
Cash & Equiv at End of Period	<u>\$ 25,554</u>	<u>\$ 27,949</u>	<u>\$ 44,966</u>

# Gold Coast Health Plan

FY July 1, 2013 - June 30, 2014

Proposed Revised Budget

	<u>FY 2012-13 Total</u>	<u>FY 2013-14 Total</u>
Enrollment-Members	1,179,771	1,433,931
Retroactivity	33,048	48,636
<b>Member Months</b>	<b>1,212,818</b>	<b>1,482,567</b>
Average Membership	101,068	123,547
<b><u>Revenue</u></b>		
Premium	307,729,273	348,738,779
Reserve for Retro Rate Adj	454,265	(1,551,784)
<b>Adjusted Revenue</b>	<b>308,183,538</b>	<b>347,186,994</b>
Interest Income	114,676	108,332
Other Income	995,000	459,996
<b>Total Gross Revenue</b>	<b>309,293,214</b>	<b>347,755,322</b>
MCO Tax	3,326	-
<b>Net Revenue</b>	<b>309,289,888</b>	<b>347,755,322</b>
<b><u>Health Care Costs</u></b>		
<b>Capitation</b>	10,623,053	46,084,919
<b>Claims</b>		
Inpatient	132,500,399	122,712,760
Outpatient	41,193,634	39,942,702
Professional	27,563,742	27,057,901
Pharmacy	40,866,631	38,991,683
Other	21,339,493	19,623,475
Reinsurance	(2,891,848)	2,766,900
Care Management	7,432,325	8,331,457
<b>Total Claims</b>	<b>268,004,376</b>	<b>259,426,877</b>
<b>Total Health Care Costs</b>	<b>278,627,429</b>	<b>305,511,796</b>
<b><u>Administrative Expenses</u></b>	<b>24,139,297</b>	<b>25,439,981</b>
<b>Net Income</b>	<b>6,523,162</b>	<b>16,803,545</b>



## **AGENDA ITEM 2d**

To: Gold Coast Health Plan Commission

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

Date: June 6, 2013

RE: Recommendation for GCHP Medical Management System (MMS)

### **SUMMARY:**

In January 2013, Gold Coast Health Plan (GCHP or Plan) began an RFI / RFP process to select a new Medical Management System (MMS) to replace the existing ICMS MMS, currently leased through Xerox.

GCHP invited ten interested vendors to participate in the selection process, nine of which chose to participate and moved to the RFI phase. From the RFI scoring results, GCHP narrowed the selection down to three vendor finalists, who moved to the detailed RFP analysis phase. After the RFP, two finalists were selected – MedHOK and Essette – for a final recommendation to the Commission.

### **BACKGROUND:**

ICMS, the current MMS leased from Xerox is not ICD-10 compliant and no new upgrades will be released for the system after June 2013. As such, GCHP must select and implement a replacement MMS by October 1, 2014, the date when the U.S. healthcare system becomes fully compliant with ICD-10. Xerox has committed to continuing ICMS maintenance and support until GCHP has implemented the replacement system.

For the past five months, GCHP has conducted a detailed and thorough selection process for a new MMS, with the original targeted implementation date of December 31, 2013. Due to the additional time required for final systems review and financial analysis of the proposal between the two vendor finalists, the Plan is now looking at implementing the new MMS in the first quarter of CY2014.

### **DISCUSSION:**

As was discussed during the April 22, 2013 Commission Meeting, GCHP intended to provide final recommendation for review and approval to the Executive Finance Committee on May 2, 2013. However, additional time was needed to conduct further analysis on the final two solutions to ensure the final recommendation is the best decision for GCHP. The Plan's goal is to implement a solution that is scalable to support the expected membership growth and to provide consistent Utilization Management (UM) and Case Management

(CM) processes around care coordination, resulting in better member health outcomes and optimal costs spent on health care.

The selection team, made up of the GCHP Medical Director, Director of Health Services, Director of Information Technology (IT), a Medical Management system consultant, and clinical subject matter experts, have - through the RFI / RFP selection process - narrowed the selection to two vendors: Essette and MedHOK.

The first vendor, Essette, Inc. is a privately owned company based out of Colorado, established in 2007. Essette provides a flexible, installed web-based MMS, comprised of CM, UM, Appeals & Grievance (A&G), Correspondence Automation and Fax Management modules. While they have a large Medi-Cal presence, only 4 of their 28 active Medi-Cal clients use both the UM and CM modules, the remainder use CM only. Essette scored high in having an easy plug and play application, good customer service, and experience with Medi-Cal. Additionally, the software licensing costs were the lowest of the three vendor finalists. These positive attributes, however, were offset by the evaluation team determining that this vendor lacks internal expertise in care management, shifting a significant burden to GCHP to hire additional staff to implement and operate the system successfully. Additionally, there are no clients in current production using the April 2013 redesigned UM module, nor is the integration development complete for the Milliman Mara tool (used for member risk assessments). The additional staffing needs mostly offset the savings in the initial software license costs from a Total Cost of Ownership (TCO) perspective.

The second vendor, MedHOK Healthcare Solutions, LLC, is a privately owned company headquartered in Tampa, Florida. MedHOK's 360 Care is a feature-rich, hosted, web-based MMS solution. MedHOK provides a well-designed / developed product backed by strong industry expertise in clinical practice throughout their organization. The MedHOK medical management system is developed from a clinician's point-of-view. MedHOK has rich clinical expertise, as demonstrated by the presence of clinicians on their sales, product development, and support staff teams during the onsite system demos. This business model results in a product that enables GCHP to better serve our members while controlling costs. Their customers and industry experts all provide strong positive feedback. MedHOK does have limited experience in Medi-Cal – there is currently one large California Medi-Cal plan (greater than 500,000 members) in the process of implementation. The software pricing (a subscription service) is still significant, although not the most expensive of the three vendor finalists. However, the system's full view of the member and integrated modules will enable for better care management with the most efficient use of staffing.

**RECOMMENDATION:**

MedHOK is the preferred vendor, scoring highest in technology and functionality, out of the box features and reports, integration of compliance features, and a strong company



expertise in compliance and clinical medical management. MedHOK began as compliance, analytic and reporting vendor, all features that make this a strong product.

Additionally, their experience in compliance provides an extra level of automated support for audit preparation. In the future, GCHP could choose to add the MedHOK compliance / HEDIS module to their care management purchase for more seamless support.

The GCHP selection team concludes that MedHOK strikes the best balance of functionality, industry expertise, support, technology, and cost.

It is the Plan's recommendation to move forward with MedHOK as the vendor of choice and allow the CEO to enter into an agreement to implement the MedHOK MMS.

**FISCAL IMPACT:**

The estimated implementation cost of the MedHOK solution, including the initial service subscription, vendor fees, system integration and GCHP costs is \$1.4MM.

The annual MedHOK subscription renewal fee of \$687K is a replacement cost of the current ICMS annual licensing fees and is locked in for five years, regardless of additional users or membership volume.

GCHP currently spends \$670K annually for ICMS licenses. However, the ICMS fee structure is volume based and additional nursing staff will increase the license fees over time.

Although Xerox is replacing ICMS with CHMack, during our initial RFI assessment, CHMack did not meet the minimum acceptable functionality to move to the finalist RFP round. There is no future analysis planned around the Xerox CHMack option, as they do not offer the CHMack MMS as a standalone solution. GCHP would need to continue the existing Xerox contractual arrangement which includes the nurses remaining as Xerox employees. It is in the Plan's best interest to bring the nurses on to GCHP's payroll and manage them directly. With that decision, the option to continue with Xerox / CHMack was no longer available to the Plan.

See attachment "MMS Cost Comparison- Implementation & Ongoing Costs for additional cost details.

**CONCURRENCE:**

N / A

**Attachments:**

MMS Features Comparison  
MMS Cost Comparison

### Medical Management System Cost Comparison

#### MedHok

	Implementation	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Project Costs	\$ 1,430,000.00						\$ 1,430,000.00
License/Maintenance Renewal	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 625,000.00
Annual Renewal Increase - 0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Subscription Fee - Locked in for 5 yrs.	\$ 562,000.00	\$ 562,000.00	\$ 562,000.00	\$ 562,000.00	\$ 562,000.00	\$ 562,000.00	\$ 2,810,000.00
Xerox ICMS Support Extension	\$ 157,500.00						\$ 157,500.00
Incremental Staff Support (Salary + Benefits)							\$ -
<b>Total MedHok</b>	<b>\$ 1,430,000.00</b>	<b>\$ 844,500.00</b>	<b>\$ 687,000.00</b>	<b>\$ 687,000.00</b>	<b>\$ 687,000.00</b>	<b>\$ 687,000.00</b>	<b>\$ 5,022,500.00</b>

#### Essette

	Implementation	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Project Costs	\$ 1,069,000.00						\$ 1,069,000.00
License/Maintenance Renewal - Locked in for 5 yrs.	\$ 113,000.00	\$ 113,000.00	\$ 113,000.00	\$ 113,000.00	\$ 113,000.00	\$ 113,000.00	\$ 565,000.00
Annual Renewal Increase - 0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Subscription Fee							\$ -
Xerox ICMS Support Extension	\$ 210,000.00						\$ 210,000.00
Incremental Staff Support (Salary + Benefits)	\$ 546,316.00	\$ 546,316.00	\$ 562,705.48	\$ 579,586.64	\$ 596,974.24	\$ 614,883.47	\$ 2,900,465.84
<b>Total Essette</b>	<b>\$ 1,069,000.00</b>	<b>\$ 869,316.00</b>	<b>\$ 675,705.48</b>	<b>\$ 692,586.64</b>	<b>\$ 709,974.24</b>	<b>\$ 727,883.47</b>	<b>\$ 4,744,465.84</b>
<b>Variance</b>	<b>\$ 361,000.00</b>	<b>\$(24,816.00)</b>	<b>\$ 11,294.52</b>	<b>\$(5,586.64)</b>	<b>\$(22,974.24)</b>	<b>\$(40,883.47)</b>	<b>\$ 278,034.16</b>

# Medical Management System (MMS) Features Comparison



















June 6, 2013


Nancy Wharfield – Medical Director, Health Services  
Melissa Scrymgeour – Director, IT

## Final Assessment Process

- 3 MMS vendor finalists were issued and responded to a 43-page RFP.
- 2-day onsite demos were conducted in April, and each solution was evaluated and scored on core business and technology features, comprised of 125 specific attributes.






# Key Feature Comparison

Feature	Essette	MedHOK
Overall Usability – Easy navigation		
Managing hospital care and costs		
Analytic case finding tools to identify at-risk members		
Coordinating care/ services		
Coaching members with healthcare needs		
Managing member contacts		
Managing complaints and appeals		
Add On Modules		
Imbedded reporting for operations management, metrics outcomes		

 100% meets  
  75% meets  
  50% meets  
  25% meets  
  Does not meet

## Key Feature Comparison Cont'd

Feature	Essette	MedHOK
Application Architecture		
ICD-10 Compliant		
Industry Standard Security		
Hosted Solution Offering		
Vendor Clinical Care Mgt Industry Expertise		

 100% meets  
  75% meets  
  50% meets  
  25% meets  
  Does not meet

### **AGENDA ITEM 3a**

To: Gold Coast Health Plan Commissioners  
From: Michael Engelhard, CEO  
Date: June 6, 2013  
Re: CEO Update

#### AB97

The California Medical Association's (CMA) petition for rehearing of CMA v. Douglas was denied by the full Ninth Circuit Court on May 24<sup>th</sup>. This ended the legal challenge to rate cuts on Medi-Cal managed care providers. The State Department of Health Care Services (DHCS) can now move forward on implementing ten percent (10%) rate cuts to some Medi-Cal providers. While provider rate cuts cannot be implemented retroactively on Medi-Cal managed care plans, DHCS has indicated that it will prospectively implement the cuts on Medi-Cal managed care plans sometime in the near future.

Two bills were introduced - SB 640 and AB 900 - to block the rate cuts legislatively. SB 640 did not pass out of Committee and AB 900 was amended to only exempt distinct-part skilled nursing facilities from the ten percent rate cuts.

#### FY2013-14 State Budget

Beginning May 31<sup>st</sup>, the Legislature will hold budget conference committee hearings. Conference committee hearings will reconcile the actions of the budget subcommittees of the State Senate and Assembly and are intended to craft a unified budget by the State Constitutional deadline of June 15<sup>th</sup>. It is anticipated that the legislature will deliver a budget to the Governor on time.

#### Managed Care Plan Medi-Cal Rates

DCHS indicated that Plans should receive draft FY2013-14 rates in early July. Final rates will follow as programs and policies are finalized.

#### PCP Rate Increase

DHCS notified that Plans that it submitted a State Plan Amendment in March 2013 for CMS approval on the methodology of implementing the ACA PCP rate increase. DHCS is working to finalize their rate packages to be submitted to CMS for approval. Once these rate packages are approved then Plans will be given their rates and funds, after which they can begin to pay eligible Medi-Cal PCPs the enhanced rates up the local Medicare level. DCHS expects approval in the late summer.

### **AGENDA ITEM 3b**

To: Gold Coast Health Plan Commissioners  
From: Michelle Raleigh, Chief Financial Officer  
Date: June 6, 2013  
Re: April, 2013 Financials

#### **SUMMARY:**

Staff is presenting the attached April, 2013 financial statements of Gold Coast Health Plan (Plan) for review by the Executive Finance Committee. Staff also requests the Executive Finance Committee to recommend approval of April, 2013 financials to the Plan's Commission.

#### **BACKGROUND / DISCUSSION:**

The Plan has prepared the April, 2013 financial package, including balance sheets, income statements and statements of cash flows reflecting monthly and year-to-date information.

#### **FISCAL IMPACT:**

When compared to budget on a year-to-date basis, overall the Plan is performing ahead of budget, with an actual net income of \$1.1 million compared to a projected net income of approximately \$0.5 million. This month's net income of \$2.3 million includes the effect of reversing \$1.9 million in AB 97 (10 percent provider rate reductions for certain services / providers) reserves held for FY 2011-12. The AB 97 reserves were released for this time period based on the clarifications provided in the May revision to the FY 2013-14 State budget and review by the Plan's auditors. Operating income, net of the AB 97 adjustment, was approximately \$364,000.

The month's positive results contributed to an improvement in the Plan's Tangible Net Equity (TNE), which is currently at a negative \$2.7 million. Year to date, the Plan is behind its budgeted TNE by \$3.9 million. The budgeted TNE included the assumption that an additional \$6 million line of credit (LOC) to be drawn in March, 2013. Excluding the assumed \$6 million LOC, the Plan's TNE is \$2.1 million ahead of budget. It should be noted that the Plan reached an agreement with the County of Ventura for a \$5.0 million LOC, which was executed in April and drawn upon in May. The impact of this LOC will be reflected in the May financial statements.



Highlights of **this month's** financials include:

Membership - The Plan had 3,694 more members than budgeted for the month with larger than expected enrollment in the Adult / Family, Dual, and TLIC categories.

Revenue - Enrollment mix, with lower revenue members than budgeted, led to a lower than anticipated average revenue per member per month (PMPM). Lower than expected CBAS revenue also contributed to the shortfall, resulting in overall net premium (capitation) revenue of \$8.22 PMPM below budget.

Health Care Costs - The primary item that contributed to the differences between the actual (\$229.98 PMPM) and budgeted costs (\$231.85 PMPM) were net reinsurance and claims recoveries which are higher than in the budget.

Administrative Expenses - Overall operational costs were higher than anticipated by \$2.82 PMPM. Expenses were impacted by the following items:

- Non-budgeted charges related to the HEDIS audit.
- Higher than projected consulting fees from extended engagement of monitor and IT consulting.
- Higher than expected general office expenses including non-capitalized computer equipment, furniture / office installation / configuration charges, employee recruitment / conversion fees and telephone services.
- The increase was partially offset by delays in hiring, lower ACS management fees, and lower printing expenses.

Cash + Medi-Cal Receivable - The Plan continues to monitor its cash balance and is continuing with cash management programs that began in February. The cash and Medi-Cal Premium Receivable balances of \$45.2 million are lower than the budget of \$52 million due to the timing difference of the LOC. After adjusting for the \$6 million LOC assumed in the budget, the cash and Medi-Cal receivable budget would have been \$46 million.

Note:

- The higher use of cash this month is the result of an additional claims and pharmacy payment made (i.e., 5 payments were made vs. 4 in a typical month).

- The cash balance includes the \$2.2 million proceeds from a line of credit with the County of Ventura; an additional \$5 million was received during the month of May.

Please note the balance sheet reclassification made in the April financials is a realignment of the net Receivable and Payable from / to the State. The MCO Tax and the AB 97 reserves which was previously included as part of the receivable from the State is now separately stated.

**RECOMMENDATION:**

Staff proposes that the Plan's Executive Finance Committee recommend approval of the April, 2013 financial package to the Commission.

**Attachments:**

April, 2013 Financial Package



**FINANCIAL PACKAGE**  
FOR THE MONTH ENDED APRIL 30, 2013

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## FINANCIAL OVERVIEW

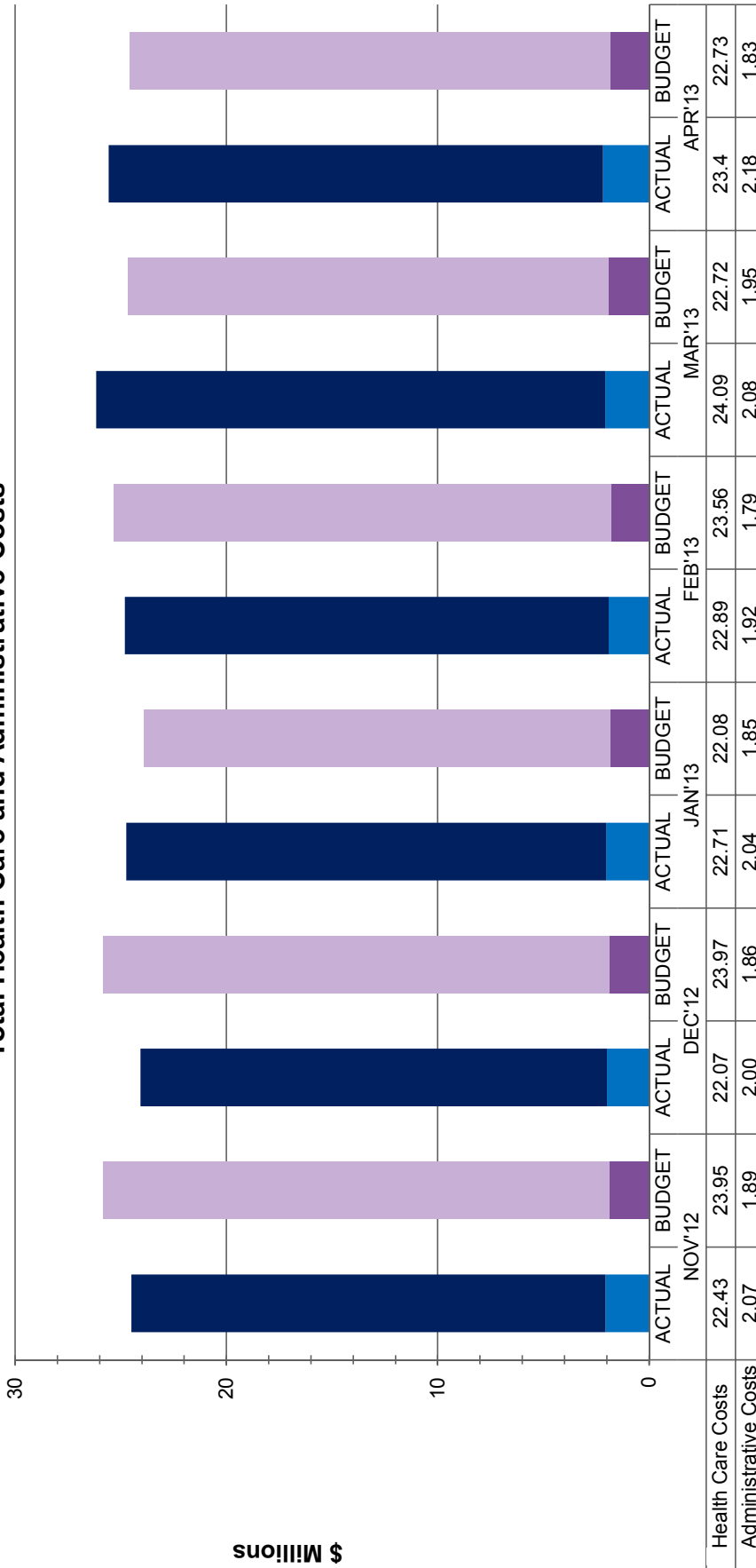
Description	Audited FY 2011-12	FY 2012-13 Actual					YTD	Budget YTD	Variance Fav/(Unfav)	Variance Fav/(Unfav) %
		July - Sep	Oct - Dec	Jan - Mar	Apr	YTD				
Member Months	1,258,189	305,220	300,604	301,560	104,683	1,012,067	999,600	12,467	1.2 %	
<b>Revenue</b> <i>pmpm</i>	<b>304,635,932</b> 242.12	73,225,136 239.91	76,563,668 254.70	76,414,965 253.40	<b>27,863,013</b> 266.17	<b>254,066,782</b> 251.04	<b>253,705,699</b> 253.81	361,083 (2.77)	0.1 % (1.1)%	
<b>Health Care Costs</b> <i>pmpm</i> % of Revenue	<b>287,353,672</b> 228.39 94.3%	71,648,550 234.74 97.8%	68,967,923 229.43 90.1%	69,698,937 231.13 91.2%	<b>23,399,396</b> 223.53 84.0%	<b>233,714,806</b> 230.93 92.0%	<b>235,125,096</b> 235.22 92.7%	1,410,290 4.29	0.6 % 1.8 %	
<b>Admin Exp</b> <i>pmpm</i> % of Revenue	<b>18,891,320</b> 15.01 6.2%	4,976,867 16.31 6.8%	6,036,079 20.08 7.9%	6,049,617 20.06 7.9%	<b>2,185,050</b> 20.87 7.8%	<b>19,247,613</b> 19.02 7.6%	<b>18,105,537</b> 18.11 7.1%	(1,142,076) (0.91)	(6.3)% (5.0)%	
<b>Net Income</b> <i>pmpm</i> % of Revenue	<b>(1,609,063)</b> (1.28) -0.5%	(3,400,282) (11.14) -4.6%	1,559,667 5.19 2.0%	666,411 2.21 0.9%	<b>2,278,567</b> 21.77 8.2%	<b>1,104,363</b> 1.09 0.4%	<b>475,066</b> 0.48 0.2%	629,297 0.62	(132.5)% (129.6)%	
100% TNE	16,769,368	16,693,841	16,308,936	16,264,038	16,241,914	16,241,914	16,413,394	(171,480)	(1.0)%	
% TNE Required	36%	36%	52%	52%	52%	52%	52%			
Required TNE	6,036,972	6,009,783	8,480,647	8,457,300	8,445,795	8,445,795	8,534,965	(89,170)	(1.0)%	
<b>GCHP TNE</b>	<b>(6,031,881)</b>	<b>(9,432,163)</b>	<b>(5,672,496)</b>	<b>(5,006,086)</b>	<b>(2,727,518)</b>	<b>(2,727,518)</b>	<b>1,150,126</b>	<b>(3,877,644)</b>	337.1 %	
TNE Excess / (Deficiency)	<b>(12,068,853)</b>	<b>(15,441,946)</b>	<b>(14,153,143)</b>	<b>(13,463,385)</b>	<b>(11,173,313)</b>	<b>(11,173,313)</b>	<b>(7,384,839)</b>	<b>(3,788,474)</b>	<b>(51.3)%</b>	

**Note:**

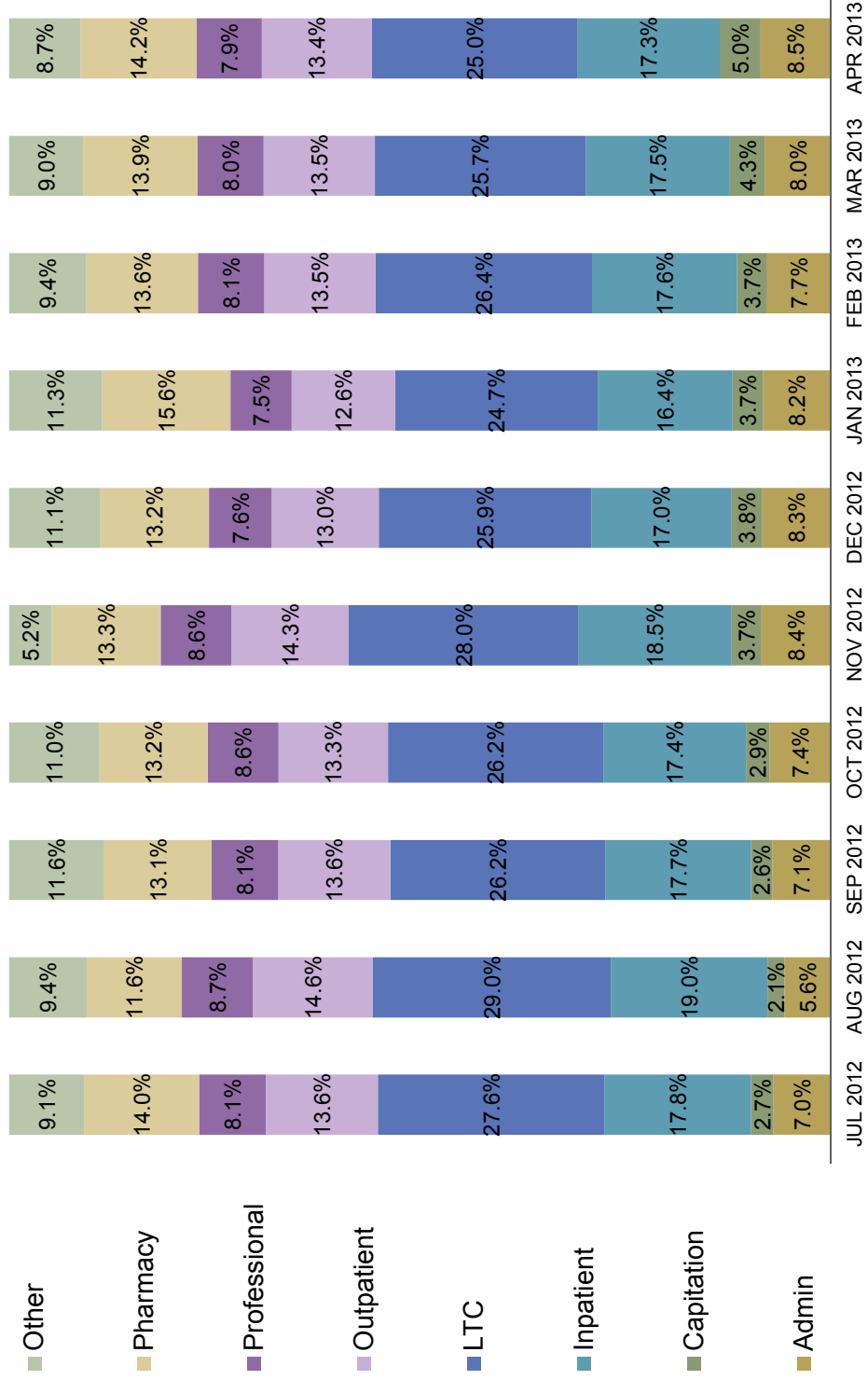
Jul-Sep- Health Care Costs include \$7M IBNR addition.

Budgeted TNE assumed additional \$6M subordinated debt in March '13

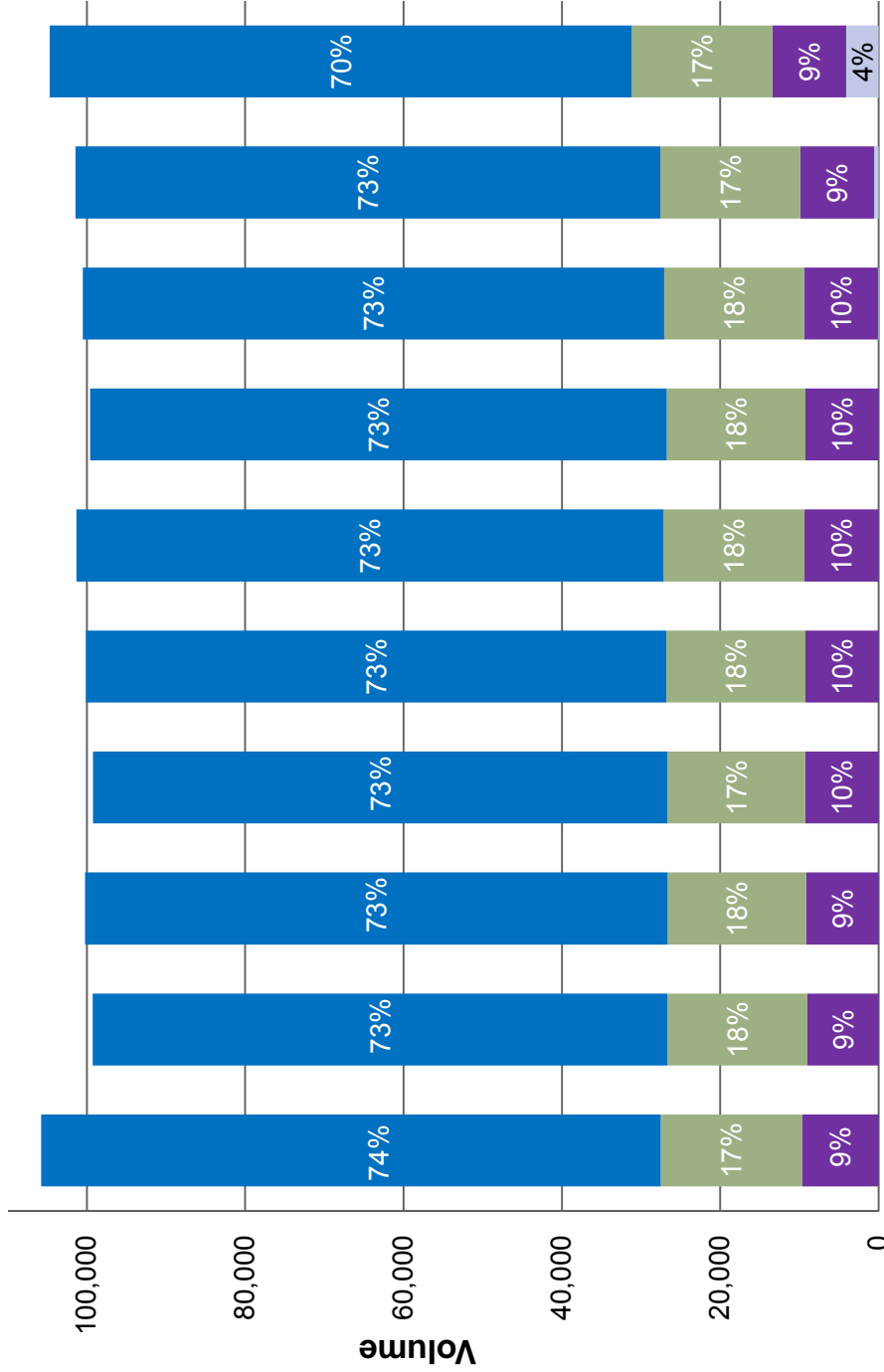
### Total Health Care and Administrative Costs



# Total Expense Composition

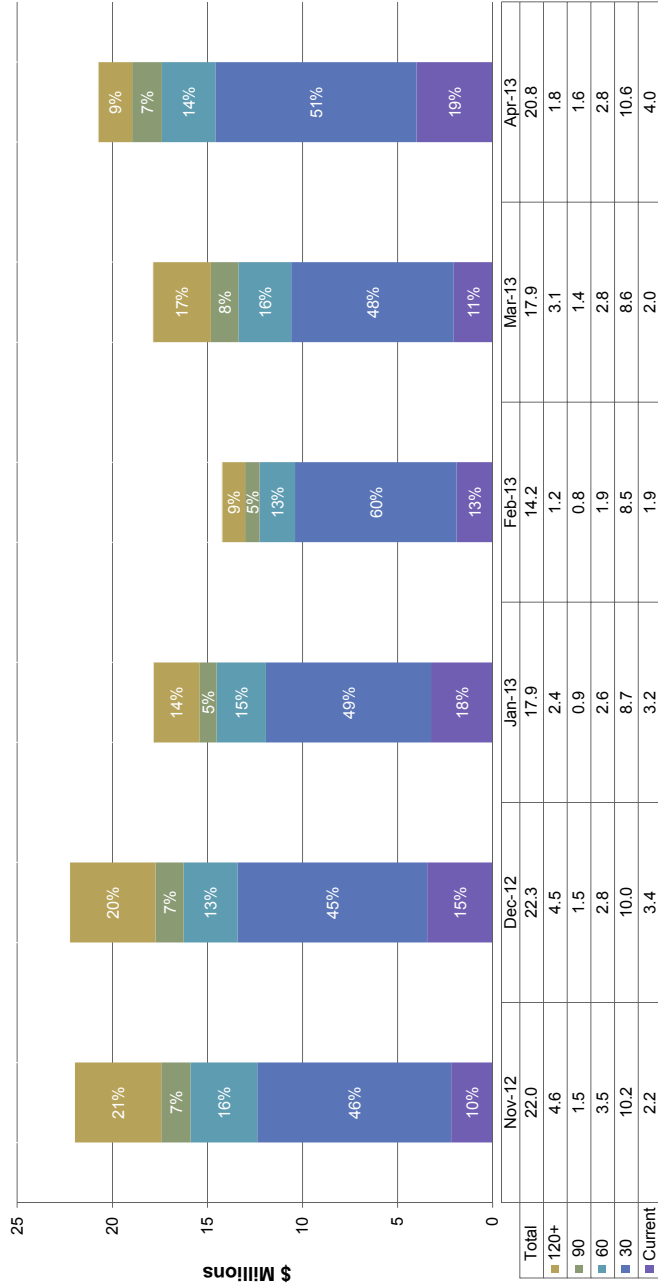


# Membership



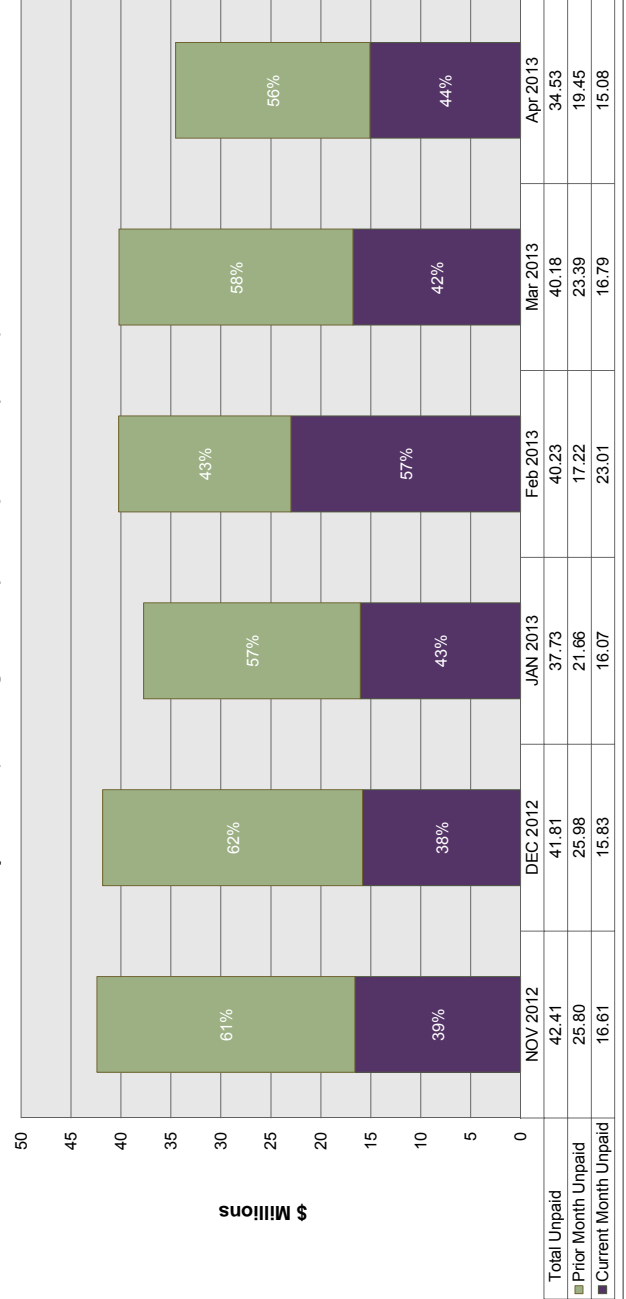
	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13
TOTAL	105,753	99,264	100,203	99,217	100,088	101,299	99,595	100,522	101,443	104,683
FAMILY	78,219	72,581	73,550	72,554	73,275	74,122	72,835	73,454	73,894	73,519
DUALS	17,837	17,685	17,510	17,395	17,561	17,816	17,529	17,669	17,651	17,747
SPD	9,697	8,998	9,143	9,268	9,252	9,361	9,231	9,311	9,323	9,323
TLIC								88	575	4,095

### Paid Claims Composition (excluding Pharmacy and Capitation Payments)



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

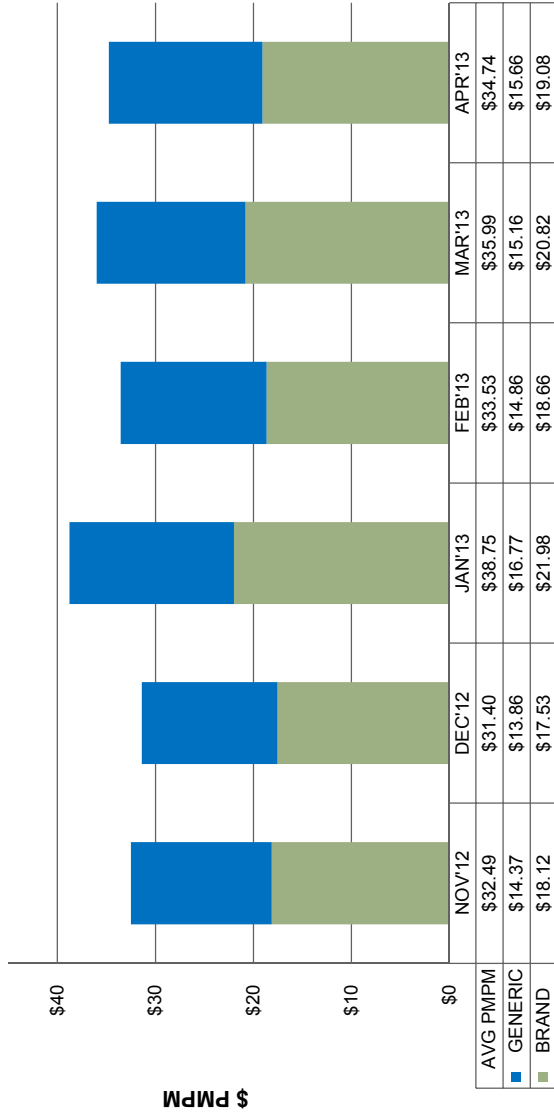
### IBNP Composition (excluding Pharmacy and Capitation Payments)



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



### Pharmacy Cost Trend



### Annualized Prescriptions per 1,000 Members



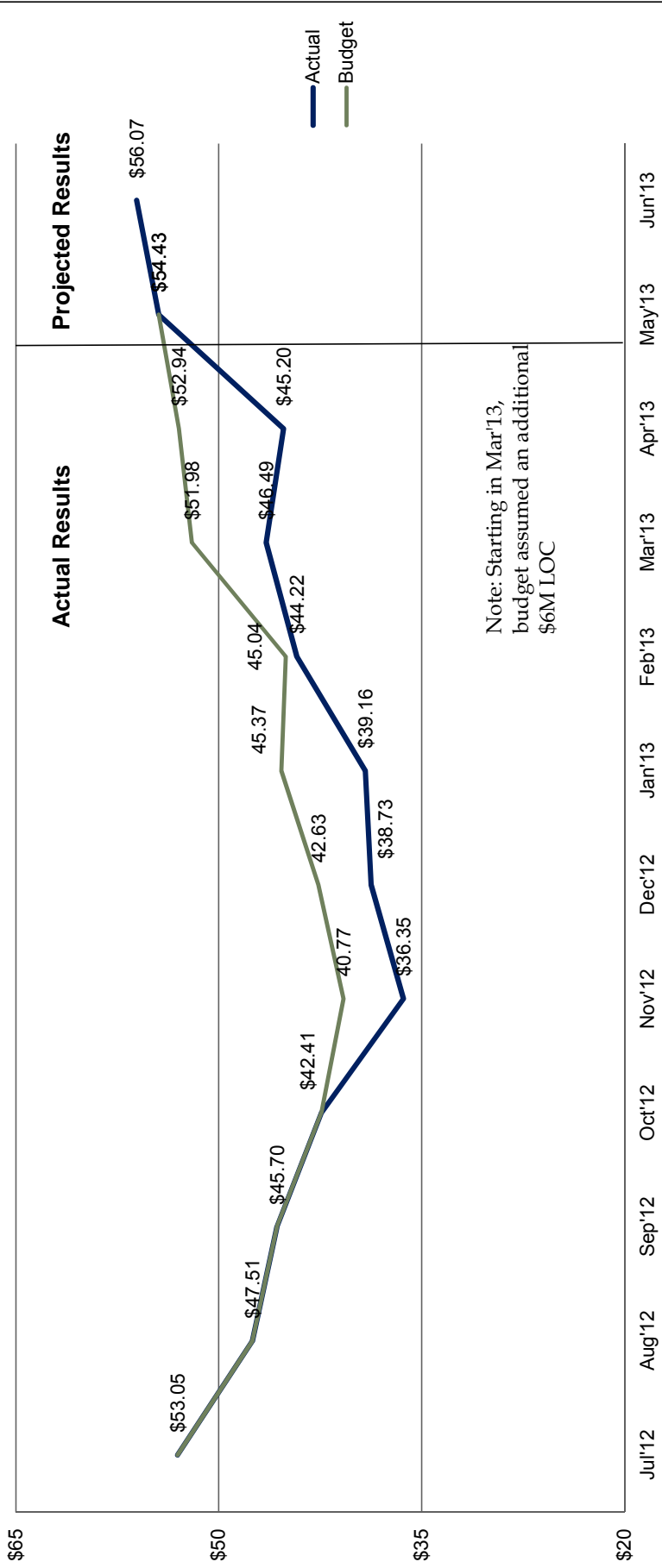
## Comparative Balance Sheet

	4/30/13	3/31/13	Audited FY 2011 - 2012	Notes
<b>ASSETS</b>				
<b>Current Assets</b>				
<b>Total Cash and Cash Equivalents</b>	<b>\$ 16,850,331</b>	<b>\$ 46,487,904</b>	<b>\$ 25,554,098</b>	April Capitation Payment was received in May
Medi-Cal Receivable	28,350,590		28,534,938	Realignment - accounting for MCO tax portion of premium
Provider Receivable	1,844,652	2,257,588	6,539,541	Continued collection of outstanding provider recoveries & write-off of old receivables
Other Receivables	198,108	187,399	2,148,270	
<b>Total Accounts Receivable</b>	<b>30,393,350</b>	<b>2,444,986</b>	<b>37,222,748</b>	
Total Prepaid Accounts	1,207,130	1,204,535	185,797	
Total Other Current Assets	13,125	13,125	375,000	
<b>Total Current Assets</b>	<b>\$ 48,463,936</b>	<b>\$ 50,150,550</b>	<b>\$ 63,337,644</b>	
<b>Total Fixed Assets</b>	<b>212,928</b>	<b>211,398</b>	<b>176,028</b>	
<b>Total Assets</b>	<b>\$ 48,676,864</b>	<b>\$ 50,361,948</b>	<b>\$ 63,513,672</b>	
<b>LIABILITIES &amp; FUND BALANCE</b>				
<b>Current Liabilities</b>				
Incurred But Not Reported	\$ 28,646,992	\$ 34,794,210	\$ 52,610,895	5 provider payments occurred in April, which resulted in less required reserves.
Claims Payable	9,793,036	9,310,045	10,357,609	
Capitation Payable	965,477	948,127	633,276	
Accrued Premium Reduction	1,180,078	4,340,655	1,914,157	Realignment of MCO tax and AB97 Reserves associated with State premium. Also, \$1.9M of FY 2011-12 AB97 reserves were reversed.
Accounts Payable	2,379,416	1,979,831	886,715	Ongoing cash management impact
Accrued ACS	1,207,996	1,170,323	200,000	
Accrued Expenses	266,800	403,998	-	
Accrued Premium Tax	5,252,718	604,580	602,900	Realignment of MCO tax reclassified as separate liability
Accrued Interest Payable	4,600	3,459	-	
Current Portion of Deferred Revenue	460,000	460,000	460,000	
Accrued Payroll Expense	83,935	151,139	-	
Current Portion Of Long Term Debt	166,667	166,667	500,000	Original \$1 million pre-implementation cost
<b>Total Current Liabilities</b>	<b>\$ 50,407,715</b>	<b>\$ 54,333,034</b>	<b>\$ 68,165,553</b>	
<b>Long-Term Liabilities</b>				
Other Long-term Liability	-	-	-	
Deferred Revenue - Long Term Portion	996,667	1,035,000	1,380,000	Original \$2.3M Implementation Payment
Notes Payable	2,200,000	2,200,000	-	Subordinated Line of Credit of \$2.2M
<b>Total Long-Term Liabilities</b>	<b>3,196,667</b>	<b>3,235,000</b>	<b>1,380,000</b>	
<b>Total Liabilities</b>	<b>\$ 53,604,382</b>	<b>\$ 57,568,034</b>	<b>\$ 69,545,553</b>	
Beginning Fund Balance	(6,031,881)	(6,031,881)	(4,422,819)	
Net Income Current Year	1,104,363	(1,174,204)	(1,609,062)	
<b>Total Fund Balance</b>	<b>(4,927,518)</b>	<b>(7,206,085)</b>	<b>(6,031,881)</b>	
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$ 48,676,864</b>	<b>\$ 50,361,948</b>	<b>\$ 63,513,672</b>	

### FINANCIAL INDICATORS

Current Ratio	96.1%	92.3%	92.9%
Days Cash on Hand	20	22	30
Days Cash + State Capitation Receivable	53	50	64

### Cash + Medi-Cal Receivable Trend



## Statement of Cash Flows

	<b>APR'13</b>	<b>MAR'13</b>
<b>Cash Flow From Operating Activities</b>		
Collected Premium	\$ 1,607,736	\$ 51,621,583
Miscellaneous Income	7,579	6,873
<u>Paid Claims</u>		
Medical & Hospital Expenses	(20,985,456)	(16,458,829)
Pharmacy	(5,757,094)	(3,640,696)
Capitation	(948,127)	(1,086,244)
Reinsurance of Claims	(229,552)	(227,620)
Reinsurance Recoveries		
Payment of Withhold / Risk Sharing Incentive		
Paid Administration	(2,673,630)	(3,466,971)
Repay Initial Net Liabilities		
MCO Tax Paid	(653,664)	-
<b>Net Cash Provided/ (Used) by Operating Activities</b>	<b>(29,632,207)</b>	<b>26,748,095</b>
 <b>Cash Flow From Investing/Financing Activities</b>		
Proceeds from Line of Credit	-	-
Repayments on Line of Credit	-	-
Net Acquisition of Property/Equipment	(5,366)	(58,389)
<b>Net Cash Provided/(Used) by Investing/Financing</b>	<b>(5,366)</b>	<b>(58,389)</b>
 <b>Net Cash Flow</b>	 <b>\$(29,637,573)</b>	 <b>\$ 26,689,706</b>
 Cash and Cash Equivalents (Beg. of Period)	 46,487,904	 19,798,198
Cash and Cash Equivalents (End of Period)	16,850,331	46,487,904
	<b>\$(29,637,573)</b>	<b>\$ 26,689,706</b>
 <b>Adjustment to Reconcile Net Income to Net Cash Flow</b>		
Net (Loss) Income	2,278,567	(481,295)
Depreciation & Amortization	3,836	3,554
Decrease/(Increase) in Receivables	(27,948,363)	26,191,472
Decrease/(Increase) in Prepays & Other Current Assets	(2,596)	149,097
(Decrease)/Increase in Payables	(2,926,579)	499,494
(Decrease)/Increase in Other Liabilities	(38,333)	(80,000)
Change in MCO Tax Liability	4,648,137	182
Changes in Claims and Capitation Payable	500,342	(1,985,163)
Changes in IBNR	(6,147,218)	2,450,753
	<b>(29,632,207)</b>	<b>26,748,095</b>
 <b>Net Cash Flow from Operating Activities</b>	 <b>\$(29,632,207)</b>	 <b>\$ 26,748,095</b>



## **APPENDIX**

### Income Statement Comparison

	Actual Monthly Trend		Apr-13			Explanation
	Feb 13	Mar 13	Month-To-Date		Variance	
			Actual	Budget	Fav/(Unfav)	
<b>Membership</b>	97,691	98,520	101,741	98,047	3,694	Larger enrollment in Adult/Family, Duals, & TLIC categories
<b>Revenue:</b>						
Premium	\$ 25,469,855	\$ 25,821,551	\$ 26,032,054	\$ 26,128,637	\$ (96,584)	
Reserve for Rate Reduction	(90,347)	(167,680)	1,785,047	(127,094)	1,912,141	Reversal of FY 2011-12 AB97 reserves
MCO Premium Tax	(3)	(182)	-	(784)	784	
<b>Total Net Premium</b>	<b>25,379,504</b>	<b>25,653,689</b>	<b>27,817,101</b>	<b>26,000,759</b>	<b>1,816,342</b>	
<b>Other Revenue:</b>						
Interest Income	6,478	6,873	7,579	15,677	(8,098)	
Miscellaneous Income	38,333	38,333	38,333	38,333	-	
<b>Total Other Revenue</b>	<b>44,811</b>	<b>45,206</b>	<b>45,912</b>	<b>54,010</b>	<b>(8,098)</b>	
<b>Total Revenue</b>	<b>25,424,315</b>	<b>25,698,895</b>	<b>27,863,013</b>	<b>26,054,770</b>	<b>1,808,244</b>	
<b>Medical Expenses:</b>						
<u>Capitation (PCP, Specialty, NEMT &amp; Vision)</u>	911,344	1,123,027	1,274,651	946,624	(328,027)	Vision capitation added in April
<u>Incurred Claims:</u>						
Inpatient	4,376,271	4,594,575	4,422,556	3,731,291	(691,265)	
LTC/SNF	6,546,009	6,718,243	6,404,450	6,669,482	265,032	
Outpatient	2,629,778	2,776,364	2,682,417	2,916,497	234,080	
Laboratory and Radiology	221,259	232,801	225,582	226,639	1,057	
Emergency Room Facility Services	509,253	537,953	521,965	367,099	(154,866)	
Physician Specialty Services	2,000,658	2,102,513	2,026,032	1,777,442	(248,590)	
Pharmacy	3,370,333	3,650,281	3,626,289	3,153,795	(472,494)	
Other Medical Professional	280,898	225,650	216,345	244,594	28,249	
Other Medical Care Expenses	-	647	-	-	-	
Other Fee For Service Expense	1,512,773	1,574,293	1,489,453	1,506,335	16,882	
Transportation	187,014	102,868	73,499	250,769	177,270	Run-out of NEMT FFS expenses plus ER Transportation
<b>Total Claims</b>	<b>21,634,246</b>	<b>22,516,189</b>	<b>21,688,588</b>	<b>20,843,943</b>	<b>(844,645)</b>	
Medical & Care Management Expense	613,599	631,474	894,013	708,694	(185,319)	Prior period ACS billing omissions are reflected in the current month's charges due to new nurses
Reinsurance	(374,504)	227,620	26,355	233,709	207,354	Reflects reinsurance premiums less recoveries
Claims Recoveries	109,876	(407,819)	(484,211)	-	484,211	Additional provider recoveries not allocated to specific categories of service
Sub-total	348,972	451,275	436,157	942,403	506,246	
<b>Total Cost of Health Care</b>	<b>22,894,562</b>	<b>24,090,491</b>	<b>23,399,396</b>	<b>22,732,970</b>	<b>(666,426)</b>	
<b>Contribution Margin</b>	<b>2,529,753</b>	<b>1,608,404</b>	<b>4,463,617</b>	<b>3,321,800</b>	<b>1,141,818</b>	
<b>General &amp; Administrative Expenses:</b>						
Salaries and Wages	374,176	457,668	464,103	489,411	25,308	Delays in hiring
Payroll Taxes and Benefits	81,676	91,493	113,969	103,302	(10,667)	
Total Travel and Training	5,050	4,398	5,140	5,896	756	
Outside Service - ACS	891,100	904,052	892,178	942,453	50,275	
Outside Services - Other	30,339	24,294	99,755	69,494	(30,261)	Current month's actual includes \$80K expenditure for records abstracted during HEDIS audit
Accounting & Actuarial Services	21,061	18,828	33,046	30,400	(2,646)	
Legal Expense	31,577	24,015	37,957	16,850	(21,107)	
Insurance	9,245	9,245	9,245	10,792	1,547	
Lease Expense - Office	25,980	25,980	26,080	27,630	1,550	
Consulting Services Expense	336,440	401,116	286,436	9,150	(277,286)	Continued monitor consulting and positions filled by consultants
Translation Services	1,182	2,515	1,125	20,773	19,648	
Advertising and Promotion Expense	-	-	-	0	-	
	103,468	86,891	171,615	50,211	(121,404)	Consultant to employee conversion fees (\$55K), furniture installation (\$32K), telephone reconfigurations and no-capital equipment for new hires
General Office Expenses						
Depreciation & Amortization Expense	3,554	3,554	3,836	6,631	2,795	
Printing Expense	1,645	1,722	5,445	34,761	29,316	
Shipping & Postage Expense	349	5,507	10,933	1,689	(9,244)	
Interest Exp	1,511	28,423	24,186	9,299	(14,887)	Interest expense resulting from the adjusting of old claims
<b>Total G &amp; A Expenses</b>	<b>1,918,352</b>	<b>2,089,699</b>	<b>2,185,050</b>	<b>1,828,742</b>	<b>(356,308)</b>	
<b>Net Income / (Loss)</b>	<b>\$ 611,401</b>	<b>\$ (481,295)</b>	<b>\$ 2,278,567</b>	<b>\$ 1,493,058</b>	<b>\$ 785,510</b>	

**PMPM Income Statement Comparison**

			Mar'13 Month-To-Date		Variance
	Feb'13	Mar'13	Actual	Budget	Fav/(Unfav)
<b>Members (Member/Months)</b>	97,691	98,520	101,741	98,047	3,694
<b>Revenue:</b>					
Premium	260.72	262.09	255.87	266.49	(10.63)
Reserve for Rate Reduction	(0.92)	(1.70)	17.55	(1.30)	18.84
MCO Premium Tax	(0.00)	(0.00)	-	(0.01)	0.01
<b>Total Net Premium</b>	<b>259.79</b>	<b>260.39</b>	<b>273.41</b>	<b>265.19</b>	<b>8.22</b>
<b>Other Revenue:</b>					
Interest Income	0.07	0.07	0.07	0.16	(0.09)
Miscellaneous Income	0.39	0.39	0.38	0.39	(0.01)
<b>Total Other Revenue</b>	<b>0.46</b>	<b>0.46</b>	<b>0.45</b>	<b>0.53</b>	<b>(0.08)</b>
<b>Total Revenue</b>	<b>260.25</b>	<b>260.85</b>	<b>273.86</b>	<b>265.74</b>	<b>8.12</b>
<b>Medical Expenses:</b>					
<u>Capitation</u>	9.33	11.40	12.53	9.65	2.87
<u>Incurred Claims:</u>					
Inpatient	44.80	46.64	43.47	38.06	(5.41)
LTC/SNF	67.01	68.19	62.95	68.02	5.07
Outpatient	26.92	28.18	26.37	29.75	3.38
Laboratory and Radiology	2.26	2.36	2.22	2.31	0.09
Emergency Room Facility Services	5.21	5.46	5.13	3.74	(1.39)
Physician Specialty Services	20.48	21.34	19.91	18.13	(1.79)
Pharmacy	34.50	37.05	35.64	32.17	(3.48)
Other Medical Professional	2.88	2.29	2.13	2.49	0.37
Other Medical Care Expenses	-	0.01	-	-	-
Other Fee For Service Expense	15.49	15.98	14.64	15.36	0.72
Transportation FFS	1.91	1.04	0.72	2.56	1.84
Total Claims	221.46	228.54	213.17	212.59	(0.58)
Medical & Care Management	6.28	6.41	8.79	7.23	(1.56)
Reinsurance	(3.83)	2.31	0.26	2.38	2.12
Claims Recoveries	1.12	(4.14)	(4.76)	-	4.76
Sub-total	3.57	4.58	4.29	9.31	5.02
<b>Total Cost of Health Care</b>	<b>234.36</b>	<b>244.52</b>	<b>229.99</b>	<b>231.86</b>	<b>1.87</b>
<b>Contribution Margin</b>	<b>25.90</b>	<b>16.33</b>	<b>43.87</b>	<b>33.88</b>	<b>9.99</b>
<b>Administrative Expenses</b>					
Salaries and Wages	3.83	4.65	4.56	4.99	0.43
Payroll Taxes and Benefits	0.84	0.93	1.12	1.05	(0.07)
Total Travel and Training	0.05	0.04	0.05	0.06	0.01
Outside Service - ACS	9.12	9.18	8.77	9.61	0.84
Outside Services - Other	0.31	0.25	0.98	0.71	(0.27)
Accounting & Actuarial Services	0.22	0.19	0.32	0.31	(0.01)
Legal Expense	0.32	0.24	0.37	0.17	(0.20)
Insurance	0.09	0.09	0.09	0.11	0.02
Lease Expense -Office	0.27	0.26	0.26	0.28	0.03
Consulting Services Expense	3.44	4.07	2.82	0.09	(2.72)
Translation Services	0.01	0.03	0.01	0.21	0.20
Advertising and Promotion Expense	-	-	-	-	-
General Office Expenses	1.06	0.88	1.69	0.51	(1.17)
Depreciation & Amortization Expense	0.04	0.04	0.04	0.07	0.03
Printing Expense	0.02	0.02	0.05	0.35	0.30
Shipping & Postage Expense	0.00	0.06	0.11	0.02	(0.09)
Interest Exp	0.02	0.29	0.24	0.09	(0.14)
<b>Total Administrative Expenses</b>	<b>19.64</b>	<b>21.21</b>	<b>21.48</b>	<b>18.65</b>	<b>(2.82)</b>
<b>Net Income / (Loss)</b>	<b>6.26</b>	<b>(4.89)</b>	<b>22.40</b>	<b>15.23</b>	<b>7.17</b>

**For The Ten Months Ended April 30, 2013**

	Apr'13 Year-To-Date		Variance
	Actual	Budget	Fav/(Unfav)
<b>Membership</b>	975,802	967,582	8,220
<b>Revenue:</b>			
Premium	\$ 252,852,838	\$ 254,347,708	\$ (1,494,870)
Reserve for Rate Reduction	734,078	(1,168,911)	1,902,989
MCO Premium Tax	(1,680)	(6,207)	4,527
<b>Total Net Premium</b>	<b>253,585,236</b>	<b>253,172,590</b>	<b>412,646</b>
<b>Other Revenue:</b>			
Interest Income	98,213	149,776	(51,563)
Miscellaneous Income	383,333	383,333	(0)
<b>Total Other Revenue</b>	<b>481,546</b>	<b>533,109</b>	<b>(51,563)</b>
<b>Total Revenue</b>	<b>254,066,782</b>	<b>253,705,699</b>	<b>361,083</b>
<b>Medical Expenses:</b>			
<u>Capitation</u>	8,678,283	8,299,138	(379,145)
<u>Incurred Claims:</u>			
Inpatient	44,652,829	43,753,704	(899,125)
LTC/SNF	67,047,017	68,975,165	1,928,148
Outpatient	26,868,696	28,556,654	1,687,958
Laboratory and Radiology	2,256,369	2,314,879	58,510
Emergency Room Facility Services	5,206,707	5,026,052	(180,655)
Physician Specialty Services	20,582,887	19,750,293	(832,594)
Pharmacy	34,206,774	32,113,954	(2,092,820)
Other Medical Professional	2,715,582	2,671,500	(44,082)
Other Medical Care Expenses	4,958		(4,958)
Other Fee For Service Expense	15,414,224	15,647,546	233,322
Transportation	2,493,080	2,868,303	375,223
Total Claims	221,449,123	221,678,050	228,927
Medical & Care Management Expense	6,102,178	5,984,462	(117,716)
Reinsurance	156,344	(836,554)	(992,898)
Claims Recoveries	(2,671,123)	-	2,671,123
Sub-total	3,587,400	5,147,908	1,560,508
<b>Total Cost of Health Care</b>	<b>233,714,806</b>	<b>235,125,096</b>	<b>1,410,290</b>
<b>Contribution Margin</b>	<b>20,351,976</b>	<b>18,580,603</b>	<b>1,771,373</b>
<b>General &amp; Administrative Expenses:</b>			
Salaries and Wages	3,725,486	3,729,555	4,069
Payroll Taxes and Benefits	946,249	901,048	(45,201)
Total Travel and Training	51,208	54,928	3,720
Outside Service - ACS	9,094,154	9,166,682	72,528
Outside Service - RGS	23,674	23,674	0
Outside Services - Other	479,887	456,890	(22,997)
Accounting & Actuarial Services	293,352	178,627	(114,725)
Legal Expense	323,093	251,386	(71,707)
Insurance	86,477	93,158	6,681
Lease Expense - Office	179,775	186,676	6,901
Consulting Services Expense	2,598,230	1,935,286	(662,944)
Translation Services	14,578	49,341	34,763
Advertising and Promotion Expense	9,491	11,650	2,159
General Office Expenses	841,856	579,562	(262,294)
Depreciation & Amortization Expense	35,735	43,261	7,526
Printing Expense	55,714	97,185	41,471
Shipping & Postage Expense	55,973	35,928	(20,045)
Interest Exp	432,681	310,700	(121,981)
<b>Total G &amp; A Expenses</b>	<b>19,247,613</b>	<b>18,105,537</b>	<b>(1,142,076)</b>
<b>Net Income / (Loss)</b>	<b>\$ 1,104,363</b>	<b>\$ 475,066</b>	<b>\$ 629,297</b>



## Statement of Cash Flows

	<b>APR '13 YTD</b>
Cash Flow From Operating Activities	
Collected Premium	\$ 258,338,987
Miscellaneous Income	98,213
<u>Paid Claims</u>	
Medical & Hospital Expenses	(200,558,737)
Pharmacy	(36,666,790)
Capitation	(8,036,907)
Reinsurance of Claims	(2,528,442)
Reinsurance Recoveries	-
Payment of Withhold / Risk Sharing Incentive	-
Paid Administration	(20,823,793)
Repay Initial Net Liabilities	-
MCO Taxes Expense	(653,664)
Net Cash Provided/(Used) by Operating Activities	<b>(10,831,133)</b>
 Cash Flow From Investing/Financing Activities	
Proceeds from Line of Credit	2,200,000
Repayments on Line of Credit	-
Net Acquisition of Property/Equipment	(72,634)
Net Cash Provided/(Used) by Investing/Financing	<b>2,127,366</b>
 <b>Net Cash Flow</b>	<b>\$ (8,703,767)</b>
 Cash and Cash Equivalents (Beg. of Period)	25,554,098
Cash and Cash Equivalents (End of Period)	16,850,331
	<b>\$ (8,703,767)</b>
 Adjustment to Reconcile Net Income to Net Cash Flow	
Net Income/(Loss)	1,104,363
Depreciation & Amortization	35,735
Decrease/(Increase) in Receivables	6,829,399
Decrease/(Increase) in Prepaids & Other Current Assets	(659,458)
(Decrease)/Increase in Payables	2,121,953
(Decrease)/Increase in Other Liabilities	(716,668)
Change in MCO Tax Liability	4,649,817
Changes in Claims and Capitation Payable	(232,372)
Changes in IBNR	(23,963,903)
	<b>(10,831,133)</b>
 <b>Net Cash Flow from Operating Activities</b>	<b>\$ (10,831,133)</b>



**Gold Coast  
Health Plan**<sup>SM</sup>  
A Public Entity



# Dashboard for Financial Forecast Initiatives

Executive Finance Committee Meeting

**June 6, 2013**

**Cassie Undlin, Interim COO**

**Michelle Raleigh, CFO**

**Dr. Nancy Wharfield, MD**

6/4/2013

[www.goldcoasthealthplan.org](http://www.goldcoasthealthplan.org)

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# Overview

- The objective of this presentation is to provide a current status of each of the 19 initiatives identified as part of the Plan's development of the financial forecast
- The purpose is to show a snapshot of each initiative reflecting progress to date of each initiatives' financial goal
  - Green dot = aligned with initiative dates
  - Yellow dot = At risk of not meeting initiative dates
  - Red dot = Not meeting initiative dates

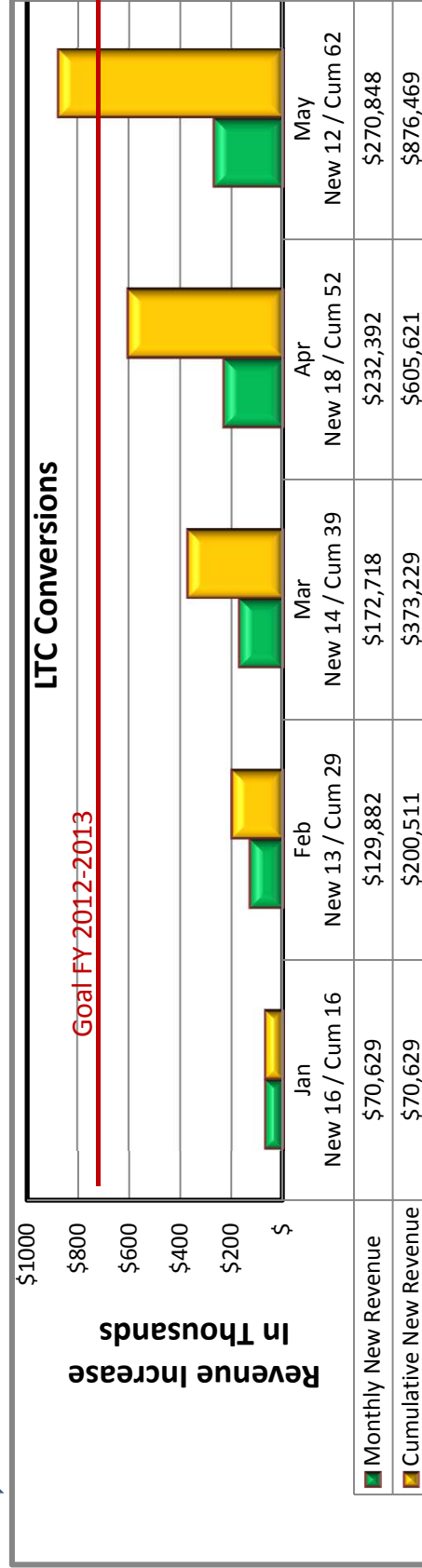
# Dashboard Report Status

- This table reflects a current snapshot status by financial forecast initiative

Initiative #	Initiative(s) Short Title	Green	Yellow	Red
1	• LTC			
2	• Part A			
3,4,5,6,10	• Recoveries			
14	• UM/CM			
17, 18	• Reinsurance, LOC			
8	• iCES			
13, 16	• Rx Management & 340b			
15	• ER			
19	• Admin			
7	• COB Cross Over			
9,11,12	• Provider Contracts			

## Revenue Generation – LTC Aid Code Conversions – Initiative #1

**Objective: Increase revenue by converting long term care members to applicable LTC Aid Codes.**



### Accomplishments

- 62 members have converted to an LTC aid code from January-2012 to May-2013.
- As of 5/23/2013, a total of 447 MC171 forms received and forwarded to H.S.A.; potential to convert.
- Per the current 834 eligibility file, 949 members are reported with LTC aid codes.

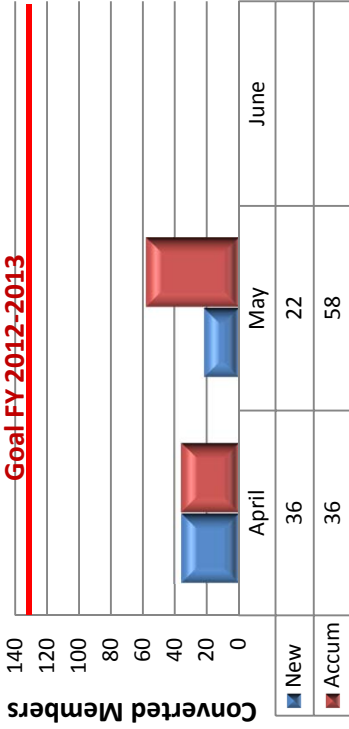
### Upcoming and Ongoing Activities

- Budget for FY 2013-2014 revenue increase is \$1,573,000.
- Need to consider reviewing SSI aid codes. (10, 20, 60, 6N)
- Daily census from LTC facilities.
- Processes to track and report on LTC Aid Code members are updated monthly and daily as required.

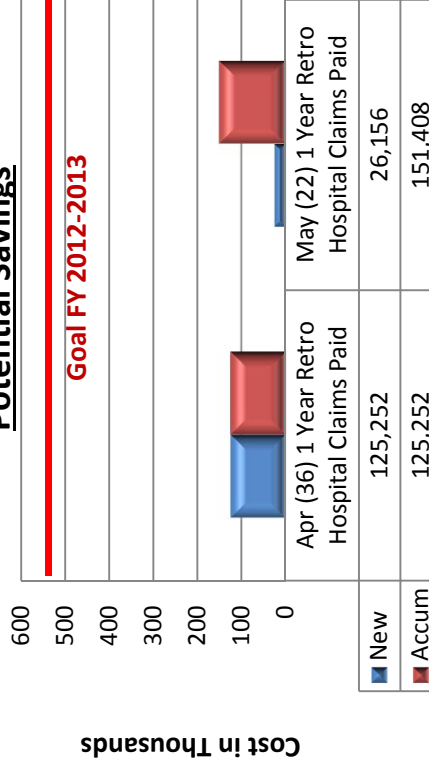
## Cost Avoidance – Part A Conversions – Initiative #2

Objective: decrease health care cost by converting eligible members to Medicare Part A.

### Monthly Part A Conversions



### Potential Savings



### Accomplishments

- 1,295 members contacted via mail for possible conversion.
  - 810 forms completed and sent to CMS for potential conversion.
  - 410 phone calls to non-responders of mailing – completed 3/20/2013.

### Upcoming and Ongoing Activities

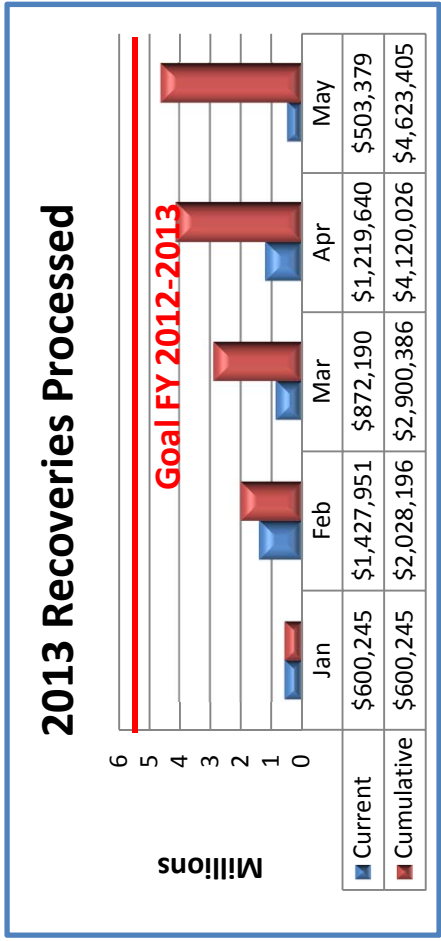
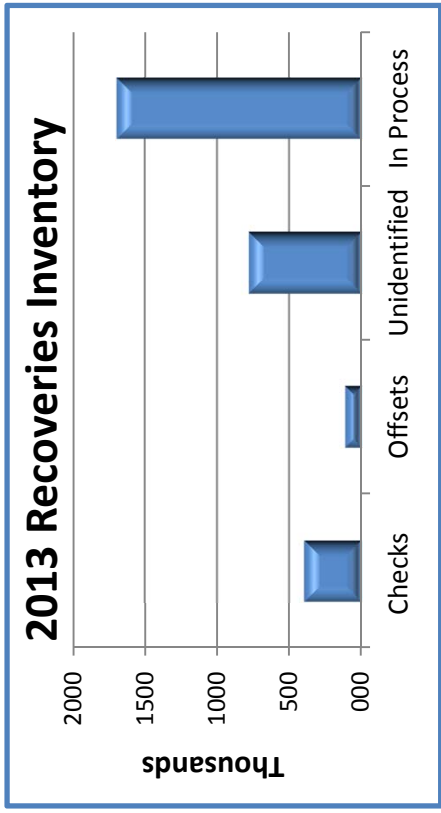
- Budgeted quantity of conversions for FY 2013-2014 is 259 conversions.
- Annual process targeting members with Part B and no Part A.
- Monthly birthday card mailings to members turning 65 as reminder to apply for Medicare, approved by DHCS 4/8/2013.



## Health Care Cost Recovery Efforts – Initiative #3,4,5,6,10



Goal – To recover funds and ensure payment accuracy



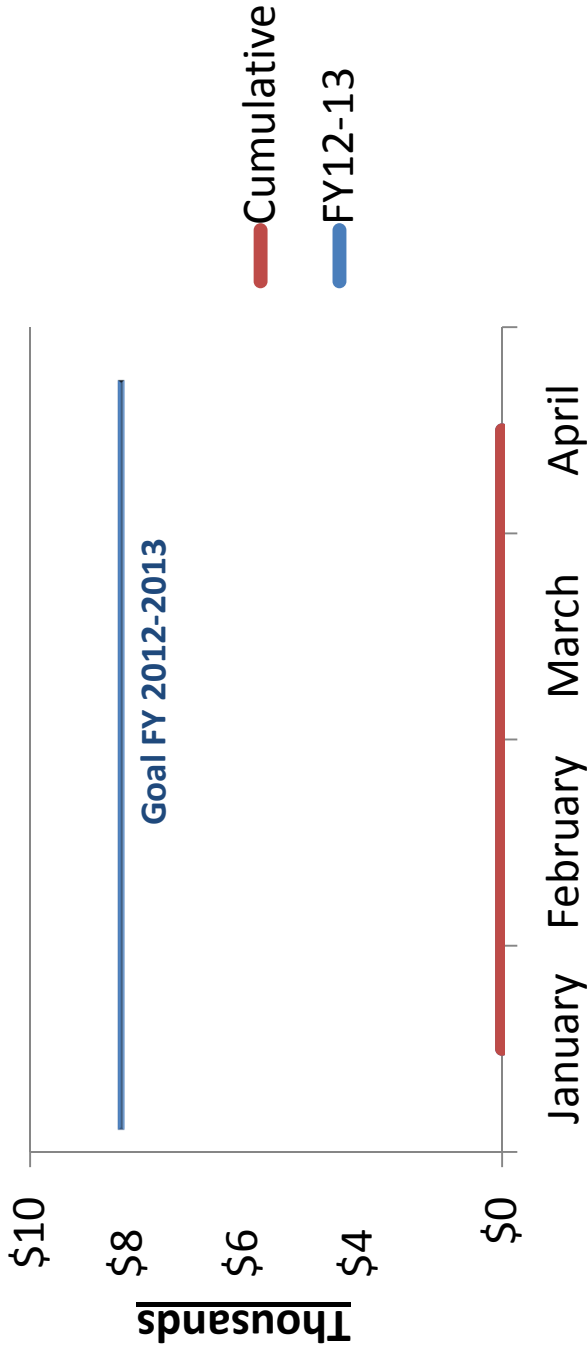
- Accomplishments**
- February-Kick-off project
  - April-Established process for recoveries; Provider outreach
  - May-Claims control database live; reports generated

- Upcoming Activities**
- FY 2013-2014 Projections are set at \$1.24M.
  - Recoveries processing by priority: (1) A/R spreadsheet (2)By provider by high dollar by oldest aged date of service.
  - Ongoing efforts will continue to offset in the system per provider request and/or lack of provider response.
  - Opportunities for process improvement efforts to reduce overall claims processing error rate.



## Efficiency Driven Initiatives – COB Crossover – Initiative #7

**GOAL:** Improve process for processing COB  
Increasing accuracy of claims payments

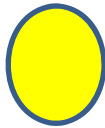


### Accomplishments

- Received State File Dec
- Currently managed as a manual claims payment to process

### Upcoming & Ongoing Activities

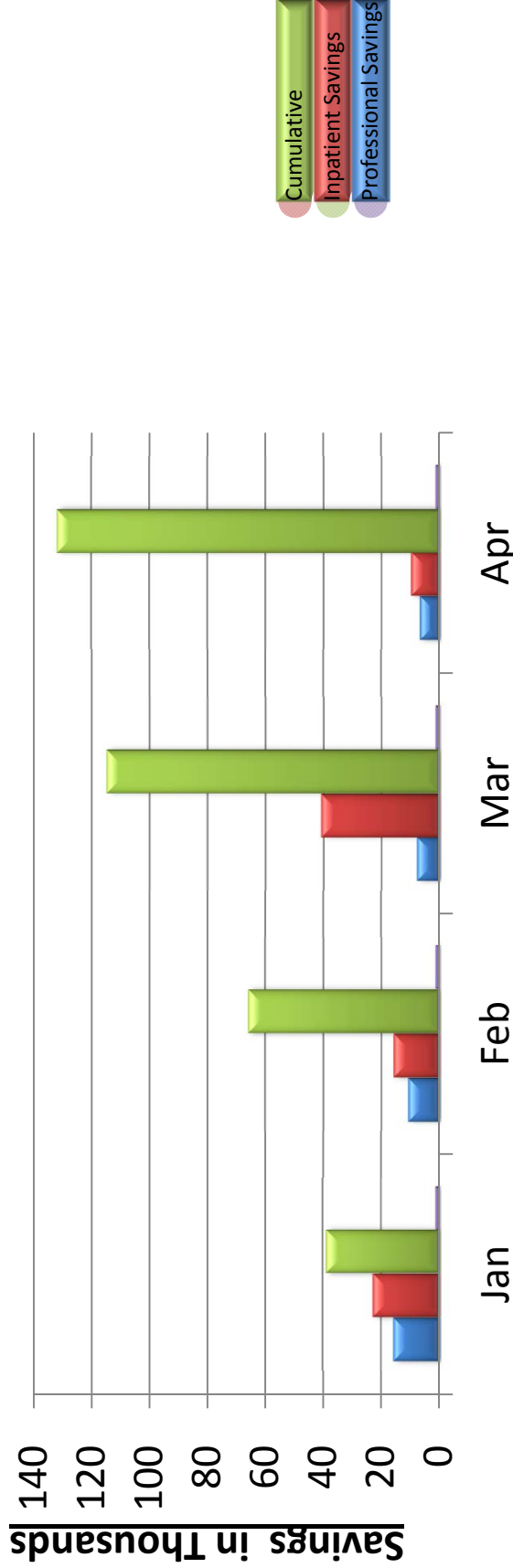
- Budget FY 2013-2014 \$75,000
- On Hold



## Efficiency Driven Initiatives - iCES Module #8

**Goal:** Improve claims payment accuracy; standardize billing practices; Medical Review; Other Program coverage

**ICES Professional & Institutional Savings In Thousands**      Note: FY 2012-2013 Budget=\$1.530M



### Accomplishments

- Implemented a front end claims editing system.
- iCES editing module implementation completed as of 1/8/13
- Added CCS edit April 2013
- Added Preventable Condition edit May 2013

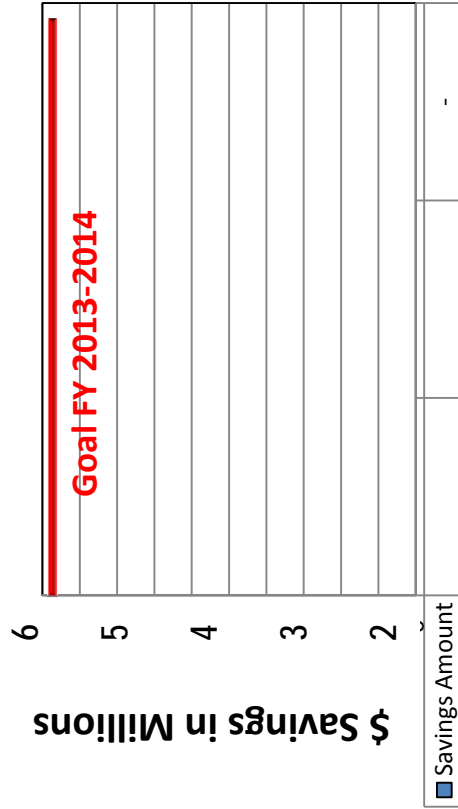
### Upcoming Activities

- FY 2013-2014 budgeted savings \$1,530,000
- iCES upgrade to 4.8 in July, ICD-10 compliant
- Provider satisfaction survey

## Cost Reduction: Provider Contract Re-Negotiation – Initiative #9,11,12

- Goals:**
- Establish and negotiate hospital per diem rates that are in line with Medi-Cal FFS rates (CAP)
  - Establish consistent pricing method for non per diem items; Implants/High Cost Pharmacy, Emergency Room
  - Improve Auto Adjudication Rate
  - Reduce transportation costs

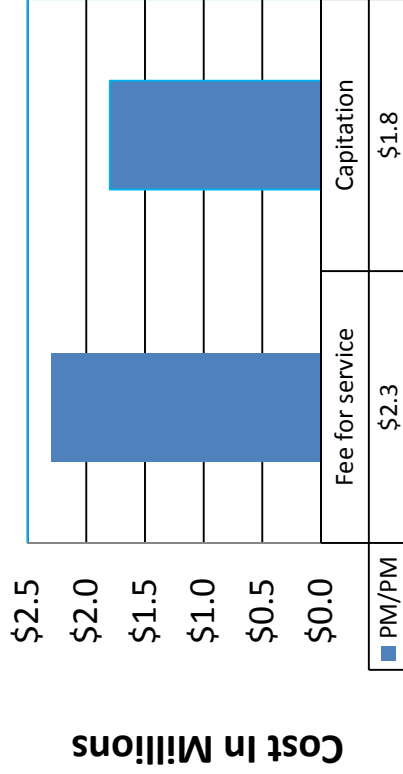
### Health Care Cost Savings



### Accomplishments

- Negotiated transportation capitation contract
- Round one proposals delivered to hospitals
- Improved contract compliance
- Finalized provider billing policies
- Level of Care LTC contracting

### Non-Emergency Transportation



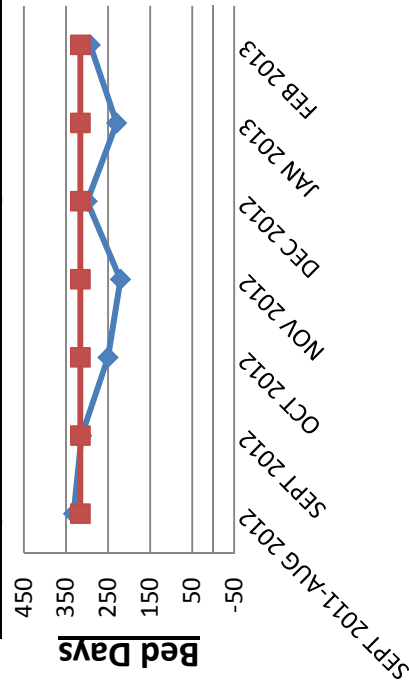
### Upcoming Activities

- FY 2013-2014 Budget savings of \$5,950,000
- Finalize hospital negotiations (round two meetings scheduled)
- Align billing practices with industry standards
- Evaluation of transplant network
- Out of area hospital negotiations
- Clarify billing/pricing policies
- Finalized timely filing policies

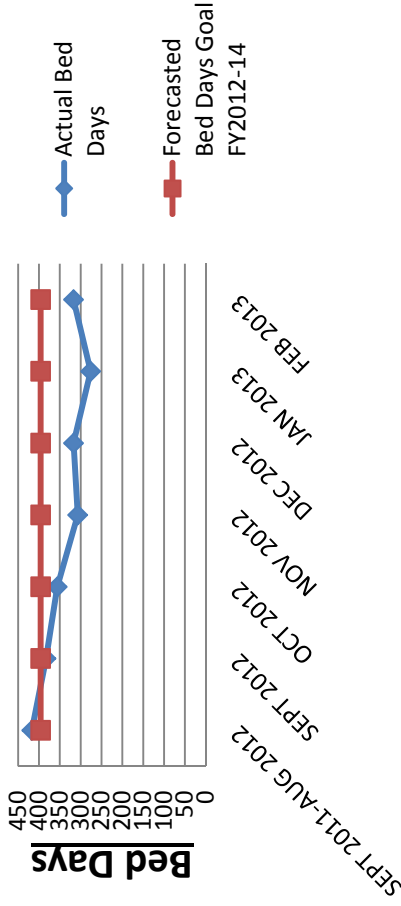
## Cost Savings - UM/CM Initiatives – Initiative #14

**GOAL:** To improve the quality of care relative to inpatient hospital utilization while decreasing the overall inpatient spend

Bed Days Per/1000 Excluding Dual Members



Bed Days Per/1000 Including Dual Members



### Accomplishments

- Inter-rater reliability testing completed to evaluate consistent application of clinical criteria.
- Access obtained to electronic hospital medical records for the largest volume hospital to enable more timely and effective case review.

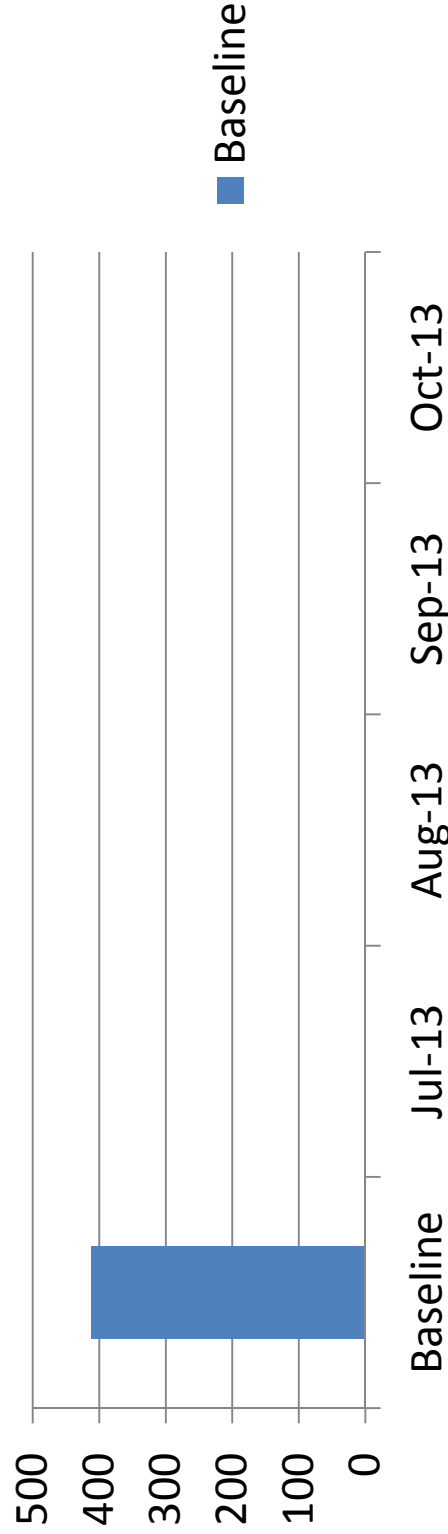
### Upcoming &/or Ongoing Activities

- FY 2013-2014 forecast savings of \$2,328,000
- Initiation of aggressive discharge planning program to decrease avoidable readmissions
- Ongoing daily clinical inpatient rounds with Health Services Medical Director to provide immediate feedback to RN staff and to improve their decision making skills.

**Cost Avoidance - ER Health Navigator Program – Initiative #15**

Goal: Reduce avoidable ER visits

**ER Visits/1000**



Accomplishments

- Health Navigator kick off April 15, 2013.
- Development and Implementation of Strategy

Upcoming Activities

- FY 2013-2014 forecast savings of \$280,000, or a reduction of 5% off current utilization of 413 ER visits/1000
- Refresh ER Utilization Data Management File– MedInsight and Customized Data System used to identify members and ER History
- Follow-up with hospital administrators regarding collection of face sheets and real-time data of member visiting the ER
- Update Urgent Care Clinic List with hours operation and list of clinics with extended hours
- Prepare questionnaire to identify reasons for overutilization of ER Visits.

6/4/2013

Business Leads-Nancy Wharfield, MD and Lupe Gonzalez, Ph.D., MPH

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## Cost Savings – Pharmacy Management & 340b – Initiative #13, 16

**Goal:** Reduce Pharmacy ingredient cost: 340b, MAC

Reduce pharmacy cost thru pharmacy management activities: Generic utilization, claims review, formulary review

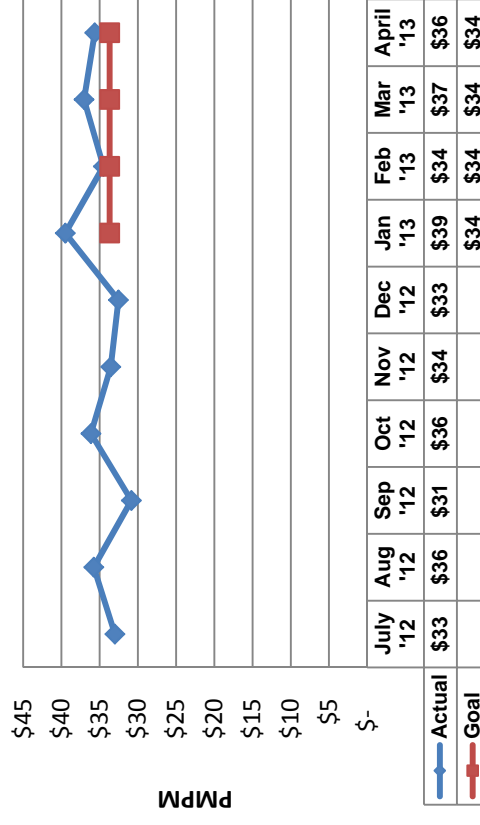
### Accomplishments

- One 340b clinic in Network.
- One patient used 340 b pricing due to Specific Certification for one of our contracted hospitals
- Implemented 35 additional Clinical Prior Auths; Step therapies, prior auths, quantity changes

### Upcoming Activities

- FY 2013-2014 Budget savings of \$574k
- Additional 4 pharmacies in process and 11 in FY 14
- One 340b qualified provider in process of implementing 340 b process
- Selection of PBM oversight vendor
- Pricing for Physician Administered Drugs and Hospital Administered Drugs
- Implement a new MAC effective June 1

### PHARMACY COSTS

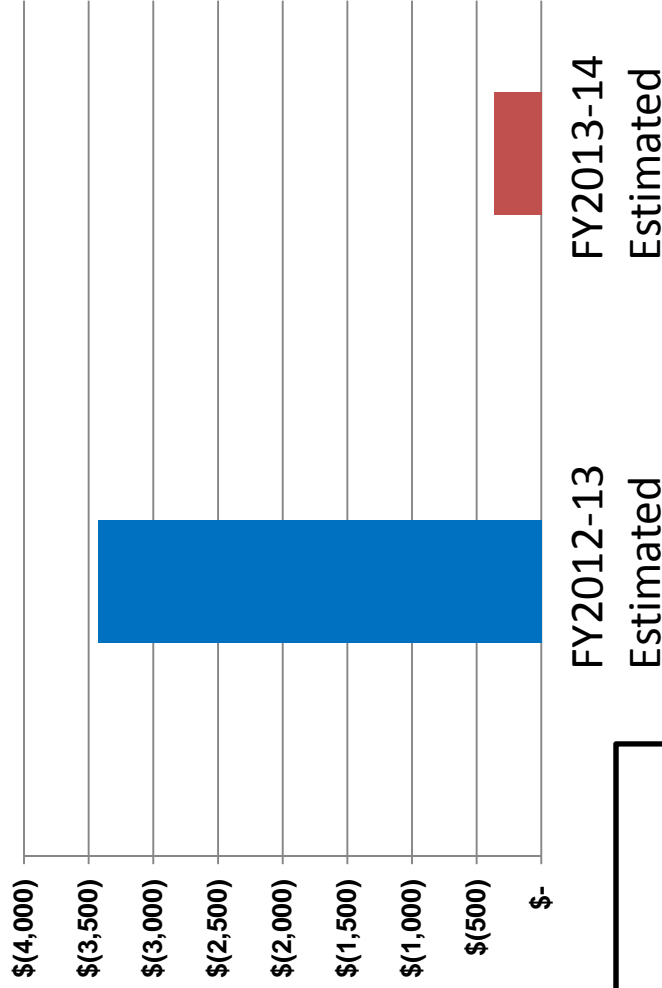


### Issues

- Strict criteria on use of 340b
- Currently limited facilities
- Full access to the cost savings

## Reinsurance Recovery – Initiative #17

Goal: Improve timeliness of reinsurance collections

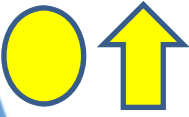


Accomplishments

- Actual receipts in FY2012-13 included \$2.6 M for policy year 2011 and \$0.8 M for policy year 2012
- Potential for additional recoveries estimated to be \$1.25 M

Issues

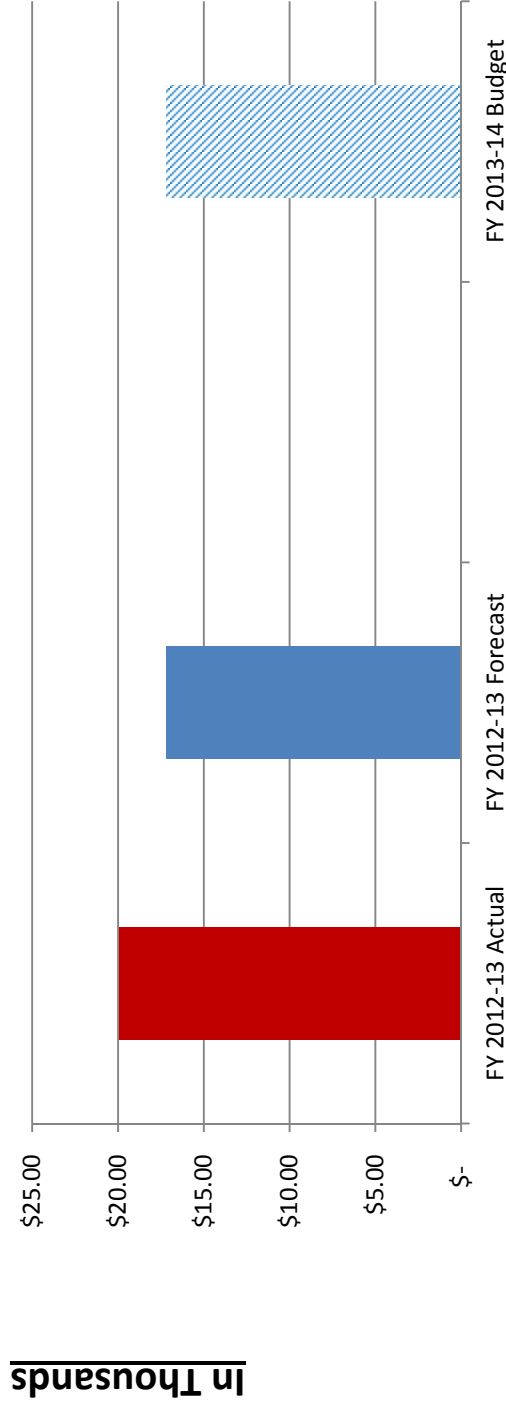
- Current experience indicates potential for rate renewal increase



## Administrative Expense – Initiative #18

Goal: Improve operating effectiveness and manage to FY2013-14 budget

### ADMINISTRATIVE EXPENSE PMPM



#### Issues

- Administrative expenses continues to trend higher than forecasted – driven by Actuarial, Consulting and Interest expenses
- Increased staffing drove need for additional office space

#### Upcoming Activities

- FY2013-14 budget includes shift from use of consultants to employees
- Ongoing administrative management process being drafted where departments review actuals vs. budgets monthly



## Line of Credit – Initiative #19

**Goal:** Increase Plan's tangible net equity (TNE) position by accessing lines of credit (LOC) and other ways to generate equity

### Initiative 19 – Equity Improvement- Accomplishment

- Plan drew down on initial \$2.2 million LOC from County of Ventura in December, 2012
- Additional \$5 million LOC from County of Ventura was approved in April and drew down in early May, 2013
- Plan worked with County to draft an Intergovernmental Transfer (IGT) agreement, resulting in approximately \$535k in additional revenue to be recognized in May, 2013

### Initiative 19 – Upcoming Activities

- Ongoing management of initiatives and financials to improve financial profitability of Plan
- Repay LOCs after reaching agreed upon equity levels and gaining approval from State

# End of Presentation