



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

Executive Conference Room at Gold Coast Health Plan
711 E. Daily Drive, Suite 106, Camarillo, CA 93010
Thursday, January 8, 2015
3:30 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. [August 7, 2014 Regular Executive / Finance Meeting Minutes](#)
- b. [November 6, 2014 Special Executive / Finance Meeting Minutes](#)

2. ACCEPT AND FILE ITEMS

- a. [CEO Update](#)
- b. [CFO Update- October and November 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 SPECIAL 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
January 8, 2015 Executive / Finance Committee Meeting Agenda (continued)**

LOCATION: Executive Conference Room, 711 E. Daily Drive, Suite 106, Camarillo, CA 93010

TIME: 3:30 p.m.

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3. APPROVAL ITEMS

a. [Provider Reimbursement Increases](#)

COMMENTS FROM COMMITTEE MEMBERS

ADJOURNMENT

Unless otherwise determined, the next regular meeting of the Executive / Finance Committee will be held on February 5, 2015 at 3 p.m. in the Executive Conference Room at 711 E. Daily Drive, Suite 106, Camarillo, CA 93010.

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.

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

August 7, 2014

(Not official until approved)

CALL TO ORDER

Chair Araujo called the meeting to order at 3:04 p.m. in the Executive Conference Room at Gold Coast Health Plan, 711 E. Daily Drive, Suite 106, Camarillo, CA 93010.

COMMITTEE MEMBERS PRESENT

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

Antonio Alatorre, Clinicas del Camino Real, Inc.

David Glycer, Private Hospitals / Healthcare System

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

ABSENT / EXCUSED

Dee Pupa, Ventura County Health Care Agency

STAFF IN ATTENDANCE

Michael Engelhard, CEO

Michelle Raleigh, CFO

Robert Hernandez, Legal Counsel

Traci R. McGinley, Clerk of the Board

Guillermo Gonzalez, Government Affairs Director

Steve Lalich, Communications Director

Allen Maithel, Controller

Al Reeves, MD, CMO

Melissa Scrymgeour, Chief Information Officer

Lyndon Turner, Financial Analysis Director

Ruth Watson, COO

PUBLIC COMMENTS

None.

1. APPROVE MINUTES

a. July 10, 2014 Regular Meeting Minutes

Committee Member Glycer moved to approve the July 10, 2014 Regular Meeting Minutes. Committee Member Alatorre seconded. The motion carried with the following vote:

AYE: Alatorre, Araujo, Glycer and Pawar.

NAY: None.

ABSTAIN: None.

ABSENT: Pupa.

2. ACCEPT AND FILE ITEMS

a. CEO Update

During the review of the written report discussion was held regarding the August enrollment figures which were greater than anticipated, nearly 40,000 since January, bringing membership to 160,000. The increase has caused an immediate need for additional staff in Health Services, most likely bringing staffing levels to 169 employees sooner than anticipated.

COO Watson added that more members have been added retroactively than the State has done for quite some time.

Committee Member Alatorre requested that the auto assignment information be provided at the next Commission Meeting.

CEO Engelhard informed the Committee that as a result of the audit of the Pharmacy Benefit Manager (PBM), Script Care, it was found that since the Plan went live in 2011, GCHP was inadvertently paying co-pays for dual-eligible Members and paying for medications for Members that have not yet met their share of cost requirement. The Department of Health Care Services (DHCS) has been notified. These items will be corrected in October due to notification and timeline requirements.

In response to Committee Member Alatorre's question about the financial impact, CEO Engelhard responded that if utilization does not change it could be \$1.5 million to \$2.5 million per year.

b. June Financials

CFO Raleigh reviewed the June financials and end of fiscal year results. She explained that health care costs were approximately \$10 million over budget for the year, mostly due to changes the State made in the ACA 1202 Primary Care Physician payment methodology and the large increase of high-cost Adult Expansion (AE) aid category Members.

Following a brief discussion regarding Tangible Net Equity (TNE), CFO Raleigh confirmed that the State's formula to calculate the minimum requirement is driven by healthcare costs. In order to review and determine appropriate TNE levels, staff will make a recommendation for discussion at a future meeting.

Committee Member Glycer expressed concern that health care costs may be understated. CFO Raleigh explained that the new population is driving the figures, the current financials continue to reflect an estimated 85% medical loss ratio (MLR) compared to the State's estimate of 91% MLR.

Committee Member Alatorre asked about increasing the rates for the providers. CFO Raleigh responded that one of the projects this fiscal year is to look at the provider rates.

While discussion was held regarding IBNR / IBNP Committee Member Alatorre requested that they be separated in the financials.

Committee Member Glyer moved to approve the CEO Update and June Financials. Committee Member Alatorre seconded. The motion carried with the following vote:

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

COMMENTS FROM COMMITTEE MEMBERS

None.

ADJOURNMENT

Meeting adjourned at 4:13 p.m.

**Ventura County Medi-Cal Managed Care Commission
(VCOMMCC) dba Gold Coast Health Plan (GCHP)
Special Executive / Finance Committee Meeting Minutes
November 6, 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

Chair Araujo called the meeting to order at 3:06 p.m. in the Executive Conference Room at Gold Coast Health Plan, 711 E. Daily Drive, Suite 106, Camarillo, CA 93010.

COMMITTEE MEMBERS PRESENT

David Araujo, MD, Ventura County Medical Center Family Medicine Residency Program
Antonio Alatorre, Clinicas del Camino Real, Inc.
David Glycer, Private Hospitals / Healthcare System
Gagan Pawar, MD, Clinicas del Camino Real, Inc. (arrived at 3:16 p.m.)
Dee Pupa, Ventura County Health Care Agency

STAFF IN ATTENDANCE

Ruth Watson, Interim CEO / COO
Michelle Raleigh, CFO
Scott Campbell, Legal Counsel
Traci R. McGinley, Clerk of the Board
Guillermo Gonzalez, Government Affairs Director
Steve Lalich, Communications Director
Allen Maithel, Controller
Al Reeves, MD, CMO
Melissa Scrymgeour, CIO
Lyndon Turner, Financial Analysis Director

PUBLIC COMMENTS

None.

1. APPROVE MINUTES

a. August 7, 2014 Regular Meeting Minutes

Committee Member Alatorre requested that the minutes reflect two statements he made during the meeting regarding 1) a request for staff to review the capitation payment for primary care physicians in the county and 2) his request that the IBNR / IBNP be separated in the financials.

2. APPROVAL ITEMS

a. 2015 Executive / Finance Meeting Calendar

After discussion of whether the meetings needed to be held as often, it was decided that the schedule would be adopted as presented and the frequency would be discussed again in a few months.

Committee Member Alatorre moved to approve the 2015 Executive / Finance Committee Meeting Calendar. Committee Member Glycer seconded. The motion carried with the following vote:

AYE: Alatorre, Araujo, Glycer, Pawar and Pupa.

NAY: None.

ABSTAIN: None.

ABSENT: None.

3. ACCEPT AND FILE ITEMS

a. CEO Update

Interim CEO Watson reviewed the written report with the Committee.

b. CFO Update – September Financials

CFO Raleigh reviewed the Financials which reflect some needed audit adjustments. Additional audit adjustments may be needed as the auditors have not completed the FY 2013-14 audit. Membership growth is greater than anticipated therefore the Plan is doing significantly better than budgeted. GCHP is making great strides in reaching the required Tangible Net Equity (TNE), it is currently at 217%, with the Lines of Credit (LOC) from the County and 185% without.

In response to Chair Araujo's questions regarding the TNE, CFO Raleigh confirmed that the TNE changes monthly based on the number of members, the population mix and the health care costs. Committee Member Glycer asked if a 300%-400% level was considered healthy. CFO Raleigh responded that it was.

Committee Member Glycer stated that GCHP is building needed reserves; however, there was \$47 million in profits, three times greater than budgeted and asked how much of the change was just in the month of September. CFO Raleigh stated that it changed approximately 15%. Committee Member Glycer added that if it continued at that rate by the end of the year the Plan would be over 300%. He stated that he agreed with Committee Member Alatorre's statement from the previous meeting that GCHP needs to start passing some of the profits back to providers.

Interim CEO Watson acknowledged that GCHP agreed and has determined that it will be a large project to ascertain what the right amount would be, not just individual doctors, but hospitals as well.

CFO Raleigh stated that approximately \$10 million is due to the membership mix; between 5,000-9,000 Adult Expansion (AE) members per month are coming into the program and there is no usage data with this population therefore GCHP has been unable to predict the expenses.

CFO Raleigh confirmed Committee Member Pupa's question as to whether GCHP had the figures reviewed by an actuary.

Discussion was held regarding the new supplemental payment from the State for reimbursement of Hepatitis C drugs. CFO Raleigh noted that GCHP received a little more than was spent the previous three months, but it is at risk because it is part of the capitation payment. CMO Dr. Reeves stated that the State just finalized the methodology for reimbursing the Plans. CFO Raleigh added that the methodology is working so far and the State just shared enough information to allow the Plan to estimate what it will get back from the State.

Financial Analysis Director Turner added that the State recently requested information for a rate development template on the adult expansion and staff believes the State is looking at this for a possible rate cut.

In response to a question from Chair Araujo, CFO Raleigh stated that the State internally develops the rates for COHS, but uses outside actuaries for the other managed care plans.

Committee Member Alatorre asked if they took into account ACE data. CFO Raleigh responded that they did not. Committee Member Pupa added that they could not because the benefits were not the same and ACE was based on Ventura County's cost so the data was useless with the exception of use. CFO Raleigh confirmed that it is the same across the State.

CFO Raleigh continued reviewing the Financials and stated that health care costs are more than budgeted due to membership being greater than anticipated.

CFO Raleigh stated that a larger provider is still having problems with billing GCHP therefore the reserves were increased. In response to a question from Committee Member Pawar CFO Raleigh stated that GCHP will not have to pay the provider for billings more than twelve months old, but must take the amounts into account in order to estimate the total future costs.

CFO Raleigh reported that since there was no cost experience for the adult expansion population GCHP utilized the State's costs estimates included in the AE rate package. CFO Raleigh added that all the plans in the State are trying to determine what the expenses are going to be with these Members, and there is a possibility that money may go back to the State.

Committee Member Pupa added that utilization trends are going to change every month. CFO Raleigh explained that the State will take 18 months to determine what the real expenses are.

Discussion was held regarding the legal expenses. CFO Raleigh explained that if GCHP does not receive an invoice from a particular legal firm it is estimated. Legal expenses will stay high for some time due to the investigations.

Committee Member Alatorre asked about AB 85. CFO Raleigh explained that it is an ongoing reconciliation progress.

Committee Member Glycer moved to approve the CEO Update and CFO Update – September Financials. Committee Member Alatorre seconded. The motion carried with the following vote:

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

4. INFORMATIONAL ITEMS

- a. **Update on Auditor Recommendations (Final) – FY 2012-13**
- b. **Draft FY 2013-14 Audit Results**
- c. **Draft Lines of Credit (LOC) Payback Terms**

CFO Raleigh reviewed the Informational Items with the Committee.

COMMENTS FROM COMMITTEE MEMBERS

None.

ADJOURNMENT

The meeting adjourned at 4:13 p.m.

AGENDA ITEM 2a

To: Gold Coast Health Plan Executive / Finance Committee

From: Ruth Watson, Interim CEO / Chief Operating Officer

Date: January 8, 2015

Re: CEO Update

MEMBERSHIP UPDATE

Gold Coast Health Plan added an additional 4,658 members in January, bringing our total membership to 178,163 as of January 1, 2015. This represents an increase of 59,651 members or approximately 50% since January 1, 2014 and the start of Medi-Cal Expansion. The cumulative new membership since January 1, 2014 is summarized as follows:

L1 (Low Income Health Plan) – 6,508
M1 (Adult Expansion) – 30,107
7U (CalFresh Adults) – 3,390
7W (CalFresh Children) – 872
7S (Parents of 7Ws) – 478
Traditional Medi-Cal – 18,296

As expected, M1 membership continues to increase while L1 membership continues to decline. There were moderate increases in 7U, 7W and 7S; the increases in the 7W and 7S aid code categories can be attributed to the transition of Covered CA members to Medi-Cal.

Covered California Enrollees Transition to Medi-Cal

Covered California anticipates cancelling or dropping up to 90,000 health insurance policies due to these policy holders' decreased income now makes them eligible for the Medi-Cal Program. This applies only to a group of Covered California consumers who are renewing coverage *and* whose income level has caused them to lose eligibility for subsidized coverage in Covered California and instead appear eligible for Medi-Cal.

Covered California maintains that if a policy holder is not subsidy-eligible and is eligible for a public health program i.e. Medi-Cal, such policy holder can be dropped from Covered California and enrolled into the Medi-Cal Program. Conversely, if a member does not wish to be in a Medi-Cal program they can continue with the Covered California plan but no premium subsidy is available for that individual. As of December 26, 2014 there were

approximately 2,196 Covered California enrollees with potential Medi-Cal eligibility in Ventura County.

ACA 1202 UPDATE

As a result of ACA 1202, our expected revenues as a form of additional capitation for calendar year 2013 totaled \$10.3 million. Of this amount, \$5.6 million was paid by December 2014. An additional \$2.2 million is expected to be paid the first part of 2015. For the six month period of January through June 30, 2014 we recorded accrued revenues in the amount of \$6.3 million and corresponding expected claims expense. Approximately an additional \$6 million in revenues and corresponding claim expense will be recorded for the 6 months ending December 31, 2014. No payments have been made for calendar year 2014.

AB 97 RATE REDUCTIONS

Provider rate adjustments pursuant to AB 97 are commonly referred to as “10% Provider Rate Cuts.” In GCHP’s experience with AB 97, less drastic reductions have been received. The most recent FY 2014-15 rate package from DHCS is consistent with this experience. Program changes embedded in the rate package for all aid categories except AE result in the following cost reductions:

Category of Service	FY2014-15	PMPM
Outpatient Facility Services	(299,870)	(0.21)
Physician Primary Care Services	(13,220)	(0.01)
Other Medical Professional Services	(161,032)	(0.11)
Laboratory and Radiology	(113,162)	(0.08)
Other	(422,233)	(0.29)
Total Affected Services	(1,009,516)	(0.69)

The total dollars of reductions translate to an overall cut of 0.03% in total medical costs, and are based on the membership, utilization and cost assumptions used in the State’s rate development. It should also be noted that not all provider categories are affected.

The overall annual impact to the plan is minimal and staff recommends that the Plan does not pass these cuts along to providers. A recommendation to that effect will be presented for approval at the January 26, 2015 Commission Meeting.

DHCS AMENDMENT A15 UPDATE

The State of California Department of Health Care Services (DHCS) establishes monthly capitation payments by major Medi-Cal population groups and updates them periodically to reflect policy changes and other adjustments. Amendment A15 reflects expected changes to Gold Coast Health Plan (GCHP or Plan) capitation rates.

GCHP received a contract amendment from the DHCS on December 10, 2014 which updated FY 2013-14 and FY 2014-15 capitation rates for the Plan's Medi-Cal aid categories as follows:

- Rate period January 1, 2014 to June 30, 2014 – Adult Expansion (AE) population
 - Includes first half of CY 2014 Affordable Care Act Section 1202 funds to be paid to qualifying providers performing specific services
 - Adds the AB85 additional 25% rate enhancement (top of AE rate range)
- Rate period July 1, 2014 to December 31, 2014
 - Includes second half of CY 2014 Affordable Care Act Section 1202 funds to be paid to qualifying providers performing specific services for all aid categories
 - Adds the AB85 additional 25% rate enhancement for the AE population
 - Divides the Adult & Family aid category into two groups, each with its own rate: (1) 19 years and older; (2) Under 19 years old
 - Combines the Targeted Low-Income Child (TLIC) aid codes with the Under 19 years old Family aid codes, assigning a single rate for the combined group
- Rate period commencing July 1, 2014
 - Establishes kick payment rates for Hepatitis C prescriptions to reimburse Plan for certain drugs previously carved out of FY 2014-15 capitation rates; provides separate rates for 340B and Non-340B pricing
- Rate period commencing January 1, 2015
 - Provides rates for all aid categories, but does not include Affordable Care Act Section 1202 funds in the rates
 - Adult Expansion rate reverts to the AB85 rate enhancement using 75% of the rate range

Amendment A15 memorializes the rates included in rate packages received by GCHP on September 29, October 2, and October 17, 2014. Rates impacting FY 2013 -14 were identified by GCHP management as post-closing (fiscal year) adjustments and will be reflected in the audited financials. New rates for FY 2014 -15 were previously adopted in the Plan's financial accounting and have been used during the current fiscal year.

Staff is analyzing the effect of the additional AB85 25% rate enhancement, and has asked DHCS for additional guidance on the Plan's responsibility for this segment.

GOVERNMENT AFFAIRS UPDATE

State Legislature

The State Senate and Assembly reconvened on Monday, January 5, 2015 in the State Capitol. The newly elected statewide office holders including the Governor and Secretary of State were also sworn in on Monday, January 5, 2015. Both houses have new leadership and the Governor is expected to release his proposed state budget by Friday, January 9, 2015. Gold Coast Health Plan's Government Affairs Department will prepare an analysis of the Governor's proposed Medi-Cal Budget for the 2015-16 fiscal year.

The membership of the Legislative Health Committees is as follows:

- Senate Committee on Health will be chaired again by Senator Ed Hernandez (D - West Covina), who was the Committee Chairman last session. The Vice Chair and remaining Committee members have not yet been announced.
- Assembly Committee on Health will be chaired by Assembly Member Rob Bonta (D - Oakland). Assembly Member Brian Maienschein (R - San Diego) remains Vice Chair of the Committee. Last year's Assembly Health Chair Richard Pan (D), will replace Senator Darrell Steinberg, who was termed out of the Legislature.
- Two longtime supporters of consumer health care issues will have strong positions in the Senate. Senator Bill Monning (D - Carmel) is the majority leader in the Senate, and Senator Mark Leno (D - San Francisco) takes over as Chair of the Committee on Budget and Fiscal Review, as well as the Joint Legislative Budget Chair.
- Assembly Member Shirley Weber (D - San Diego), who has voiced strong support for consumer health care advocacy positions in the past, takes over as Chair of the Assembly Committee on Budget.

Other changes in this year's Legislature include:

- Senator Kevin de León (D - Los Angeles) is the new Senate President pro Tempore and Assembly Member Toni Atkins (D - San Diego) will be Assembly Speaker.
- Senator Ricardo Lara (D - Bell Gardens), who has been a prominent supporter of health care issues, will replace de León as Chair of the Senate Committee on Appropriations. Assembly member Jimmy Gomez (D - Los Angeles) becomes chair of the Assembly Committee on Appropriations.

Legislation Enacted in 2014 that impacts GCHP and its Members in 2015

Palliative Care

SB 1004: By Senate Health Committee Chair Ed Hernandez requires the State to establish, and Medi-Cal managed care plans (MMCs) to implement, standards to ensure Medi-Cal managed care plans offer palliative care services starting in January 2015. GCHP and all Medi-Cal managed care plans are waiting for release of guidelines that will be provided in a policy letter from the Department of Health Care Services (DHCS).

Network Adequacy

SB 964: Is designed to increase oversight over insurers, including annual reviews of Medi-Cal managed care plans provider networks to ensure timely access.

Foster Children

SB 508: Extends Medi-Cal benefits to independent foster care adolescents up to age 26 or a higher age as the State has elected under federal law.

Translation Services

AB 505: By Assemblyman Adrin Nazarian requires all Medi-Cal Plans to provide language assistance services on a 24 hour basis to limited English proficient Medi-Cal beneficiaries.

Medi-Cal Application Backlog

On December 19, 2014 the Department of Health Care Services reported that there are a total of 99,000 backlogged Medi-Cal applications pending. DHCS maintains that some of those applications are duplicates. DHCS' had set a goal to enroll all qualified applicants into MMCs by the end of December 2014.

AGENDA ITEM 2b

To: Gold Coast Health Plan Executive / Finance Committee

From: John Meazzo, Interim Chief Financial Officer

Date: January 8, 2015

Re: October and November, 2014 Financials

SUMMARY

Staff is presenting the attached October and November, 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 has prepared the October and November 2014 financial packages, including balance sheets, income statements and statements of cash flows. The Plan also reflected adjustments after closing FY 2013–14.

FISCAL IMPACT

Year-To-Date Results

On a year-to-date basis through November, the Plan's net income is approximately \$21.3 million compared to the \$8.1 million budget. These operating results have contributed to a Tangible Net Equity (TNE) level of approximately \$61.1 million, which exceeds both the budget of \$40.5 million by \$20.6 million and the State minimum required TNE amount of \$21.1 million by \$40 million. As in prior reports, the Plan's TNE amount includes \$7.2 million County of Ventura lines of credit. The November TNE was 290% of the state required TNE, but 210% below the average 6 County Organized Health Systems of 500%.

October & November Results

Other items to note for the months include:

Membership

- October: The Plan's October membership was 172,729 which exceeded budget by 13,572 members. The majority of membership growth was in the Adult Expansion (AE) category, where membership was 11,179 higher than budget. The Adult / Family category of membership was also higher than budget by 1,326 members.

- November: The Plan's November membership was 171,343 and exceeded budget by 11,823 members. The growth in membership is similar to that of October 2014.

Revenue

- October: Net revenue was \$56.9 million or \$9.1 million better than budget of \$47.8 million. On a per member per month (PMPM) basis, net revenue was \$329.15 PMPM which exceeded the budget of \$300.24 PMPM by \$28.91 PMPM.
- November: Net revenue was \$25.5 million or \$22.5 million under the budget of \$48.1 million. An adjustment of \$36.7 million was recorded as a reserve in anticipation of a reduction to rates in the Adult Expansion category.
 - In early December, Department of Health Care Services (DHCS) delivered a new proposed (pending Centers for Medicare and Medicaid Services, CMS approval) rate sheet which reduced the capitation rates for the AE Population by approximately 20%.
 - This reduction was due to new actuarial studies performed by DHCS (via Mercer). GCHP has elected to use this new information to estimate a reserve for a potential return of excess premium under the Plan's contract retroactively to January 1, 2014 as this is consistent with DHCS cost reimbursement development methodology. Therefore as a result of this adjustment the Net revenue was \$25.5 million or \$22.5 million under the budget of \$48.1 million. Excluding the adjustment, net revenue was \$62.2 million or \$14.1 million better than the budget of \$48.1 million.
 - On a PMPM basis, revenue was \$149.05 PMPM which was \$152.21 PMPM under the budget of \$301.25 PMPM. (Excluding the adjustment, the \$378.44 PMPM was \$77.19 better than budget. The lower actual PMPM also is a result of the AE adjustment).

Primary reasons contributing to the variance for October and November are:

The positive variance (excluding the adjustment to revenue in November) was primarily a result of the growth in membership with higher capitation rates. Retro revenue of \$5.3 million was received in November, which resulted from members in FY 2013-14 shifting from Dual to Non-Dual Medi-Cal, which resulted in an increase of \$31.12 PMPM in revenue on a PMPM basis.

Health Care Costs

- October: Health care costs for October were \$51.8 million or approximately \$8.2 million above budget. On a PMPM basis, reported health care costs for October were \$299.74 versus a budgeted amount of \$273.70. Notable variances include:
 - LTC / SNF facilities - higher than anticipated utilization was noted in the Adult / Family and Aged Dual categories during October. Additional reserves (approximately \$107,000) were also added for the AB 1629 increases that became effective August 1, 2014.

- Pharmacy – lower than expected utilization in the AE category, again contributed to savings.
- Adult Expansion Reserve – an additional \$2.5 million was accrued to achieve the 85% medical loss ratio (MLR) for this population.
- Provider Reserve – the Plan continues to study methodologies for distributing additional funds to providers. An administratively agreed amount available for an increase in provider payment was estimated at \$9.0 million and recorded as a reserve.
- November: Health care costs for November were reduced by \$31.2 million in conjunction with the AE premium reduction reserve. An amount equal to 85% (minimum required MLR) of the premium reduction was released from claims reserves for the AE population to adopt the assumptions included in the DHCS rate revision retroactively to January 1, 2014. Before the adjustment, health care costs were \$44.1 million, or \$257.35 PMPM, below budget amounts of \$270.53. Savings were again achieved in lower than expected Pharmacy costs, slightly offset by higher than anticipated Long Term Care (LTC) and Home and Community Based Services (HCBS) utilization.

Administrative Expenses

- October - Overall operational costs were approximately \$3 million or \$37,000 above budget. Outside Services (ACS and Beacon), primarily driven by membership, and higher than budgeted legal fees were the primary contributors for the negative variance. This was offset by the positive variance due to lower personnel expenses and lower consulting expenses, due to the timing of new hires and less consulting services.
 - Outside Services – ACS – This contract fee is driven by membership and the Plan continues to see growth in membership increasing expenses.
 - Legal Fees – The Plan has incurred higher than budgeted legal fees resulting from ongoing litigation and investigative services.

These increases in legal fees and outside services were offset with savings from lower than forecasted personnel costs due to differences in timing of new hires and less use of consulting services.

- November - Overall operational costs were approximately \$2.9 million or \$7,000 over budget. Consistent with October, the higher than budgeted legal fees and outside services (ACS) were offset by positive variance due to lower personnel and consulting expenses.
 - Outside Services ACS - Over budget by \$100,000 due to growth in membership.
 - Legal – expenses for the month were above budget by \$300,000 due to continued legal services and ongoing services for the investigation, which was not anticipated

in the budget. Year-to-date legal expenses of \$1 million exceed the budget by \$900,000.

- Consulting costs were \$93,000 below budget for November and \$508,000 under budget for the 5 months ending November 30, 2014. This mostly due to not contracting for certain services that were budgeted, but instead brought the projects in-house.
- General office expenses were also \$511,000 below budget for the same 5 month period.

These increases in legal and outside services were again offset by lower costs in new hires and less consulting services.

Cash + Medi-Cal Receivable – The total of Cash and Medi-Cal Premium Receivable balances of \$270 million reported as of November 30, 2014. This total includes pass-through payments for MCO tax of \$8.1 million. Excluding the impact of the pass through amount, the total of Cash and Medi-Cal Receivable balance as of November 30, 2014 was \$260.6 million or \$118 million better than the budgeted level of \$142.6 million.

RECOMMENDATION

Staff requests that the Executive / Finance Committee recommend approval of the October and November, 2014 financial package to the Commission.

CONCURRENCE

N/A

Attachments

October and November, 2014 Financial Package



FINANCIAL PACKAGE

For the month ended November 30, 2014

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- Income Statement
- Income Statement With AE adjustment
- Balance Sheet

APPENDIX

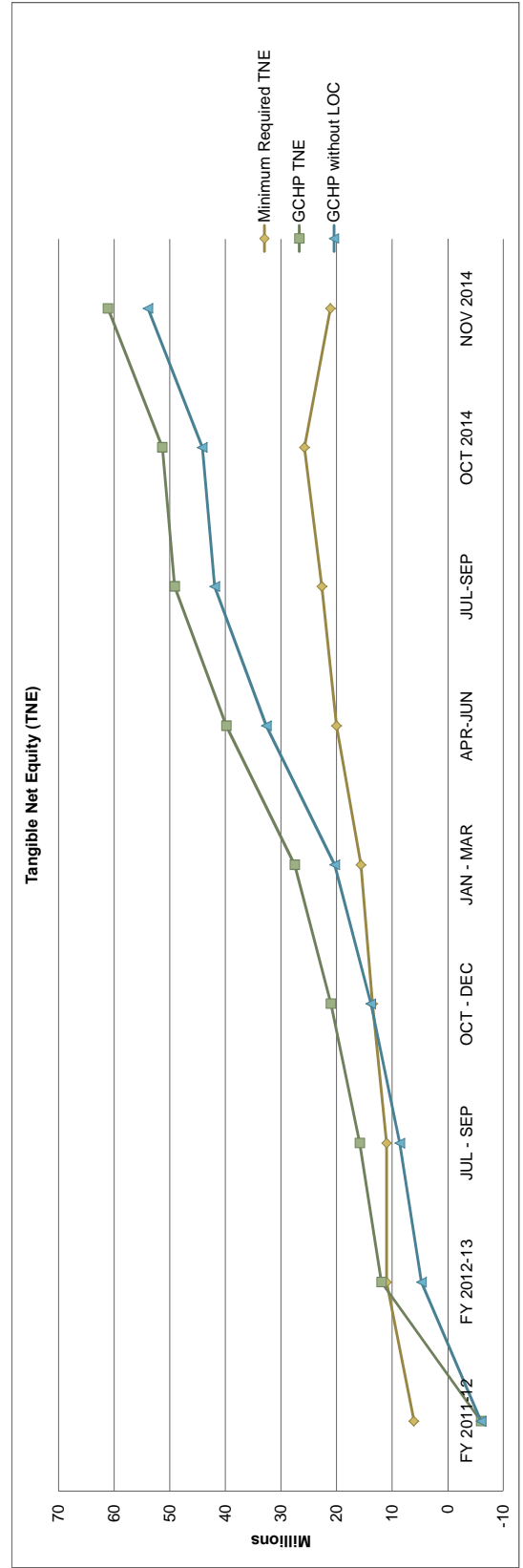
- Cash Trend Combined
- Paid Claims and IBNP Composition
- Monthly Cash Flow
- YTD Cash Flow
- YTD Income Statement
- Total Expenditure Composition
- Pharmacy Cost & Utilization Trends

Financial Overview

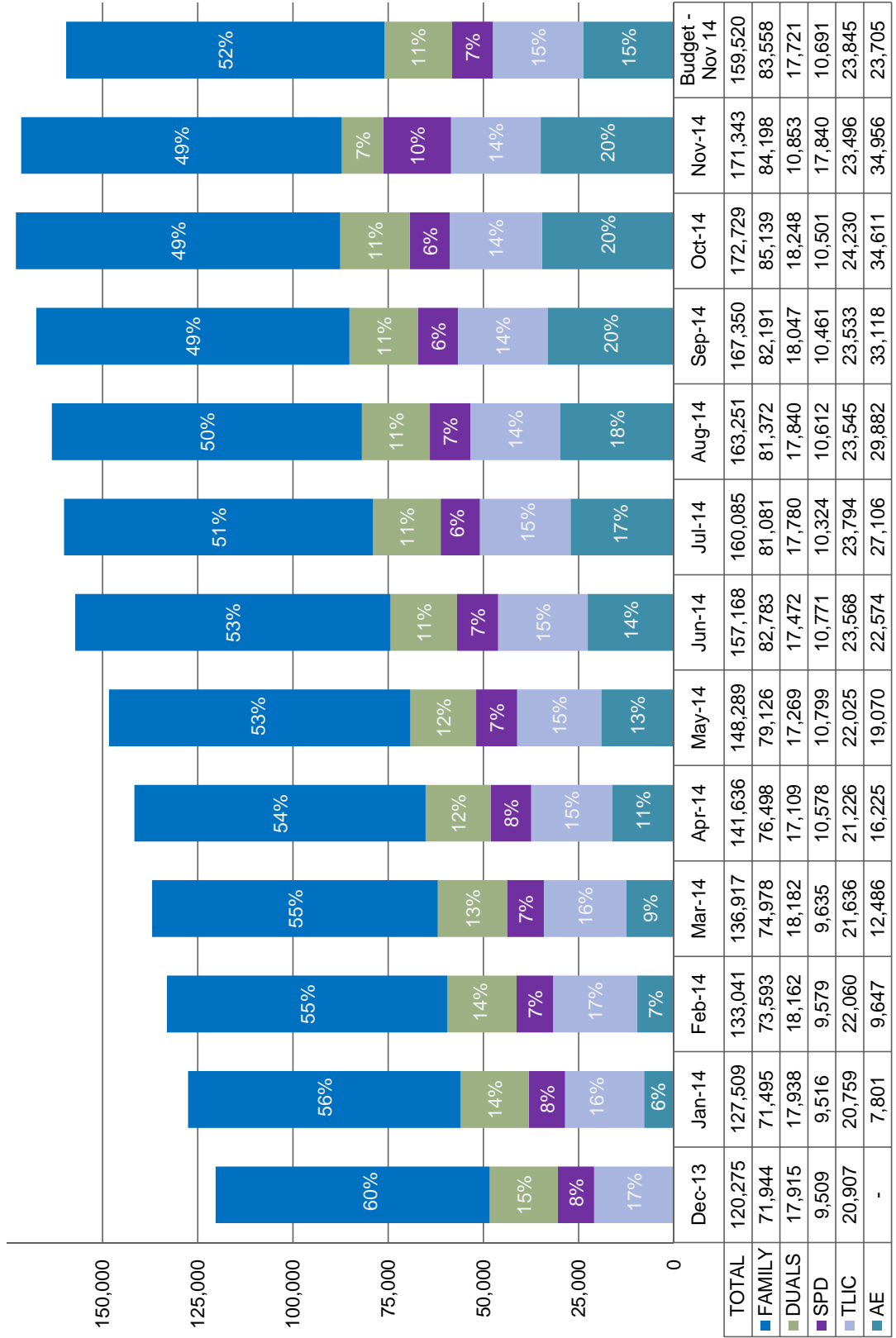
Description	AUDITED*		UNAUDITED FY 2013-14 Actual					FY 2014-15*				Budget Comparison		
	FY 2011-12	FY 2012-13	JUL - SEP	OCT - DEC	JAN - MAR	APR - JUN	JUL - SEP	OCT 2014	NOV 2014	Budget Nov 2014	Variance Fav / (Unfav)	Variance Fav / (Unfav) %		
Member Months	1,258,189	1,223,895	347,079	362,021	397,467	447,093	490,686	172,729	171,343	159,520	11,823	7.4 %		
Revenue	304,635,932	315,119,611	81,988,709	84,070,456	112,028,121	145,908,523	158,761,380	56,934,456	25,538,171	48,055,141	(22,516,970)	(46.9)%		
<i>mpm</i>	242.12	257.47	236.22	232.23	281.86	326.35	323.55	329.62	301.25	301.25	(152.20)	(50.5)%		
Health Care Costs	287,353,672	280,382,704	71,875,533	72,867,512	98,914,429	125,663,911	141,486,486	51,774,442	12,855,002	43,154,364	30,299,362	70.2 %		
<i>mpm</i>	228.39	229.09	207.09	201.28	248.86	281.07	288.34	299.74	75.02	270.53	195.50	72.3 %		
% of Revenue	94.3%	89.0%	87.7%	86.7%	88.3%	86.1%	89.1%	90.9%	50.3%	89.8%	-39.5%	-43.9%		
Admin Exp	18,891,320	24,013,927	6,202,007	6,014,475	6,597,110	7,937,941	7,994,304	2,954,018	2,883,649	2,875,935	(7,715)	(0.3)%		
<i>mpm</i>	15.01	19.62	17.87	16.61	16.60	17.75	16.29	17.10	16.83	18.03	1.20	6.7 %		
% of Revenue	6.2%	7.6%	7.6%	7.2%	5.9%	5.4%	5.0%	5.2%	11.3%	6.0%	-5.3%	-88.7%		
Net Income	(1,609,063)	10,722,980	3,911,169	5,188,469	6,516,582	12,306,671	9,280,590	2,205,997	9,799,520	2,024,843	7,774,677	384.0 %		
<i>mpm</i>	(1.28)	8.76	11.27	14.33	16.40	27.53	18.91	12.77	57.19	12.69	44.50	350.6 %		
% of Revenue	-0.5%	3.4%	4.8%	6.2%	5.8%	8.4%	5.8%	3.9%	38.4%	4.2%	34.2%	810.7%		
YTD	16,769,368	16,138,440	16,112,437	16,056,217	18,539,458	19,964,221	22,600,707	25,748,181	21,069,622	23,933,124	(2,863,502)	(12.0)%		
100% TNE	36%	68%	68%	84%	84%	100%	100%	100%	100%	100%				
% TNE Required	6,036,972	10,974,139	10,956,457	13,487,223	15,573,145	19,964,221	22,600,707	25,748,181	21,069,622	23,933,124	(2,863,502)	(12.0)%		
Minimum Required TNE	(6,031,881)	11,891,099	15,802,268	20,990,738	27,507,320	39,813,991	49,094,581	51,300,578	61,100,097	40,459,949	20,640,148	51.0 %		
GCHP TNE	(12,068,853)	916,960	4,845,810	7,503,516	12,397,168	19,849,770	26,493,874	25,552,397	40,030,475	16,526,825	23,503,650	142.2 %		
TNE Excess / (Deficiency)			144%	156%	177%	199%	217%	199%	290%	169%				
% of Required TNE level			79%	102%	130%	163%	185%	171%	256%	139%				
% of Required TNE level (excluding \$7.2 million LOC)														

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).



Membership - Rolling 12 Months



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

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

Income Statement Monthly Trend

	FY 2014-15 Monthly Trend*			Current Month		
	AUG 2014	SEP 2014	OCT 2014	November 2014		Variance
				Actual	Budget	Fav / (Unfav)
Membership (includes retro members)	163,251	167,350	172,729	171,343	159,520	11,823
Revenue:						
Premium	\$ 53,483,243	\$ 59,992,380	\$ 59,184,067	\$ 64,766,272	\$ 49,967,801	\$ 14,798,471
Reserve for Rate Reduction	-	-	-	(36,753,996)	-	(36,753,996)
MCO Premium Tax	(2,098,955)	(2,362,200)	(2,330,373)	(2,550,172)	(1,967,482)	(582,690)
Total Net Premium	51,384,288	57,630,180	56,853,694	25,462,104	48,000,319	(22,538,215)
Other Revenue:						
Interest Income	25,986	30,121	42,429	37,734	16,489	21,245
Miscellaneous Income	38,333	38,333	38,333	38,333	38,333	0
Total Other Revenue	64,320	68,454	80,762	76,067	54,822	21,245
Total Revenue	51,448,608	57,698,634	56,934,456	25,538,171	48,055,141	(22,516,970)
Medical Expenses:						
<u>Capitation (PCP, Specialty, Kasier, NEMT & Vision)</u>	2,665,459	2,796,518	2,864,387	2,932,938	2,679,672	(253,266)
<u>FFS Claims Expenses:</u>						
Inpatient	11,741,392	13,423,203	8,820,600	(3,366,301)	9,780,788	13,147,089
LTC / SNF	8,031,837	9,147,787	10,759,562	8,603,699	7,504,046	(1,099,653)
Outpatient	3,156,219	3,693,295	2,405,528	154,989	2,592,016	2,437,027
Laboratory and Radiology	1,083,721	1,191,252	533,829	(658,499)	741,619	1,400,118
Emergency Room	1,870,862	1,818,198	1,181,015	(526,608)	1,512,340	2,038,948
Physician Specialty	3,456,254	3,527,267	2,156,736	1,150,877	3,205,792	2,054,915
Primary Care Physician	2,958,535	3,230,565	2,026,593	263,568	2,467,910	2,204,342
Home & Community Based Services	1,398,107	1,729,152	1,106,600	1,315,061	834,927	(480,134)
Mental Health Services	592,375	670,802	710,363	464,368	741,097	276,728
Pharmacy	5,441,839	5,525,771	5,358,792	4,772,776	8,351,389	3,578,612
Adult Expansion Reserve	-	-	2,500,000	-	-	-
Provider Reserve	-	-	9,000,000	-	-	-
Other Medical Professional	328,398	340,253	196,706	(64,226)	262,502	326,728
Other Medical Care	-	331	-	-	-	-
Other Fee For Service	1,329,307	1,328,749	1,333,514	(3,254,779)	921,806	4,176,585
Transportation	338,849	379,458	82,729	58,244	300,951	242,707
Total Claims	41,727,695	46,006,084	48,172,566	8,913,169	39,217,182	30,304,013
Medical & Care Management Expense	1,062,453	1,024,517	1,029,183	911,817	1,062,896	151,079
Reinsurance	444,200	449,539	460,248	471,741	194,615	(277,126)
Claims Recoveries	204,936	(128,569)	(751,942)	(374,663)	-	374,663
Sub-total	1,711,588	1,345,487	737,488	1,008,895	1,257,510	248,615
Total Cost of Health Care	46,104,742	50,148,088	51,774,442	12,855,002	43,154,364	30,299,362
Contribution Margin	5,343,866	7,550,545	5,160,015	12,683,169	4,900,777	7,782,392
General & Administrative Expenses:						
Salaries and Wages	625,238	690,867	712,605	587,651	828,283	240,633
Payroll Taxes and Benefits	157,153	192,767	185,805	151,578	216,824	65,246
Travel and Training	8,842	12,543	19,428	8,957	35,233	26,276
Outside Service - ACS	1,271,873	1,278,018	1,332,236	1,331,496	1,199,073	(132,424)
Outside Services - Other	102,727	123,714	136,260	136,226	121,953	(14,273)
Accounting & Actuarial Services	11,928	15,037	10,990	37,386	28,000	(9,386)
Legal	64,492	202,842	249,708	355,504	33,333	(322,171)
Insurance	22,707	7,186	17,151	16,863	14,583	(2,280)
Lease Expense - Office	63,318	63,588	63,318	63,048	64,354	1,306
Consulting Services	55,974	56,353	43,960	5,420	98,899	93,479
Translation Services	2,890	5,882	4,208	10,895	7,083	(3,812)
Advertising and Promotion	-	-	100	5,684	22,479	16,795
General Office	30,438	116,147	77,828	125,251	143,690	18,439
Depreciation & Amortization	15,158	16,534	16,441	16,530	25,930	9,400
Printing	7,947	26,864	3,123	739	9,875	9,136
Shipping & Postage	23,377	1,681	1,249	1,362	11,342	9,980
Interest	8,058	(7,319)	79,607	29,060	15,000	(14,060)
Total G & A Expenses	2,472,120	2,802,703	2,954,018	2,883,649	2,875,935	(7,715)
Net Income / (Loss)	\$ 2,871,746	\$ 4,747,842	\$ 2,205,997	\$ 9,799,520	\$ 2,024,843	\$ 7,774,677

PMPM Income Statement Comparison

				November 2014		Variance
	AUG 2014	SEP 2014	OCT 2014	Actual	Budget	Fav / (Unfav)
Membership (includes retro members)	163,251	167,350	172,729	171,343	159,520	11,823
Revenue:						
Premium	327.61	358.48	342.64	377.99	313.24	64.75
Reserve for Rate Reduction	-	-	-	(214.51)	-	(214.51)
MCO Premium Tax	(12.86)	(14.12)	(13.49)	(14.88)	(12.33)	(2.55)
Total Net Premium	314.76	344.37	329.15	148.60	300.90	(152.30)
Other Revenue:						
Interest Income	0.16	0.18	0.25	0.22	0.10	0.12
Miscellaneous Income	0.23	0.23	0.22	0.22	0.24	(0.02)
Total Other Revenue	0.39	0.41	0.47	0.44	0.34	0.10
Total Revenue	315.15	344.78	329.62	149.05	301.25	(152.20)
Memo: exclusive of adjustment				378.44		
Medical Expenses:						
<u>Capitation (PCP, Specialty, Kasier, NEMT & Vision)</u>	16.33	16.71	16.58	17.12	16.80	(0.32)
FFS Claims Expenses:						
Inpatient	71.92	80.21	51.07	(19.65)	61.31	80.96
LTC / SNF	49.20	54.66	62.29	50.21	47.04	(3.17)
Outpatient	19.33	22.07	13.93	0.90	16.25	15.34
Laboratory and Radiology	6.64	7.12	3.09	(3.84)	4.65	8.49
Physician ACA 1202						
Emergency Room	11.46	10.86	6.84	(3.07)	9.48	12.55
Physician Specialty	21.17	21.08	12.49	6.72	20.10	13.38
Primary Care Physician	18.12	19.30	11.73	1.54	15.47	13.93
Home & Community Based Services	8.56	10.33	6.41	7.68	5.23	(2.44)
Applied Behavior Analysis Services	-	-	-	-	-	-
Mental Health Services	3.63	4.01	4.11	2.71	4.65	1.94
Pharmacy	33.33	33.02	31.02	27.86	52.35	24.50
Adult Expansion Reserve			14.47	-	-	-
Provider Reserve			52.10	-	-	-
Other Medical Professional	2.01	2.03	1.14	(0.37)	1.65	2.02
Other Medical Care	-	0.00	-	-	-	-
Other Fee For Service	8.14	7.94	7.72	(19.00)	5.78	24.77
Transportation	2.08	2.27	0.48	0.34	1.89	1.55
Total Claims	255.60	274.91	278.89	52.02	245.84	193.83
Medical & Care Management Expense	6.51	6.12	5.96	5.32	6.66	1.34
Reinsurance	2.72	2.69	2.66	2.75	1.22	(1.53)
Claims Recoveries	1.26	(0.77)	(4.35)	(2.19)	-	2.19
Sub-total	10.48	8.04	4.27	5.89	7.88	1.99
Total Cost of Health Care	282.42	299.66	299.74	75.02	270.53	195.50
Contribution Margin	32.73	45.12	29.87	74.02	30.72	(43.30)
Memo: exclusive of adjustment				257.35		
General & Administrative Expenses:						
Salaries and Wages	3.83	4.13	4.13	3.43	5.19	1.76
Payroll Taxes and Benefits	0.96	1.15	1.08	0.88	1.36	0.47
Travel and Training	0.05	0.07	0.11	0.05	0.22	0.17
Outside Service - ACS	7.79	7.64	7.71	7.77	7.52	(0.25)
Outside Services - Other	0.63	0.74	0.79	0.80	0.76	(0.03)
Accounting & Actuarial Services	0.07	0.09	0.06	0.22	0.18	(0.04)
Legal	0.40	1.21	1.45	2.07	0.21	(1.87)
Insurance	0.14	0.04	0.10	0.10	0.09	(0.01)
Lease Expense - Office	0.39	0.38	0.37	0.37	0.40	0.04
Consulting Services	0.34	0.34	0.25	0.03	0.62	0.59
Translation Services	0.02	0.04	0.02	0.06	0.04	(0.02)
Advertising and Promotion	-	-	0.00	0.03	0.14	0.11
General Office	0.19	0.69	0.45	0.73	0.90	0.17
Depreciation & Amortization	0.09	0.10	0.10	0.10	0.16	0.07
Printing	0.05	0.16	0.02	0.00	0.06	0.06
Shipping & Postage	0.14	0.01	0.01	0.01	0.07	0.06
Interest	0.05	(0.04)	0.46	0.17	0.09	(0.08)
Total G & A Expenses	15.14	16.75	17.10	16.83	18.03	1.20
Net Income / (Loss)	17.59	28.37	12.77	57.19	12.69	44.50

*Includes FY2013-2014 pre-audit adjustments identified by management

Income Statement November 2014

	November 2014		
	Nov 14 - Pre AE Adj	AE Adjustment	Final Nov 14
Membership (includes retro members)	171,343	-	171,343
Revenue:			
Premium	\$ 64,766,272	\$ -	\$ 64,766,272
Reserve for Rate Reduction	-	(36,753,996)	(36,753,996)
MCO Premium Tax	(2,550,172)	-	(2,550,172)
Total Net Premium	62,216,100	(36,753,996)	25,462,104
Other Revenue:			
Interest Income	37,734	-	37,734
Miscellaneous Income	38,333	-	38,333
Total Other Revenue	76,067	-	76,067
Total Revenue	62,292,167	(36,753,996)	25,538,171
Medical Expenses:			
<u>Capitation (PCP, Specialty, Kasier, NEMT & Vision)</u>	2,932,938	-	2,932,938
<u>FFS Claims Expenses:</u>			
Inpatient	9,779,371	(13,145,672)	(3,366,301)
LTC / SNF	9,836,091	(1,232,392)	8,603,699
Outpatient	2,874,138	(2,719,149)	154,989
Laboratory and Radiology	959,898	(1,618,397)	(658,499)
Physician ACA 1202	-	-	-
Emergency Room	1,363,640	(1,890,248)	(526,608)
Physician Specialty	3,512,169	(2,361,292)	1,150,877
Primary Care Physician	2,748,096	(2,484,528)	263,568
Home & Community Based Services	1,754,354	(439,293)	1,315,061
Applied Behavior Analysis Services	-	-	-
Mental Health Services	464,368	-	464,368
Pharmacy	4,772,776	-	4,772,776
Adult Expansion Reserve	-	-	-
Provider Reserve	-	-	-
Other Medical Professional	297,392	(361,618)	(64,226)
Other Medical Care	-	-	-
Other Fee For Service	1,457,724	(4,712,503)	(3,254,779)
Transportation	334,048	(275,804)	58,244
Total Claims	40,154,065	(31,240,896)	8,913,169
Medical & Care Management Expense	911,817	-	911,817
Reinsurance	471,741	-	471,741
Claims Recoveries	(374,663)	-	(374,663)
Sub-total	1,008,895	-	1,008,895
Total Cost of Health Care	44,095,898	(31,240,896)	12,855,002
Contribution Margin	18,196,269	(5,513,100)	12,683,169
General & Administrative Expenses	2,883,649	-	2,883,649
Net Income / (Loss)	\$ 15,312,620	\$ (5,513,100)	\$ 9,799,520

Comparative Balance Sheet

	11/30/2014*	10/31/2014*	09/30/2014*
ASSETS			
Current Assets			
Total Cash and Cash Equivalents	\$ 183,224,078	\$ 164,976,610	\$ 231,485,135
Medi-Cal Receivable*	86,747,896	75,437,421	15,195,193
Provider Receivable	1,067,444	748,596	739,151
Other Receivables	172,938	171,902	171,752
Total Accounts Receivable	87,988,278	76,357,918	16,106,096
Total Prepaid Accounts	1,135,545	1,258,445	1,171,614
Total Other Current Assets	79,079	79,079	79,079
Total Current Assets	272,426,981	242,672,052	248,841,925
Total Fixed Assets	1,080,359	1,110,800	1,138,882
Total Assets	\$ 273,507,340	\$ 243,782,853	\$ 249,980,807

LIABILITIES & FUND BALANCE

Current Liabilities			
Incurring But Not Reported	\$ 128,769,325	\$ 145,918,067	\$ 137,733,151
Claims Payable	7,010,225	8,565,735	6,990,115
Capitation Payable	2,499,232	2,443,391	2,350,613
Physician ACA 1202 Payable	12,765,516	12,765,516	12,765,516
AB85 Payable	1,234,422	-	(74,330)
DHCS - Reserve for Capitation Recoup	36,753,996	-	-
Accounts Payable	1,805,393	1,690,595	1,810,396
Accrued ACS	1,331,496	1,331,053	1,275,046
Accrued Provider Reserve	9,000,000	9,000,000	-
Accrued Expenses	1,337,668	1,082,568	25,231,225
Accrued Premium Tax	8,145,887	7,883,262	11,074,806
Accrued Interest Payable	54,703	52,028	49,694
Current Portion of Deferred Revenue	460,000	460,000	460,000
Accrued Payroll Expense	728,952	775,348	700,999
Total Current Liabilities	211,896,815	191,967,564	200,367,231
Long-Term Liabilities			
Other Long-term Liability-Deferred Rent	242,094	208,044	173,995
Deferred Revenue - Long Term Portion	268,333	306,667	345,000
Notes Payable	7,200,000	7,200,000	7,200,000
Total Long-Term Liabilities	7,710,427	7,714,711	7,718,995
Total Liabilities	219,607,242	199,682,275	208,086,226
Beginning Fund Balance	32,613,991	32,613,991	32,613,991
Net Income Current Year	21,286,106	11,486,587	9,280,590
Total Fund Balance	53,900,097	44,100,578	41,894,581
Total Liabilities & Fund Balance	\$ 273,507,340	\$ 243,782,853	\$ 249,980,807

FINANCIAL INDICATORS

Current Ratio	1.29 : 1	1.26 : 1	1.24 : 1
Days Cash on Hand	349	90	131
Days Cash + State Capitation Rec	515	132	140
Days Cash + State Capitation Rec (less Tax Liab)	499	127	133

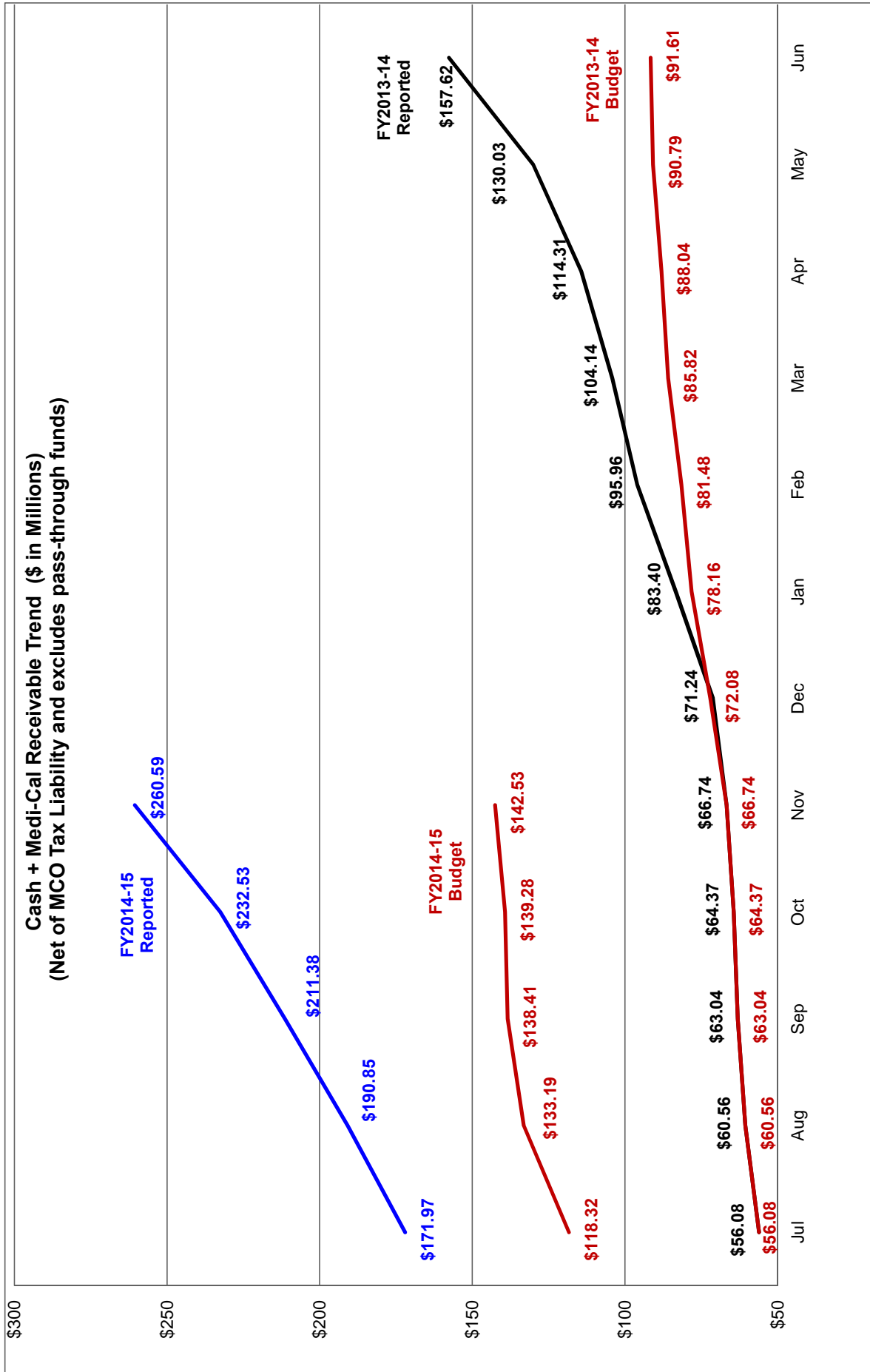
*Includes FY 2013-14 pre-audit adjustments identified by management



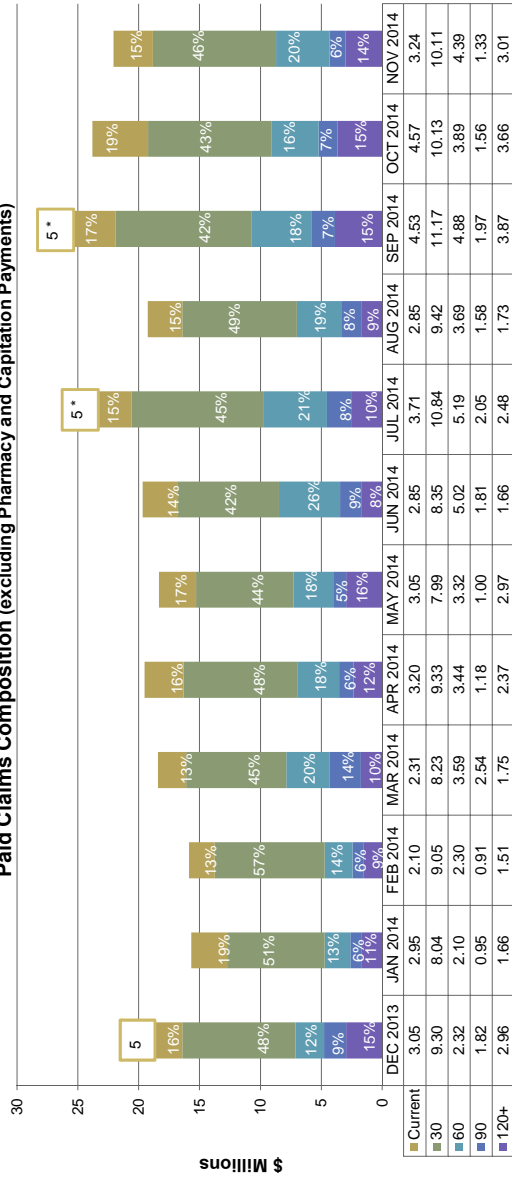
For the month ended November 30, 2014

APPENDIX

- Cash Trend Combined
- Paid Claims and IBNP Composition
- Monthly Cash Flow
- YTD Cash Flow
- YTD Income Statement
- Total Expenditure Composition
- Pharmacy Cost & Utilization Trends



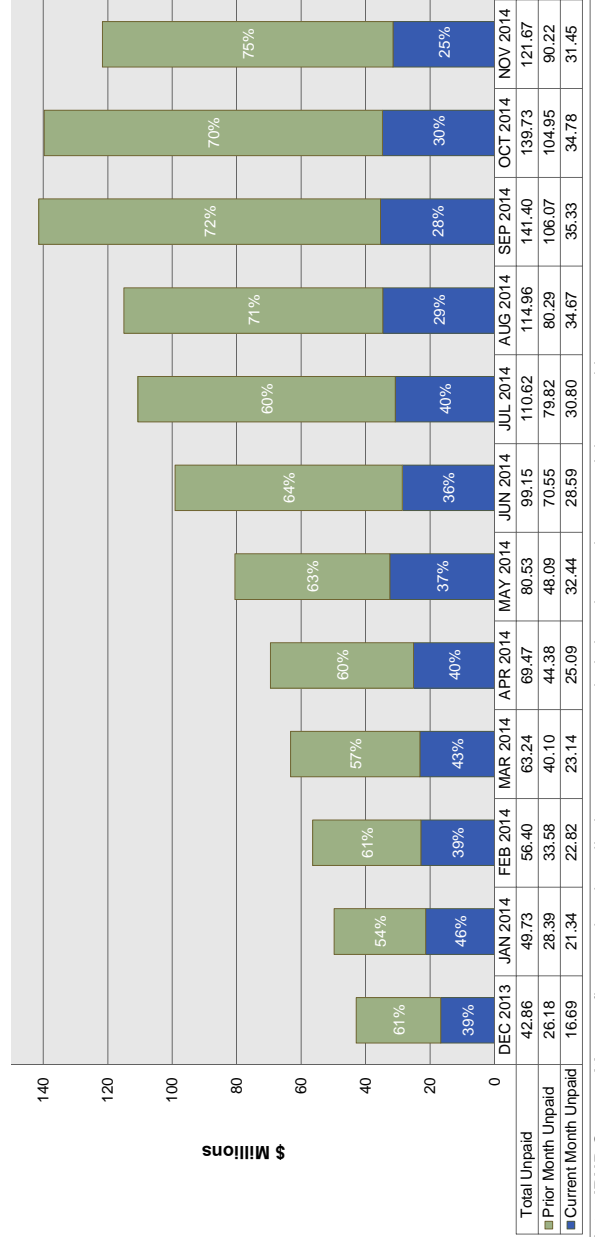
Paid Claims Composition (excluding Pharmacy and Capitation Payments)



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.

Statement of Cash Flows - Monthly

	NOV 14	OCT '14	SEP '14
Cash Flow From Operating Activities			
Collected Premium	\$ 53,468,516	\$ 214,139	\$ 122,309,818
Miscellaneous Income	37,734	42,429	30,121
State Pass Through Funds	1,272,300	-	27,751,370
<u>Paid Claims</u>			
Medical & Hospital Expenses	(22,348,925)	(23,375,027)	(26,782,919)
Pharmacy	(5,828,747)	(6,006,120)	(5,743,287)
Capitation	(2,907,935)	(2,902,464)	(2,543,846)
Reinsurance of Claims	(471,741)	(460,248)	(449,539)
State Pass Through Funds Distributed	(1,147,874)	(25,173,527)	(1,079,935)
Paid Administration	(1,487,467)	(3,309,178)	(2,790,272)
MCO Tax Received / (Paid)	(2,338,145)	(5,536,013)	(4,011,599)
Net Cash Provided / (Used) by Operating Activities	18,247,716	(66,506,008)	106,689,910
Cash Flow From Investing / Financing Activities			
Proceeds from Line of Credit			
Repayments on Line of Credit	-	-	-
Net Acquisition of Property / Equipment	(248)	(2,518)	(6,590)
Net Cash Provided / (Used) by Investing / Financing	(248)	(2,518)	(6,590)
Net Cash Flow	\$ 18,247,469	\$ (66,508,525)	\$ 106,683,320
Cash and Cash Equivalents (Beg. of Period)	164,976,610	231,485,135	124,801,815
Cash and Cash Equivalents (End of Period)	183,224,078	164,976,610	231,485,135
	\$ 18,247,468	\$ (66,508,526)	\$ 106,683,320
Adjustment to Reconcile Net Income to Net Cash Flow			
Net (Loss) Income	9,799,520	2,205,997	4,747,842
Depreciation & Amortization	30,689	30,600	30,692
Decrease / (Increase) in Receivables	(11,630,360)	(60,251,822)	63,520,923
Decrease / (Increase) in Prepays & Other Current Assets	122,900	(86,831)	(97,973)
(Decrease) / Increase in Payables	38,315,038	(15,061,438)	25,074,845
(Decrease) / Increase in Other Liabilities	(4,284)	(4,284)	(4,284)
Change in MCO Tax Liability	262,625	(3,191,544)	(1,007,683)
Changes in Claims and Capitation Payable	(1,499,669)	1,668,398	(2,650,521)
Changes in IBNR	(17,148,743)	8,184,917	17,076,068
	18,247,716	(66,506,008)	106,689,910
Net Cash Flow from Operating Activities	\$ 18,247,716	\$ (66,506,008)	\$ 106,689,910

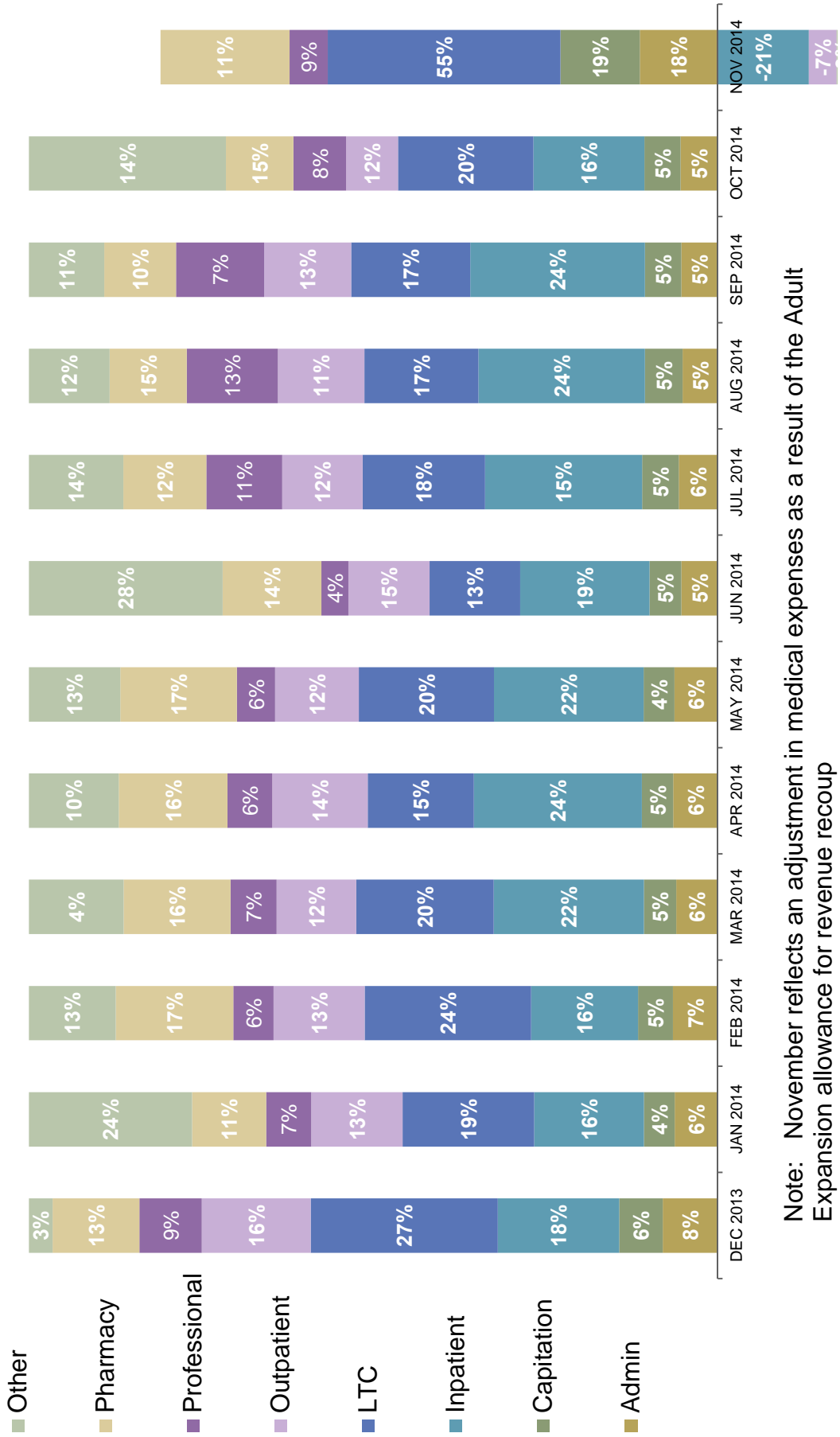
Statement of Cash Flows - YTD

	<u>NOV 2014 YTD</u>
Cash Flow From Operating Activities	
Collected Premium	\$ 316,036,817
Miscellaneous Income	150,412
State Pass Through Funds	31,623,475
<u>Paid Claims</u>	
Medical & Hospital Expenses	(115,165,213)
Pharmacy	(29,584,547)
Capitation	(13,376,552)
Reinsurance of Claims	(2,462,838)
State Pass Through Funds Distributed	(29,626,207)
Paid Administration	(14,687,662)
Repay Initial Net Liabilities	-
MCO Taxes Received / (Paid)	(19,793,845)
Net Cash Provided/(Used) by Operating Activities	<u>123,113,842</u>
Cash Flow From Investing/Financing Activities	
Proceeds from Line of Credit	-
Repayments on Line of Credit	-
Net Acquisition of Property / Equipment	(66,462)
Net Cash Provided / (Used) by Investing / Financing	<u>(66,462)</u>
Net Cash Flow	<u>\$ 123,047,380</u>
Cash and Cash Equivalents (Beg. of Period)	60,176,698
Cash and Cash Equivalents (End of Period)	183,224,078
	<u>\$ 123,047,380</u>
Adjustment to Reconcile Net Income to Net Cash Flow	
Net Income / (Loss)	21,286,106
Depreciation & Amortization	149,372
Decrease / (Increase) in Receivables	28,860,382
Decrease / (Increase) in Prepaids & Other Current Assets	(138,627)
(Decrease) / Increase in Payables	46,575,423
(Decrease) / Increase in Other Liabilities	(21,418)
Change in MCO Tax Liability	(7,629,233)
Changes in Claims and Capitation Payable	(2,027,468)
Changes in IBNR	36,059,304
	<u>123,113,842</u>
Net Cash Flow from Operating Activities	<u>\$ 123,113,842</u>

Income Statement
For Five Months Ended November 30, 2014

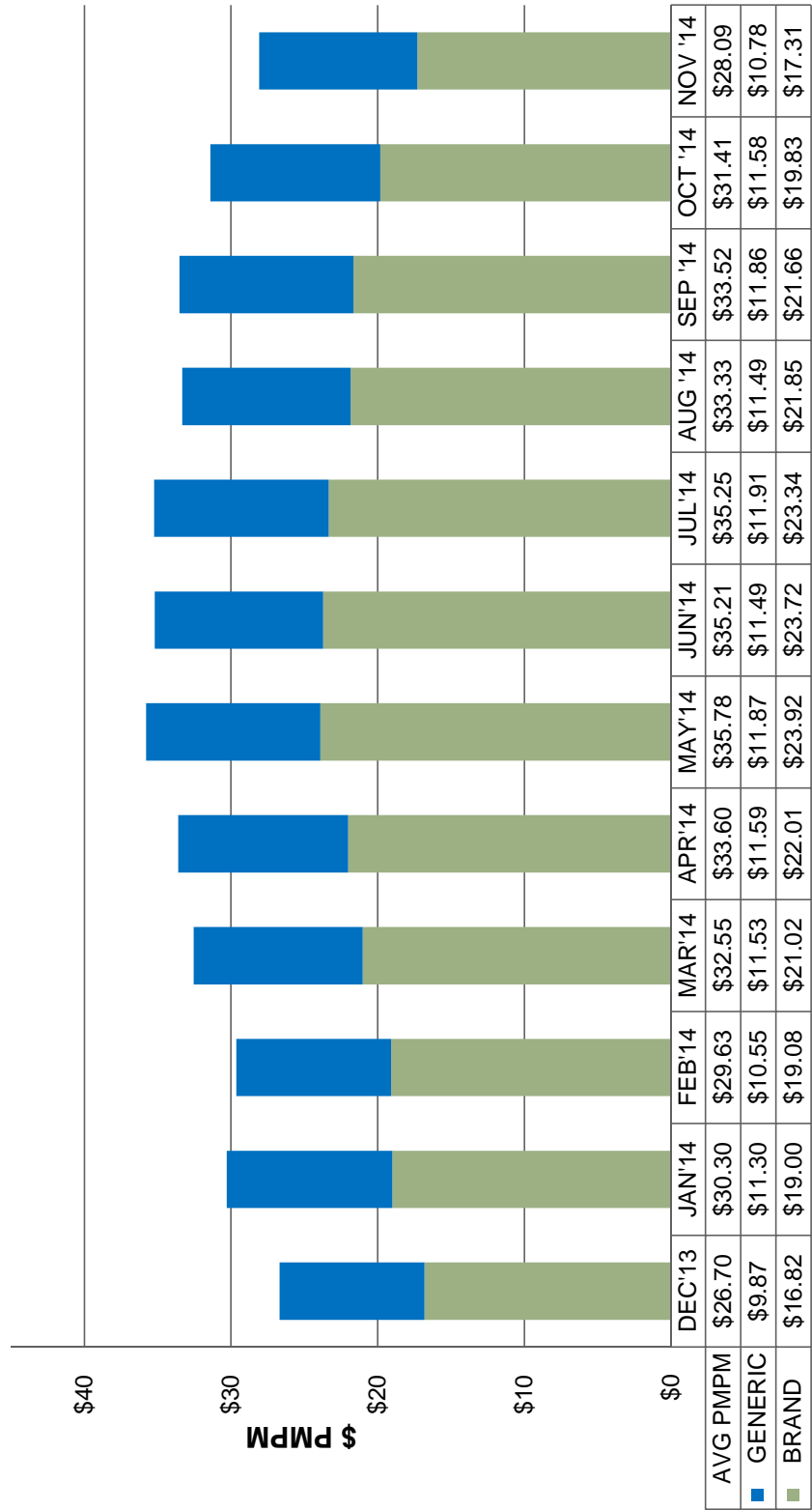
	November '14 Year-To-Date		Variance
	Actual	Budget	Fav / (Unfav)
Membership (includes retro members)	834,758	794,027	40,731
Revenue			
Premium	\$ 289,026,337	\$ 247,671,330	\$ 41,355,007
MCO Premium Tax	(11,380,412)	(9,752,059)	(1,628,353)
Total Net Premium	240,891,929	237,919,271	2,972,658
Other Revenue:			
Interest Income	150,412	81,732	68,681
Miscellaneous Income	191,667	191,665	2
Total Other Revenue	342,079	273,397	68,682
Total Revenue	241,234,008	238,192,668	3,041,340
Medical Expenses:			
Capitation (PCP, Specialty, Kaiser, NEMT & Vision)	13,806,804	13,298,286	(508,518)
<u>FFS Claims Expenses:</u>			
Inpatient	41,550,102	48,392,058	6,841,956
LTC / SNF	45,071,329	37,464,837	(7,606,492)
Outpatient	12,741,014	12,842,148	101,134
Laboratory and Radiology	3,012,227	3,641,367	629,140
Emergency Room	5,736,142	7,478,543	1,742,401
Physician Specialty	13,751,136	15,899,291	2,148,155
Primary Care Physician	10,295,855	12,175,090	1,879,235
Home & Community Based Services	6,740,696	4,172,031	(2,568,665)
Mental Health Services	2,630,328	3,682,292	1,051,965
Provider Reserve	9,000,000	-	(9,000,000)
Pharmacy	26,878,318	42,609,377	15,731,058
Adult Expansion Reserve	3,500,000	-	(3,500,000)
Other Medical Professional	1,081,534	1,297,308	215,774
Other Medical Care	331	-	(331)
Other Fee For Service	3,431,747	4,582,560	1,150,813
Transportation	1,011,078	1,482,294	471,215
Total Claims	186,431,839	195,719,196	9,287,357
Medical & Care Management Expense	4,966,100	5,240,200	274,099
Reinsurance	1,897,009	968,713	(928,296)
Claims Recoveries	(985,822)	-	985,822
Sub-total	5,877,288	6,208,912	331,625
Total Cost of Health Care	206,115,930	215,226,394	9,110,464
Contribution Margin	35,118,078	22,966,274	12,151,804
General & Administrative Expenses:			
Salaries and Wages	3,293,625	4,063,971	770,346
Payroll Taxes and Benefits	904,735	1,051,163	146,428
Travel and Training	60,079	149,380	89,301
Outside Service - ACS	6,452,955	5,969,882	(483,073)
Outside Services - Other	592,589	703,160	110,571
Accounting & Actuarial Services	94,641	200,000	105,359
Legal	1,021,875	166,666	(855,209)
Insurance	87,792	72,917	(14,876)
Lease Expense - Office	316,588	321,770	5,182
Consulting Services	204,040	712,278	508,238
Translation Services	26,548	35,415	8,867
Advertising and Promotion	9,808	76,065	66,257
General Office	491,626	1,003,171	511,545
Depreciation & Amortization	78,580	110,143	31,563
Printing	40,250	100,345	60,095
Shipping & Postage	28,092	73,046	44,954
Interest	128,149	75,000	(53,149)
Total G & A Expenses	13,831,971	14,884,370	1,052,399
Net Income / (Loss)	\$ 21,286,106	\$ 8,081,903	\$ 13,204,203

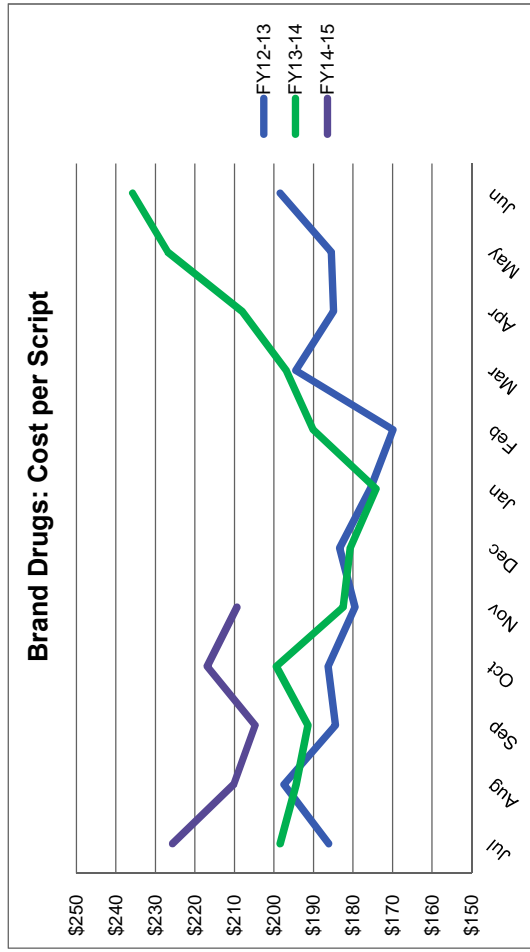
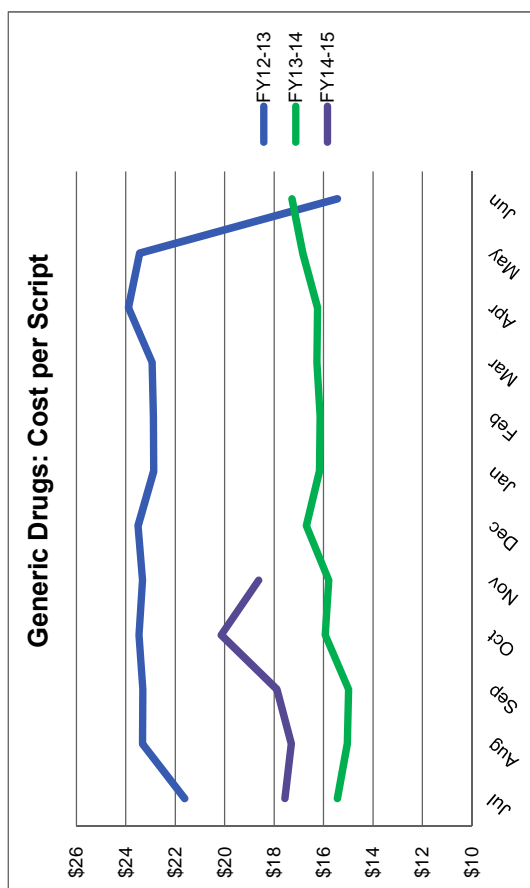
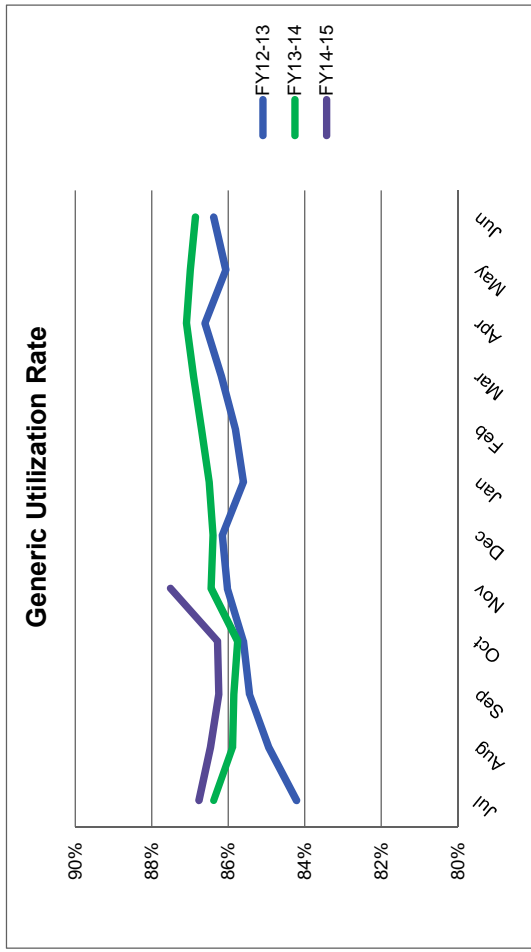
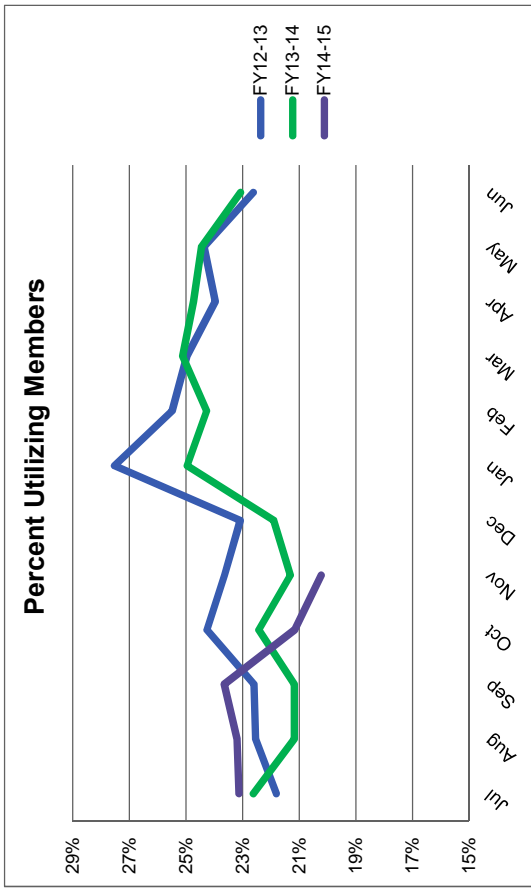
Total Expense Composition



Note: November reflects an adjustment in medical expenses as a result of the Adult Expansion allowance for revenue recoup

Pharmacy Cost Trend





AGENDA ITEM 3a

To: Gold Coast Health Plan Executive / Finance Committee

From: Ruth Watson, Interim CEO / Chief Operating Officer

Date: January 8, 2015

Re: Provider Reimbursement Increases

SUMMARY

Gold Coast Health Plan (GCHP or Plan) has various capitated and fee-for-service (FFS) arrangements with providers of medical services. It has been the goal of the Plan to increase reimbursement rates as GCHP has experienced more stability in its operations and financial position. The Plan is now at a point where provider reimbursement rates can be increased.

BACKGROUND / DISCUSSION

GCHP's first year of operations (FY 2011-12) was marked with claims processing issues, limited resources and outsourcing issues. During the 2011-12 annual DHCS Medical Loss Ratio (MLR) financial audit, an additional claims liability of \$16.0 million was recorded. As a result, losses were sustained and the ending Tangible Net Equity (TNE) was a negative \$6.0 million. Consequently, the Department of Health Care Services (DHCS):

- Placed GCHP under a corrective action plan (CAP),
- Assigned a consultant to monitor the Plan,
- Compelled GCHP to draw a \$7.2 million line of credit with the County,
- Required additional and frequent reporting of Plan financial and operational data.

After working through the CAP and implementing many needed initiatives, GCHP has greatly improved and stabilized claims processing, garnered additional resources and improved its TNE position. Some of the improvement is also due to more realistic capitation rates from the State as well as the advent of the Affordable Care Act's Adult Expansion (AE) program. AE membership as of January 2015 has exceeded the FY 2014-15 budget by 12,500, which is also a contributor of additional revenue.

While GCHP has made considerable financial and operational improvements resulting in improved TNE, the DHCS Financial CAP has not been completely lifted:

- State monitor no longer required
- Additional reporting requirements relaxed, but certain items still being submitted
- GCHP required to sustain improved performance

The Plan recognizes that FFS rates have been held at Medi-Cal levels and capitated providers have not received an increase since Plan inception. GCHP is now at a point where contracted provider reimbursement rates can be increased. However, there are still risks to consider, particularly around the AE population:

- Inherent risk in capitation rates (recent state rate package contains 20% reduction)
- No historical cost data for this population; Plan relied on Mercer rates and used an actuarially accepted Expected Loss Ratio methodology to calculate IBNP
- Minimum 85% MLR required, subject to audit and reconciliation after 18 months

Any provider payment methodology requires that the Plan not be at risk by distributing more than what is prudently sound, yet enables the preservation of an adequate provider network. It is important that GCHP maintains financial solvency and holds sufficient reserves for any adverse and material events that may be encountered in the future. Therefore, a TNE approach has been selected to determine an available amount for distribution. A recent staff survey of TNE levels of other County Organized Health Systems (COHS) revealed the following:

	<u>Actual TNE</u>	<u>Required TNE</u>	
COHS 1	35,042,401	17,326,210	202%
COHS 2	87,750,220	22,678,747	387%
COHS 3	211,821,017	54,327,067	390%
COHS 4	185,594,872	27,009,252	687%
COHS 5	236,039,440	33,091,908	713%
Average	756,247,950	154,433,184	490%
GCHP (including \$7.2 Million loan)	61,100,097	21,069,622	290%
(excluding \$7.2 Million loan)			256%

Using the median TNE level above, a short-term goal of 400% was developed. In this scenario, the Plan would base its available funds for distribution after meeting a quarterly projection of equal increments necessary to reach 400% of required TNE within 2 years. This target assumes a payoff of the \$7.2 million loan. A longer-term goal of 500% of TNE within 5 years would also be in place, with periodic redetermination. The Plan is currently on track to meet this short-term goal.

As a result of the above assumptions and calculations, the payment timeline and increases are proposed as follows:

- Capitation for PCPs and Specialists would be increased by 20%, effective 03/01/15, subject to future annual reviews
- Fee-for-service rates for pediatricians would be raised to 120% of Medi-Cal fee-for-service (FFS), effective 03/01/15, subject to future annual reviews

FISCAL IMPACT

For existing capitated providers, the capitation rate increase would add approximately \$6.1 million annually to Plan costs. The Pediatrician increases would add \$1.4 million annually. GCHP had previously reserved \$9.0 million for provider increases. The TNE target and timeline will continue to be monitored. The timing and amounts associated with additional programs will be analyzed and developed by staff at a future date. Future phases will include reimbursement considerations, such as age banding (capitation rates), pay for performance, risk-sharing, hospital and ancillary contract reviews.

RECOMMENDATION

Staff proposes that the Plan's Executive / Finance Committee recommend approval of the rate increases contained herein to the Commission.

CONCURRENCE

N/A

Attachments

None