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

2240 E. Gonzales, Suite 280, Oxnard, CA 93036
**Thursday, April 3, 2014**
**3:00 p.m.**

# AGENDA

## CALL TO ORDER / ROLL CALL

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

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

**1. APPROVE MINUTES**

a. January 9, 2014 Regular Executive / Finance Meeting Minutes

**2. ACCEPT AND FILE ITEMS**

a. CEO Update
b. February 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, 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 (VCMMCC) dba**
**Gold Coast Health Plan, Executive Finance Committee Meeting Agenda *(continued)***
**PLACE:** 2240 E. Gonzalez, Room 280, Oxnard, CA
**DATE:** April 3, 2014
**TIME:** 3:00 p.m.

## 3. INFORMATIONAL ITEMS

a. Update on Auditor Recommendations
b. Legislative Update

## CLOSED SESSION

1. **Closed Session Conference with Legal Counsel – Existing Litigation Pursuant to Government Code Section 54956.9** – St. Rita's Haven v. Gold Coast Health Plan, et al, Superior Court of California, County of Los Angeles, Case Number PC055569

2. **Closed Session pursuant to Government Code Section 54957(e)**
Public Employee Performance Evaluation
Title: Chief Executive Officer

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 May 1, 2014 at 3:00 p.m. at 2240 E. Gonzales Road, Suite 280, Oxnard CA 93036

**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.**

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# Ventura County Medi-Cal Managed Care Commission (VCMMCC) dba Gold Coast Health Plan (GCHP) Executive / Finance Committee Meeting Minutes January 9, 2014

*(Not official until approved)*

## CALL TO ORDER

Legal Counsel Kierstyn Schreiner called the meeting to order at 3:01 p.m. in Suite 280 at the Ventura County Public Health Building located at 2240 E. Gonzales Road, Oxnard, CA 93036.

As a result of the Chair and Vice Chair not being present at the meeting, Committee Member Fisler moved to have Committee Member Glyer preside as the chair of the meeting. Committee Member Pawar seconded. The motion carried. **Approved 3-0** with the following vote:

| | |
|---|---|
| AYE: | Fisler, Glyer and Pawar. |
| NAY: | None. |
| ABSTAIN: | None. |
| ABSENT: | Gonzalez and Juarez. |

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

**ABSENT / EXCUSED**
**Robert Gonzalez, MD**, Ventura County Medical Health System
**Roberto Juarez**, Clinicas del Camino Real, Inc.

**STAFF IN ATTENDANCE**
Michael Engelhard, CEO
Michelle Raleigh, CFO
Nancy Kierstyn Schreiner, Legal Counsel
Traci R. McGinley, Clerk of the Board
Al Reeves, MD, CMO
Melissa Scrymgeour, CIO
Ruth Watson, COO
Steve Lalich, Communications Director
Allen Maithel, Controller
Lyndon Turner, Financial Analysis Director

## PUBLIC COMMENTS

Christine Velasco, Clinicas CFO, asked why GCHP was treating the Low Income Health Plan (LIHP) population differently than other member groups. She added that it is causing Clinicas to treat GCHP Members as if it has a two-tier program. She closed stating that the Members are being denied access to Clinicas specialty services because GCHP does not have adequate data on this population.

Chair Glyer stated that he understood this population was previously with the County and GCHP had received that data.

CEO Engelhard explained that GCHP advised providers in November and December that GCHP would initially be reimbursing for this population on a fee-for-service (FFS) basis in lieu of a capitated rate because GCHP did not receive adequate data to establish a capitated rate for these members at this time. GCHP obtained only a portion of the needed data on this population and cost data was not included. The Plan will need several months of data before it can adequately determine the rates for this population. CEO Engelhard added that GCHP has other new Members that were not in LIHP and the Plan needs to understand the costs and utilization of the groups as well. Most importantly, the Members in this population have been assigned to PCPs and have access to care.

Dr. Enrique De La Garza, Americas Health Plan (AHP) CEO, stated that when GCHP first started the County did not have utilization data. He requested GCHP reconsider this position.

## 1. APPROVE MINUTES

### a. November 7, 2013 Regular Meeting Minutes

Committee Member Fisler moved to approve the November 7, 2013 Regular Meeting Minutes. Committee Member Pawar seconded. The motion carried. **Approved 3-0** with the following vote:

| | |
|---|---|
| AYE: | Fisler, Glyer and Pawar. |
| NAY: | None. |
| ABSTAIN: | None. |
| ABSENT: | Gonzalez and Juarez. |

## 2. ACCEPT AND FILE ITEMS

### a. CEO Update

CEO Engelhard reviewed the written report with the Committee.

### b. October Financials (Unaudited)

CFO Raleigh reviewed the unaudited October financials and highlighted that the Plan is receiving clarification on what the rates will be this fiscal year. Additional CBAS revenue

was received and an amount was set-aside for the AB 97 provider reductions expected to be made by the State starting in October.

After questions were raised by the Committee, CEO Engelhard noted that the Plan will research the figures in the "120 plus days" on the Paid Claims Composition chart and clarify the information with the Committee.

**c. November Financials** (Unaudited)

CFO Raleigh reviewed the unaudited November financials.

Committee Member Fisler moved to accept the CEO Report, the October Financials and the November Financials. Committee Member Pawar seconded. The motion carried. **Approved 3-0** with the following vote:

| | |
|---|---|
| AYE: | Fisler, Glyer and Pawar. |
| NAY: | None. |
| ABSTAIN: | None. |
| ABSENT: | Gonzalez and Juarez. |

## 3. INFORMATIONAL ITEMS

**a. Amended FY 2013-14 Budget**

CEO Engelhard advised the Committee that since the State budget was finalized, the Plan received additional information on how the Affordable Care Act (ACA) is being implemented. The majority of GCHP's budget has been updated using the new information and it is incorporated in the presentation included in the Agenda Packet. CFO Raleigh added that the State believes that the ACA new Medi-Cal expansion population will be high users based on the estimated rates provided by the State.

**b. Legislative Update (Year-End)**

This matter was not reviewed and there were no questions from the Committee.

**c. Affordable Care Act (ACA) Update**

COO Watson explained that this was covered under the Amended FY 2013-14 Budget Item.

## COMMENTS FROM COMMITTEE MEMBERS

None.

## CLOSED SESSION

Legal Counsel Kierstyn Schreiner explained the purpose of the Closed Session items.

## ADJOURN TO CLOSED SESSION

The Committee adjourned to Closed Session at 4:25 p.m. regarding the following items:

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

## RETURN TO OPEN SESSION

The Regular Meeting reconvened at 4:27 p.m.

Legal Counsel Kierstyn Schreiner announced that there was no reportable action.

## ADJOURNMENT

Meeting adjourned at 4:33 p.m.

**AGENDA ITEM 2a**

To: Gold Coast Health Plan Executive / Finance Committee

From: Michael Engelhard, Chief Executive Officer

Date: April 3, 2014

Re: CEO Update

## Compliance – CAP Update

The Plan received an updated version of the consolidated corrective action plan, Addendum B (Medical) report on March 20, 2014 from the Department of Health Care Services. The Addendum B of the consolidated corrective action plan issued to the Plan identified over 100 items as deficient. The Plan is pleased to report the closure of all but four (4) items. The Plan has thirty days from the date of receipt to provide a response to (DHCS) on the remaining items.

## ICD-10 Delay

On March 28, 2014, the House of Representatives, via H.R. 4302, voted to delay the transition of the ICD9 code set to ICD10 under the Medicare program by one year. The new ICD10 implementation date is October 1, 2015. The U.S. Senate is set to debate this issue on March 31, 2014. The Plan has not received guidance from the State of California on the impact to the Medi-Cal program at this time.

## Membership

In April membership grew by another 6,811 members and Plan enrollment now stands at approximately 141,000. Membership has grown significantly since December 31, 2013, adding 21,249 members to GCHP. This growth has been due primarily to ACA and Medi-Cal expansion – 8,134 from the ACE / LIHP program, 4,514 new Medi-Cal Expansion members and 4,268 members from the state's outreach to CalFRESH members.

## Move

The Plan will be moving offices over the weekend and will begin operations at 711 E. Daily Drive in Camarillo on Monday, April 7, 2014.

## ACA 1202 Physician Payments

The Plan participated in a call with DHCS and other health plans on March 28, 2014 to discuss concerns with the ACA 1202 physician payment reconciliation process. As communicated to the Commission on March 24, 2014 the State's current reconciliation methodology places the Plan at risk for payments that may not be reimbursed by the State. The State committed to studying this further this week and to discussing options with the plans.

# AGENDA ITEM 2b

To: Gold Coast Health Plan Executive / Finance Committee

From: Michelle Raleigh, Chief Financial Officer

Date: April 3, 2014

Re: February 2014 Financials

## SUMMARY

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

## BACKGROUND / DISCUSSION

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

## FISCAL IMPACT

### Year-To-Date Results

On a year-to-date basis, the Plan's net income is approximately $14.3 million compared to $11.3 million assumed in the budget. These operating results have contributed to a Tangible Net Equity (TNE) level of approximately $26.2 million, which exceeds both the budget of $23.2 million by $3.0 million and the State required TNE amount as of February 28, 2014 of $14.5 million (84% of $17.2 million, which is the amount needed to achieve 100% of the calculated TNE requirement) by $11.7 million. Please note the following:

1. The Plan's TNE amount includes $7.2 million in lines of credit with the County of Ventura.
2. The YTD TNE excludes the ACA 1202 funds since the Plan is continuing discussions with the State regarding whether these payments to qualifying providers are actual "pass through" funds, as assumed in the budget.

### February Results

Other items to note for the month include:

Membership - The Plan's February membership was 133,041 which exceeded budget by 674 members. This is a 10.6% increase from the December 31, 2013 total of 120,275 and a 32.4% increase from February 2013 when enrollment stood at 100,522.

Revenue – February net revenue was $35.9 million or $0.6 million less than budget of $36.5 million. On a per member per month (PMPM) basis, net revenue was $269.71 PMPM which was $5.99 PMPM less than budget of $275.70 PMPM. The variance is driven by:

- Membership mix being different than estimated in the budget, primarily driven by the fact that Adult Expansion membership was approximately 2,000 members less than expected in the budget, resulting in revenue of approximately $1.0 million lower.
- Mental health revenue is now being accrued and the February financials include two months of accrual (for January and February). Therefore, the effect of accruing an extra month of anticipated revenue for this new benefit results in revenue of approximately $0.3 million higher than budget.

Health Care Costs – Heath care costs for February were $31.0 million and were $1.8 million better than budget. On a PMPM basis, reported health care costs were $232.65 PMPM versus a budgeted amount of $247.30. Drivers for the favorable variance include:

- Inpatient – Hospital costs have been trending downward since January which had additional reserves added to cover emerging winter illness utilization. After peaking in January, census figures are reflecting reduced hospitalization.
- Long-Term Care – An additional accrual was included in February for estimated AB 1629 rate increases (which will be paid retroactively to August, 2013 as required) for selected facilities.
- Pharmacy – Pharmacy expense have risen substantially, due in part to the new Adult Expansion population and a new Hepatitis C drug (Sovaldi).

Note that the health care expenses for the new Adult Expansion population will be limited to at least 85% of revenues, due to the medical loss ratio (MLR) corridor provision included in the Plan's contract with DHCS. This MLR corridor is summarized below in that the:

- Plan will return revenues if the MLR (i.e., health care costs divided by revenues) is less than 85%.
- Plan will receive additional revenues if the MLR is more than 95%.

Therefore, the February financials reflect an estimated 85% MLR for pharmacy. Other services will be evaluated as claims data is received. The Plan is having discussions with the auditors regarding future treatment of this provision.

Administrative Expenses – For the month, overall operational costs were $2.2 million or $0.09 million better than budget. The favorable variance resulted primarily from lower than forecasted personnel costs due to timing of new hires versus that

projected in the budget. The headcount at February 28, 2014 was 113 versus a budget of 119.

Cash + Medi-Cal Receivable - The total of Cash and Medi-Cal Premium Receivable balances of $120.8 million reported as of February 28, 2014 included a MCO Tax component amounting to $24.1 million. Excluding the impact of the tax, the total of Cash and Medi-Cal Receivable balance as of February 28, 2014 was $96.7 million, or $14.5 million better than the budgeted level of $82.2 million.

Note that the State has not yet been paying GCHP capitation rates that include the new mental health benefit. It is anticipated that payments will begin in the next couple of months, because a temporary rate increase has been included in a recent contract amendment. This is anticipated to be a temporary rate increase until CMS has approved the State mental health rate estimates.

Fixed Assets – Work at the Plan's new offices at 711 East Daily Drive is progressing with full completion expected in early April. Current plans are for an April 7, 2014 move-in date. Capital expenditures for the new facility are expected to be $682,000 and were approved by the Commission in January 2014. The cost incurred through February is approximately $100,000.

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

**CONCURRENCE**
N / A

**Attachment**
February 2014 Financial Package.

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**FINANCIAL PACKAGE**
For the month ended February 28, 2014

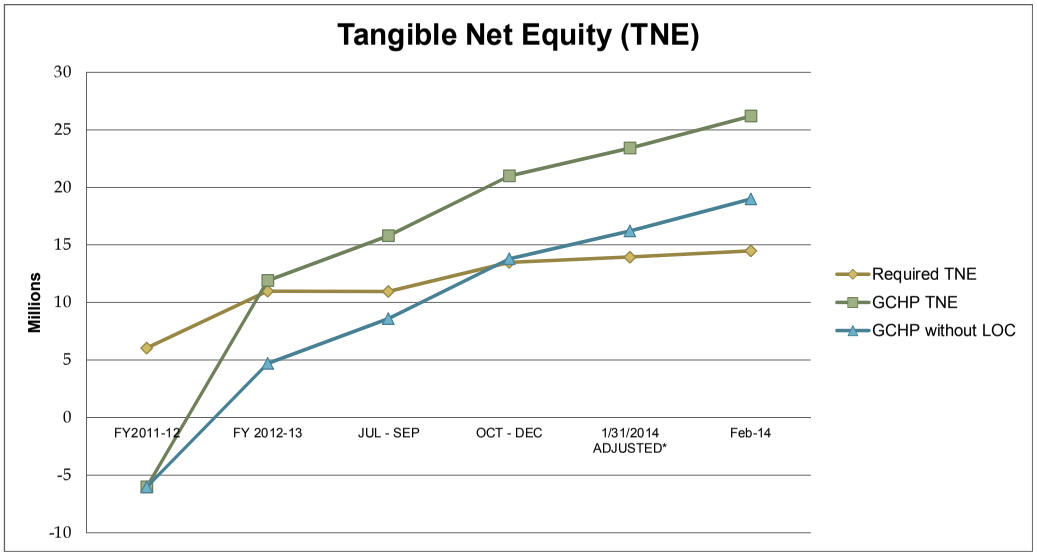
## TABLE OF CONTENTS

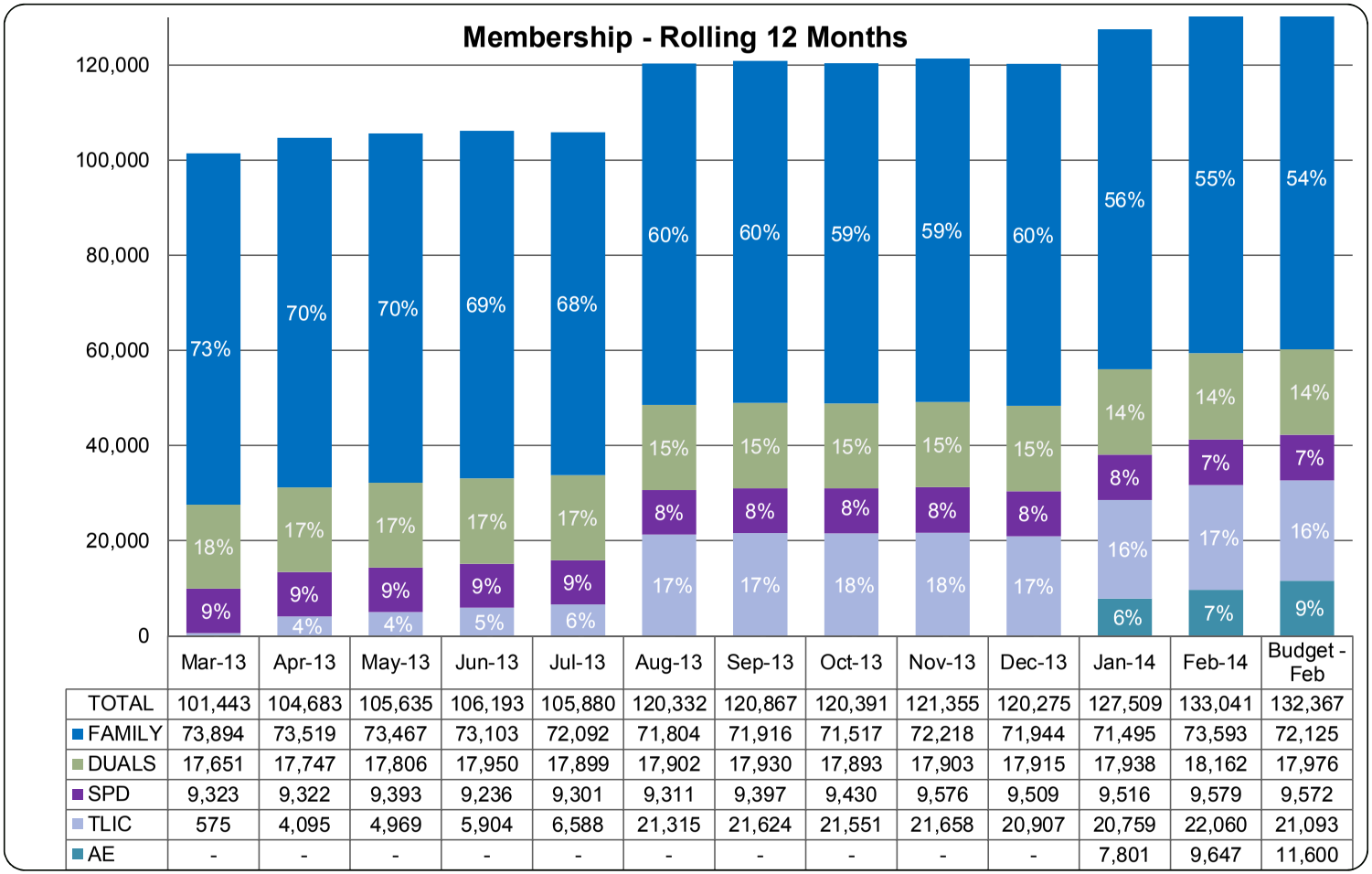
## Financial Overview

| Description | AUDITED FY2011-12 | AUDITED FY 2012-13 | UNAUDITED FY 2013-14 Actual JUL - SEP | OCT - DEC | 1/31/2014 ADJUSTED* | Feb-14 | YTD ADJUSTED* | Budget Comparison Budget YTD | Variance Fav/(Unfav) | Variance Fav/(Unfav) % |
|---|---|---|---|---|---|---|---|---|---|---|
| **Member Months** | **1,258,189** | **1,223,895** | 347,079 | 362,021 | 127,509 | 133,041 | **969,650** | **969,948** | (298) | (0.0)% |
| **Revenue** | **304,635,932** | **315,119,611** | **81,988,709** | **84,070,456** | **33,239,770** | **35,881,985** | **235,180,920** | **236,699,972** | (1,519,052) | (0.6)% |
| *pmpm* | *242.12* | *257.47* | *236.22* | *232.23* | *260.69* | *269.71* | *242.54* | *244.03* | (1.49) | (0.6)% |
| **Health Care Costs** | **287,353,672** | **280,382,704** | **71,875,533** | **72,867,512** | **28,583,258** | **30,952,027** | **204,278,330** | **208,576,431** | 4,298,100 | 2.1 % |
| *pmpm* | *228.39* | *229.09* | *207.09* | *201.28* | *224.17* | *232.65* | *210.67* | *215.04* | 4.37 | 2.0 % |
| % of Revenue | 94.3% | 89.0% | 87.7% | 86.7% | 86.0% | 86.3% | 86.9% | 88.1% | -1.3% | -1.4% |
| **Admin Exp** | **18,891,320** | **24,013,927** | **6,202,007** | **6,014,475** | **2,245,874** | **2,154,133** | **16,616,491** | **16,805,854** | 189,363 | 1.1 % |
| *pmpm* | *15.01* | *19.62* | *17.87* | *16.61* | *17.61* | *16.19* | *17.14* | *17.33* | 0.19 | 1.1 % |
| % of Revenue | 6.2% | 7.6% | 7.6% | 7.2% | 6.8% | 6.0% | 7.1% | 7.1% | 0.0% | 0.5% |
| **Net Income** | **(1,609,063)** | **10,722,980** | **3,911,169** | **5,188,469** | **2,410,637** | **2,775,825** | **14,286,099** | **11,317,688** | 2,968,412 | 26.2 % |
| *pmpm* | *(1.28)* | *8.76* | *11.27* | *14.33* | *18.91* | *20.86* | *14.73* | *11.67* | 3.06 | 26.3 % |
| % of Revenue | -0.5% | 3.4% | 4.8% | 6.2% | 7.3% | 7.7% | 6.1% | 4.8% | 1.3% | 27.0% |
| 100% TNE | 16,769,368 | 16,138,440 | 16,112,437 | 16,056,217 | 16,597,381 | 17,247,717 | 17,247,717 | 17,204,652 | 43,065 | 0.3 % |
| % TNE Required | 36% | 68% | 68% | 84% | 84% | 84% | 84% | 84% | | |
| Required TNE | 6,036,972 | 10,974,139 | 10,956,457 | 13,487,223 | 13,941,800 | 14,488,083 | 14,488,083 | 14,451,908 | 36,175 | 0.3 % |
| **GCHP TNE** | **(6,031,881)** | **11,891,099** | **15,802,268** | **20,990,738** | **23,401,375** | **26,177,200** | **26,177,200** | **23,208,788** | **2,968,412** | **12.8 %** |
| TNE Excess / (Deficiency) | **(12,068,853)** | **916,960** | **4,845,810** | **7,503,516** | **9,459,575** | **11,689,117** | **11,689,117** | **8,756,880** | **2,932,237** | **33.5 %** |

Note: TNE amount includes $7.2 million related to the Lines of Credit (LOC) from Ventura County.

* Adjusted results remove the ACA 1202 payments ($5.2 million) from both revenue and health care costs in order to compare to the budget (since budget assumed these funds were






| | Mar-13 | Apr-13 | May-13 | Jun-13 | Jul-13 | Aug-13 | Sep-13 | Oct-13 | Nov-13 | Dec-13 | Jan-14 | Feb-14 | Budget - Feb |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TOTAL | 101,443 | 104,683 | 105,635 | 106,193 | 105,880 | 120,332 | 120,867 | 120,391 | 121,355 | 120,275 | 127,509 | 133,041 | 132,367 |
| FAMILY | 73,894 | 73,519 | 73,467 | 73,103 | 72,092 | 71,804 | 71,916 | 71,517 | 72,218 | 71,944 | 71,495 | 73,593 | 72,125 |
| DUALS | 17,651 | 17,747 | 17,806 | 17,950 | 17,899 | 17,902 | 17,930 | 17,893 | 17,903 | 17,915 | 17,938 | 18,162 | 17,976 |
| SPD | 9,323 | 9,322 | 9,393 | 9,236 | 9,301 | 9,311 | 9,397 | 9,430 | 9,576 | 9,509 | 9,516 | 9,579 | 9,572 |
| TLIC | 575 | 4,095 | 4,969 | 5,904 | 6,588 | 21,315 | 21,624 | 21,551 | 21,658 | 20,907 | 20,759 | 22,060 | 21,093 |
| AE | - | - | - | - | - | - | - | - | - | - | 7,801 | 9,647 | 11,600 |

**NOTE: Amounts for March 2013 through February 2014 are actuals**

SPD = Seniors and Persons with Disabilities

TLIC = Targeted Low Income Children

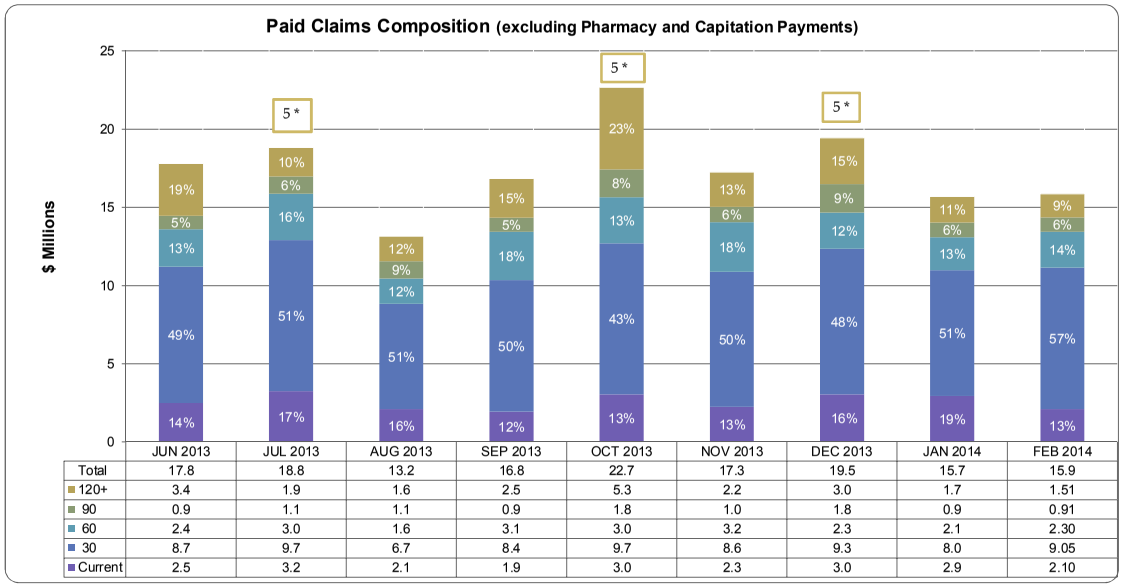
AE = Adult Expansion

## Income Statement Monthly Trend

| | 2014 Actual Monthly Trend | | | | | Current Month | | |
|---|---|---|---|---|---|---|---|---|
| | SEP 2013 | OCT 2013 | NOV 2013 | DEC 2013 | JAN 2014 | FEB 2014 | | Variance |
| | | | | | | Actual | Budget | Fav/(Unfav) |
| **Membership (includes retro members)** | 120,867 | 120,391 | 121,355 | 120,275 | 127,509 | 133,041 | 132,367 | 674 |
| **Revenue:** | | | | | | | | |
| Premium | $ 29,602,003 | $ 29,980,945 | $ 29,108,732 | $ 29,047,006 | $ 40,250,143 | $ 37,669,204 | $ 38,204,978 | $ (535,774) |
| Reserve for Rate Reduction | - | (278,508) | (282,654) | (281,754) | (425,684) | (387,418) | (257,539) | (129,879) |
| MCO Premium Tax | (1,068,828) | (1,149,386) | (1,114,454) | (1,110,666) | (1,467,377) | (1,451,360) | (1,504,321) | 52,961 |
| **Total Net Premium** | **28,533,175** | **28,553,050** | **27,711,624** | **27,654,585** | **38,357,083** | **35,830,427** | **36,443,119** | **(612,692)** |
| **Other Revenue:** | | | | | | | | |
| Interest Income | 11,819 | 15,509 | 8,658 | 12,031 | 11,688 | 14,272 | 11,844 | 2,429 |
| Miscellaneous Income | 38,333 | 38,333 | 38,333 | 38,333 | 38,333 | 37,286 | 38,333 | (1,047) |
| **Total Other Revenue** | 50,152 | 53,842 | 46,991 | 50,364 | 50,021 | 51,559 | 50,177 | 1,382 |
| **Total Revenue** | **28,583,327** | **28,606,892** | **27,758,615** | **27,704,949** | **38,407,105** | **35,881,985** | **36,493,296** | **(611,310)** |
| **Medical Expenses:** | | | | | | | | |
| Capitation (PCP, Specialty, Kasier, NEMT & Visior | 1,533,277 | 1,597,311 | 1,616,715 | 1,610,161 | 1,609,561 | 1,679,455 | 1,661,631 | (17,823) |
| FFS Claims Expenses: | | | | | | | | |
| Inpatient | 5,531,725 | 5,200,045 | 4,229,618 | 4,491,812 | 5,733,670 | 5,139,891 | 7,047,076 | 1,907,185 |
| LTC/SNF | 6,003,374 | 8,189,391 | 7,051,854 | 6,923,947 | 6,871,300 | 7,988,436 | 6,021,352 | (1,967,084) |
| Outpatient | 2,281,073 | 2,762,602 | 3,112,769 | 3,189,204 | 3,582,927 | 3,057,728 | 3,316,793 | 259,065 |
| Laboratory and Radiology | 96,573 | 101,182 | 149,563 | 111,157 | 352,687 | 450,809 | 474,340 | 23,531 |
| ***Physician ACA 1202*** | ***-*** | ***-*** | ***-*** | ***-*** | ***5,167,335*** | ***104,094*** | ***-*** | ***(104,094)*** |
| Emergency Room | 803,936 | 847,968 | 788,033 | 729,901 | 850,311 | 871,674 | 984,266 | 112,592 |
| Physician Specialty | 1,725,887 | 1,575,483 | 1,903,339 | 2,305,009 | 2,353,215 | 1,930,722 | 2,608,213 | 677,491 |
| Mental Health Services | - | - | - | - | 225,017 | 233,276 | 191,776 | (41,500) |
| Pharmacy | 3,172,116 | 3,599,699 | 3,026,831 | 3,210,998 | 3,863,088 | 5,657,345 | 5,995,501 | 338,156 |
| Other Medical Professional | 249,684 | 25,851 | 153,013 | 149,068 | 141,578 | 192,695 | 175,485 | (17,210) |
| Other Medical Care | 1,621 | - | - | 3,608 | (1,935) | - | - | - |
| Other Fee For Service | 2,100,151 | 1,998,727 | 1,800,032 | 1,645,707 | 2,634,006 | 2,870,527 | 3,096,463 | 225,935 |
| Transportation | 178,553 | 73,220 | 88,442 | 67,551 | 86,625 | 83,111 | 87,155 | 4,044 |
| Total Claims | 22,144,693 | 24,374,168 | 22,303,494 | 22,827,961 | 31,859,823 | 28,580,309 | 29,998,420 | 1,418,111 |
| Medical & Care Management Expense | 746,163 | 738,701 | 722,455 | 830,780 | 824,092 | 774,659 | 872,273 | 97,614 |
| Reinsurance | 277,448 | (1,222,910) | 277,386 | (1,553,135) | (395,380) | 104,962 | 202,521 | 97,559 |
| Claims Recoveries | 104,688 | (432,352) | (564,043) | (259,182) | (147,503) | (187,358) | - | 187,358 |
| Sub-total | 1,128,300 | (916,560) | 435,798 | (981,537) | 281,209 | 692,263 | 1,074,794 | 382,531 |
| **Total Cost of Health Care** | **24,806,270** | **25,054,919** | **24,356,007** | **23,456,586** | **33,750,593** | **30,952,027** | **32,734,845** | **1,782,818** |
| **Contribution Margin** | **3,777,057** | **3,551,973** | **3,402,608** | **4,248,363** | **4,656,511** | **4,929,959** | **3,758,451** | **1,171,508** |
| | | | | | 33,750,593 | | | |
| **General & Administrative Expenses:** | | | | | | | | |
| Salaries and Wages | 453,818 | 497,163 | 575,414 | 592,047 | 596,197 | 577,942 | 611,325 | 33,383 |
| Payroll Taxes and Benefits | 114,103 | 119,840 | 124,386 | 151,109 | 187,611 | 90,406 | 143,216 | 52,810 |
| Travel and Training | 10,686 | 13,879 | 10,975 | 4,315 | 4,276 | 9,270 | 15,237 | 5,967 |
| Outside Service - ACS | 1,190,847 | 958,836 | 912,065 | 940,933 | 968,191 | 1,024,850 | 1,003,201 | (21,650) |
| Outside Services - Other | 33,271 | 24,974 | 757 | 19,158 | 79,142 | 180,177 | 81,966 | (98,211) |
| Accounting & Actuarial Services | 46,568 | 70,000 | (71,621) | 12,500 | 56,250 | 14,226 | 13,333 | (893) |
| Legal | 54,932 | 45,876 | 67,706 | 88,066 | 114,004 | 47,032 | 36,340 | (10,692) |
| Insurance | 12,517 | 12,057 | 13,138 | 13,265 | 9,615 | 12,477 | 10,792 | (1,685) |
| Lease Expense - Office | 28,480 | 22,503 | 28,480 | 25,980 | 28,480 | 28,979 | 38,480 | 9,501 |
| Consulting Services | 264,998 | 118,908 | (17,517) | 42,604 | 46,831 | 53,700 | 104,310 | 50,610 |
| Translation Services | 2,778 | 4,225 | 1,638 | 3,602 | 8,387 | 2,554 | 2,417 | (137) |
| Advertising and Promotion | - | - | 3,985 | 1,883 | - | 790 | 11,460 | 10,670 |
| General Office | 77,654 | 100,062 | 98,180 | 115,766 | 96,638 | 83,285 | 112,597 | 29,312 |
| Depreciation & Amortization | 6,492 | 7,015 | 7,015 | 7,015 | 7,015 | 7,015 | 33,374 | 26,359 |
| Printing | 5,605 | 26,510 | 20,347 | 2,022 | 10,344 | 862 | 14,819 | 13,957 |
| Shipping & Postage | 1,016 | 11,395 | 13,389 | 562 | 14,021 | 5,822 | 3,405 | (2,417) |
| Interest | 37,708 | 107,768 | 45,473 | 18,828 | 18,873 | 14,746 | 10,610 | (4,136) |
| **Total G & A Expenses** | **2,341,473** | **2,141,010** | **1,833,810** | **2,039,656** | **2,245,874** | **2,154,133** | **2,246,882** | **92,749** |
| **Net Income / (Loss)** | **$ 1,435,584** | **$ 1,410,963** | **$ 1,568,798** | **$ 2,208,708** | **$ 2,410,637** | **$ 2,775,825** | **$ 1,511,568** | **$ 1,264,257** |

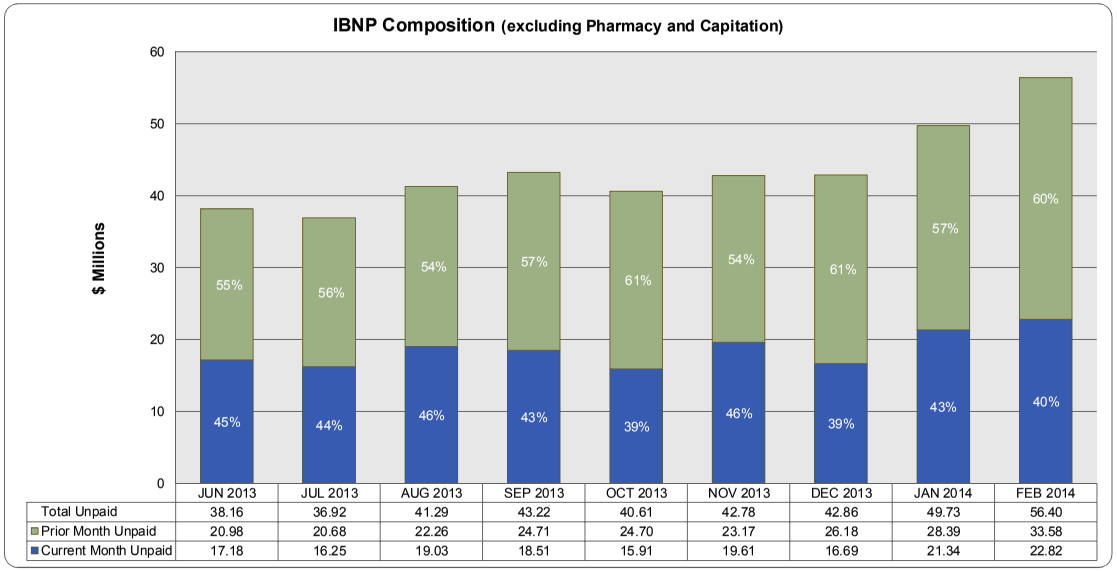
## PMPM Income Statement Comparison

| | 2014 Actual Monthly Trend | | | | | FEB 2014 | | Variance |
|---|---|---|---|---|---|---|---|---|
| | SEP 2013 | OCT 2013 | NOV 2013 | DEC 2013 | JAN 2014 | Actual | Budget | Fav/(Unfav) |
| **Membership (includes retro members)** | 120,867 | 120,391 | 121,355 | 120,275 | 127,509 | 133,041 | 132,367 | 674 |
| **Revenue:** | | | | | | | | |
| Premium | 244.91 | 249.03 | 239.86 | 241.50 | 315.67 | 283.14 | 288.63 | (5.49) |
| Reserve for Rate Reduction | - | (2.31) | (2.33) | (2.34) | (3.34) | (2.91) | (1.95) | (0.97) |
| MCO Premium Tax | (8.84) | (9.55) | (9.18) | (9.23) | (11.51) | (10.91) | (11.36) | 0.46 |
| **Total Net Premium** | **236.07** | **237.17** | **228.35** | **229.93** | **300.82** | **269.32** | **275.32** | **(6.00)** |
| **Other Revenue:** | | | | | | | | |
| Interest Income | 0.10 | 0.13 | 0.07 | 0.10 | 0.09 | 0.11 | 0.09 | 0.02 |
| Miscellaneous Income | 0.32 | 0.32 | 0.32 | 0.32 | 0.30 | 0.28 | 0.29 | (0.01) |
| **Total Other Revenue** | **0.41** | **0.45** | **0.39** | **0.42** | **0.39** | **0.39** | **0.50** | **(0.11)** |
| **Total Revenue** | **236.49** | **237.62** | **228.74** | **230.35** | **301.21** | **269.71** | **275.70** | **(5.99)** |
| **Medical Expenses:** | | | | | | | | |
| Capitation (PCP, Specialty, Kasier, NEMT & Visior | 12.69 | 13.27 | 13.32 | 13.39 | 12.62 | 12.62 | 12.55 | 0.07 |
| FFS Claims Expenses: | | | | | | | | |
| Inpatient | 45.77 | 43.19 | 34.85 | 37.35 | 44.97 | 38.63 | 53.24 | 14.61 |
| LTC/SNF | 49.67 | 68.02 | 58.11 | 57.57 | 53.89 | 60.04 | 45.49 | (14.55) |
| Outpatient | 18.87 | 22.95 | 25.65 | 26.52 | 28.10 | 22.98 | 25.06 | 2.07 |
| Laboratory and Radiology | 0.80 | 0.84 | 1.23 | 0.92 | 2.77 | 3.39 | 3.58 | 0.20 |
| Physician ACA 1202 | - | - | - | - | 40.53 | 0.78 | - | (0.78) |
| Emergency Room | 6.65 | 7.04 | 6.49 | 6.07 | 6.67 | 6.55 | 7.44 | 0.88 |
| Physician Specialty | 14.28 | 13.09 | 15.68 | 19.16 | 18.46 | 14.51 | 19.70 | 5.19 |
| Mental Health Services | - | | | - | 1.76 | 1.75 | 1.45 | (0.30) |
| Pharmacy | 26.24 | 29.90 | 24.94 | 26.70 | 30.30 | 42.52 | 45.29 | 2.77 |
| Other Medical Professional | 2.07 | 0.21 | 1.26 | 1.24 | 1.11 | 1.45 | 1.33 | (0.12) |
| Other Medical Care | 0.01 | - | - | 0.03 | (0.02) | - | - | - |
| Other Fee For Service | 17.38 | 16.60 | 14.83 | 13.68 | 20.66 | 21.58 | 23.39 | 1.82 |
| Transportation | 1.48 | 0.61 | 0.73 | 0.56 | 0.68 | 0.62 | 0.66 | 0.03 |
| Total Claims | 183.22 | 202.46 | 183.79 | 189.80 | 249.86 | 214.82 | 226.63 | 11.81 |
| Medical & Care Management Expense | 6.17 | 6.14 | 5.95 | 6.91 | 6.46 | 5.82 | 6.59 | 0.77 |
| Reinsurance | 2.30 | (10.16) | 2.29 | (12.91) | (3.10) | 0.79 | 1.53 | 0.74 |
| Claims Recoveries | 0.87 | (3.59) | (4.65) | (2.15) | (1.16) | (1.41) | - | 1.41 |
| Sub-total | 9.34 | (7.61) | 3.59 | (8.16) | 2.21 | 5.20 | 8.12 | 2.92 |
| **Total Cost of Health Care** | **205.24** | **208.11** | **200.70** | **195.02** | **264.69** | **232.65** | **247.30** | **14.65** |
| **Contribution Margin** | **31.25** | **29.50** | **28.04** | **35.32** | **36.52** | **37.06** | **28.39** | **8.66** |
| **General & Administrative Expenses:** | | | | | | | | |
| Salaries and Wages | 3.75 | 4.13 | 4.74 | 4.92 | 4.68 | 4.34 | 4.62 | 0.27 |
| Payroll Taxes and Benefits | 0.94 | 1.00 | 1.02 | 1.26 | 1.47 | 0.68 | 1.08 | 0.40 |
| Travel and Training | 0.09 | 0.12 | 0.09 | 0.04 | 0.03 | 0.07 | 0.12 | 0.05 |
| Outside Service - ACS | 9.85 | 7.96 | 7.52 | 7.82 | 7.59 | 7.70 | 7.58 | (0.12) |
| Outside Services - Other | 0.28 | 0.21 | 0.01 | 0.16 | 0.62 | 1.35 | 0.62 | (0.74) |
| Accounting & Actuarial Services | 0.39 | 0.58 | (0.59) | 0.10 | 0.44 | 0.11 | 0.10 | (0.01) |
| Legal | 0.45 | 0.38 | 0.56 | 0.73 | 0.89 | 0.35 | 0.27 | (0.08) |
| Insurance | 0.10 | 0.10 | 0.11 | 0.11 | 0.08 | 0.09 | 0.08 | (0.01) |
| Lease Expense - Office | 0.24 | 0.19 | 0.23 | 0.22 | 0.22 | 0.22 | 0.29 | 0.07 |
| Consulting Services | 2.19 | 0.99 | (0.14) | 0.35 | 0.37 | 0.40 | 0.79 | 0.38 |
| Translation Services | 0.02 | 0.04 | 0.01 | 0.03 | 0.07 | 0.02 | 0.02 | (0.00) |
| Advertising and Promotion | - | - | 0.03 | 0.02 | - | 0.01 | 0.09 | 0.08 |
| General Office | 0.64 | 0.83 | 0.81 | 0.96 | 0.76 | 0.63 | 0.85 | 0.22 |
| Depreciation & Amortization | 0.05 | 0.06 | 0.06 | 0.06 | 0.06 | 0.05 | 0.25 | 0.20 |
| Printing | 0.05 | 0.22 | 0.17 | 0.02 | 0.08 | 0.01 | 0.11 | 0.11 |
| Shipping & Postage | 0.01 | 0.09 | 0.11 | 0.00 | 0.11 | 0.04 | 0.03 | (0.02) |
| Interest | 0.31 | 0.90 | 0.37 | 0.16 | 0.15 | 0.11 | 0.08 | (0.03) |
| **Total G & A Expenses** | **19.37** | **17.78** | **15.11** | **16.96** | **17.61** | **16.19** | **16.97** | **0.78** |
| **Net Income / (Loss)** | **11.88** | **11.72** | **12.93** | **18.36** | **18.91** | **20.86** | **11.42** | **9.44** |




| | JUN 2013 | JUL 2013 | AUG 2013 | SEP 2013 | OCT 2013 | NOV 2013 | DEC 2013 | JAN 2014 | FEB 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Total | 17.8 | 18.8 | 13.2 | 16.8 | 22.7 | 17.3 | 19.5 | 15.7 | 15.9 |
| 120+ | 3.4 | 1.9 | 1.6 | 2.5 | 5.3 | 2.2 | 3.0 | 1.7 | 1.51 |
| 90 | 0.9 | 1.1 | 1.1 | 0.9 | 1.8 | 1.0 | 1.8 | 0.9 | 0.91 |
| 60 | 2.4 | 3.0 | 1.6 | 3.1 | 3.0 | 3.2 | 2.3 | 2.1 | 2.30 |
| 30 | 8.7 | 9.7 | 6.7 | 8.4 | 9.7 | 8.6 | 9.3 | 8.0 | 9.05 |
| Current | 2.5 | 3.2 | 2.1 | 1.9 | 3.0 | 2.3 | 3.0 | 2.9 | 2.10 |

**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.




| | JUN 2013 | JUL 2013 | AUG 2013 | SEP 2013 | OCT 2013 | NOV 2013 | DEC 2013 | JAN 2014 | FEB 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Total Unpaid | 38.16 | 36.92 | 41.29 | 43.22 | 40.61 | 42.78 | 42.86 | 49.73 | 56.40 |
| Prior Month Unpaid | 20.98 | 20.68 | 22.26 | 24.71 | 24.70 | 23.17 | 26.18 | 28.39 | 33.58 |
| Current Month Unpaid | 17.18 | 16.25 | 19.03 | 18.51 | 15.91 | 19.61 | 16.69 | 21.34 | 22.82 |

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


For the month ended February 28, 2014

## APPENDIX

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

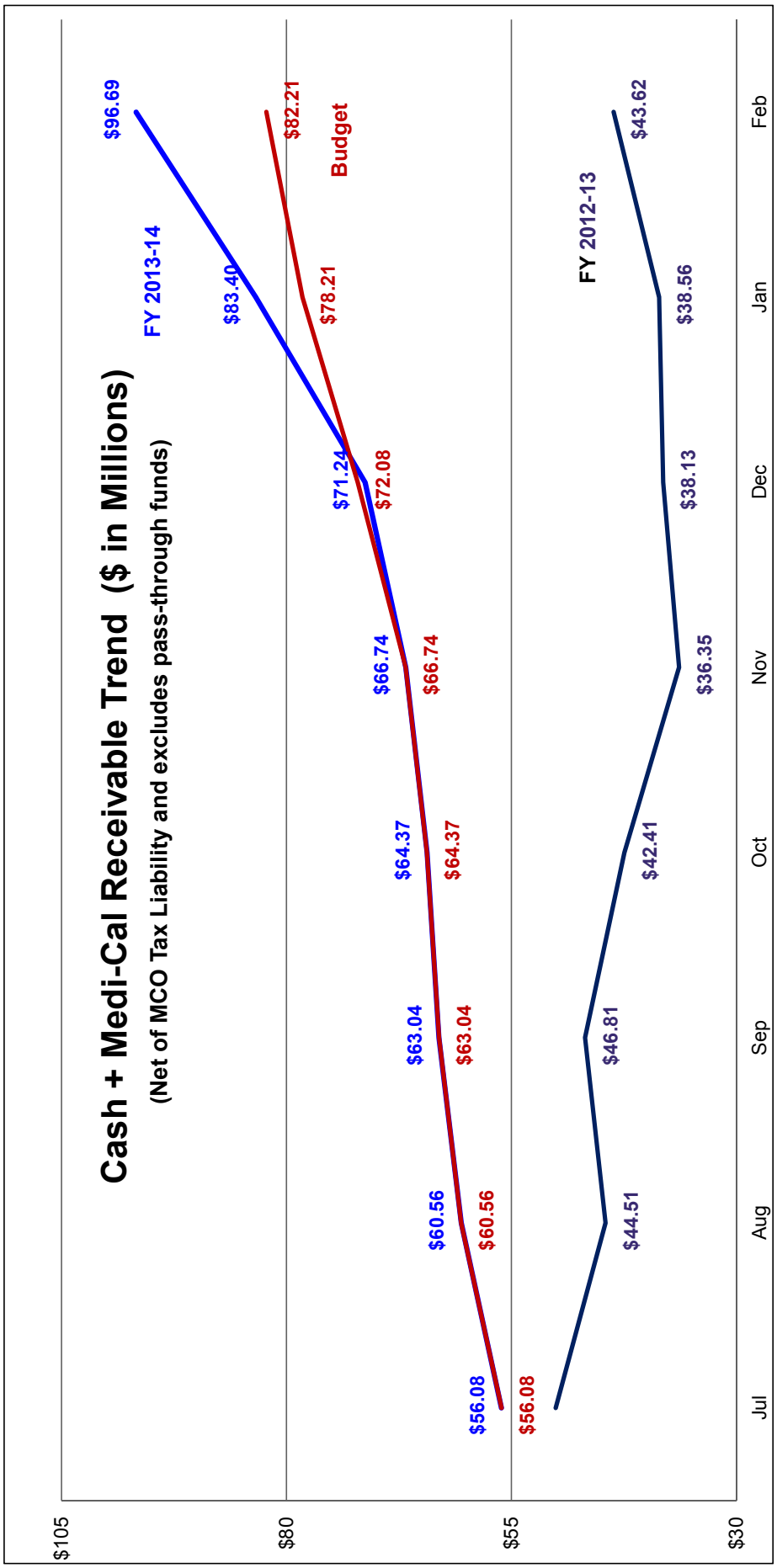
## Comparative Balance Sheet

| | 2/28/14 | 1/31/14 | 12/31/13 | Audited FY 2012-13 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| **Total Cash and Cash Equivalents** | **$ 68,790,390** | **$ 44,343,991** | **$ 41,943,461** | **$ 50,817,760** |
| Medi-Cal Receivable | 52,050,271 | 53,691,874 | 42,410,897 | 11,683,076 |
| Provider Receivable | 425,870 | 440,215 | 800,343 | 1,161,379 |
| Other Receivables | 178,153 | 176,385 | 197,606 | 300,397 |
| **Total Accounts Receivable** | **52,654,294** | **54,308,474** | **43,408,847** | **13,144,852** |
| Total Prepaid Accounts | 720,548 | 763,854 | 492,191 | 324,419 |
| Total Other Current Assets | 251,438 | 128,805 | 97,899 | 10,000 |
| **Total Current Assets** | **122,416,670** | **99,545,124** | **85,942,398** | **64,297,030** |
| **Total Fixed Assets** | **1,234,241** | **1,204,575** | **1,177,698** | **230,913** |
| **Total Assets** | **$ 123,650,911** | **$ 100,749,699** | **$ 87,120,096** | **$ 64,527,943** |
| **LIABILITIES & FUND BALANCE** | | | | |
| **Current Liabilities** | | | | |
| Incurred But Not Reported | $ 53,809,826 | $ 45,833,232 | $ 41,275,305 | $ 29,901,103 |
| Claims Payable | 6,477,413 | 6,198,541 | 5,313,850 | 9,748,676 |
| Capitation Payable | 1,366,703 | 1,320,783 | 1,315,435 | 1,002,623 |
| Physician ACA 1202 Payable | 5,271,429 | 5,167,335 | - | - |
| AB85 Payable | 735,137 | | | |
| Accrued Premium Reduction | 1,656,018 | 1,268,600 | 842,917 | - |
| Accounts Payable | 238,242 | 147,810 | 1,406,476 | 1,751,419 |
| Accrued ACS | 1,095,479 | 65,860 | 325,466 | 422,138 |
| Accrued Expenses | 1,023,244 | 1,056,784 | 745,724 | 477,477 |
| Accrued Premium Tax | 24,146,001 | 14,585,532 | 13,118,155 | 7,337,759 |
| Accrued Interest Payable | 33,466 | 30,714 | 27,670 | 9,712 |
| Current Portion of Deferred Revenue | 460,000 | 460,000 | 460,000 | 460,000 |
| Accrued Payroll Expense | 547,421 | 561,468 | 608,361 | 605,937 |
| **Total Current Liabilities** | **96,860,378** | **76,696,658** | **65,439,358** | **$ 51,716,843** |
| **Long-Term Liabilities** | | | | |
| Deferred Revenue - Long Term Portion | 613,333 | 651,667 | 690,000 | 920,000 |
| Notes Payable | 7,200,000 | 7,200,000 | 7,200,000 | 7,200,000 |
| **Total Long-Term Liabilities** | **7,813,333** | **7,851,667** | **7,890,000** | **8,120,000** |
| **Total Liabilities** | **104,673,711** | **84,548,325** | **73,329,358** | **59,836,843** |
| Beginning Fund Balance | 4,691,101 | 4,691,101 | 4,691,101 | (6,031,881) |
| Net Income Current Year | 14,286,099 | 11,510,274 | 9,099,638 | 10,722,981 |
| **Total Fund Balance** | **18,977,200** | **16,201,375** | **13,790,738** | **4,691,100** |
| **Total Liabilities & Fund Balance** | **$ 123,650,911** | **$ 100,749,699** | **$ 87,120,096** | **$ 64,527,943** |

| **FINANCIAL INDICATORS** | | | | |
|---|---|---|---|---|
| Current Ratio | 1.26 : 1 | 1.3 : 1 | 1.31 : 1 | 1.24 : 1 |
| Days Cash on Hand | 62 | 37 | 49 | 58 |
| Days Cash + State Capitation Receivable | 110 | 84 | 99 | 72 |
| Days Cash + State Capitation Rec (less Tax Liab) | 88 | 70 | 84 | 63 |

## Income Statement
## For The Eight Months Ended February 28, 2014

| | FEB '14 Year-To-Date | | Variance |
|---|---|---|---|
| | Actual | Budget | Fav/(Unfav) |
| **Membership (includes retro members)** | 969,650 | 969,948 | (298) |
| **Revenue** | | | |
| Premium | $ 251,133,876 | $ 247,196,913 | $ 3,936,963 |
| Reserve for Rate Reduction | (1,656,018) | (1,334,658) | (321,360) |
| MCO Premium Tax | (9,525,698) | (9,553,078) | 27,380 |
| **Total Net Premium** | **239,952,160** | **236,309,177** | **3,642,983** |
| **Other Revenue:** | | | |
| Interest Income | 90,476 | 84,128 | 6,347 |
| Miscellaneous Income | 305,620 | 306,667 | (1,047) |
| **Total Other Revenue** | 396,095 | **390,795** | 5,300 |
| **Total Revenue** | **240,348,255** | **236,699,972** | **3,648,283** |
| **Medical Expenses:** | | | |
| Capitation (PCP, Specialty, Kaiser, NEMT & Vision) | 12,423,889 | 12,462,275 | 38,387 |
| FFS Claims Expenses: | | | |
| Inpatient | 39,646,639 | 42,494,837 | 2,848,198 |
| LTC/SNF | 56,600,286 | 52,749,556 | (3,850,730) |
| Outpatient | 23,824,620 | 23,295,420 | (529,200) |
| Laboratory and Radiology | 1,597,802 | 1,716,834 | 119,033 |
| Physician ACA 1202 | 5,271,429 | - | (5,271,429) |
| Emergency Room | 6,134,628 | 6,167,971 | 33,343 |
| Physician Specialty | 15,306,781 | 16,122,671 | 815,890 |
| Mental Health Services | 458,293 | 383,498 | (74,795) |
| Pharmacy | 28,910,492 | 30,825,664 | 1,915,172 |
| Other Medical Professional | 1,199,993 | 1,154,508 | (45,485) |
| Other Medical Care | 3,293 | - | (3,293) |
| Other Fee For Service | 15,422,634 | 15,474,964 | 52,330 |
| Transportation | 653,030 | 662,972 | 9,942 |
| Total Claims | 195,029,920 | 191,048,895 | (3,981,025) |
| Medical & Care Management Expense | 6,109,944 | 6,162,638 | 52,694 |
| Reinsurance | (1,993,000) | (1,097,378) | 895,622 |
| Claims Recoveries | (2,125,088) | - | 2,125,088 |
| Sub-total | 1,991,857 | 5,065,260 | 3,073,403 |
| **Total Cost of Health Care** | **209,445,665** | **208,576,431** | **(869,235)** |
| **Contribution Margin** | **30,902,590** | **28,123,541** | **2,779,049** |
| **General & Administrative Expenses:** | | | |
| Salaries and Wages | 4,276,050 | 4,309,626 | 33,576 |
| Payroll Taxes and Benefits | 1,022,871 | 1,014,381 | (8,489) |
| Travel and Training | 62,871 | 106,677 | 43,805 |
| Outside Service - ACS | 7,728,510 | 7,689,899 | (38,611) |
| Outside Services - Other | 403,863 | 306,941 | (96,922) |
| Accounting & Actuarial Services | 192,089 | 156,613 | (35,476) |
| Legal | 502,008 | 361,927 | (140,081) |
| Insurance | 94,878 | 91,897 | (2,981) |
| Lease Expense - Office | 217,362 | 229,363 | 12,001 |
| Consulting Services | 883,301 | 1,036,818 | 153,517 |
| Translation Services | 30,852 | 23,559 | (7,292) |
| Advertising and Promotion | 24,859 | 88,507 | 63,649 |
| General Office | 723,335 | 784,706 | 61,371 |
| Depreciation & Amortization | 52,038 | 83,449 | 31,411 |
| Printing | 69,735 | 150,030 | 80,294 |
| Shipping & Postage | 46,465 | 108,272 | 61,807 |
| Interest | 285,406 | 263,189 | (22,217) |
| **Total G & A Expenses** | **16,616,491** | **16,805,854** | **189,363** |
| **Net Income / (Loss)** | **$ 14,286,099** | **$ 11,317,688** | **$ 2,968,412** |


Cash + Medi-Cal Receivable Trend ($ in Millions)
(Net of MCO Tax Liability and excludes pass-through funds)
FY 2013-14
Budget
FY 2012-13
$105
$80
$55
$30
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
$96.69
$83.40
$71.24
$66.74
$64.37
$63.04
$60.56
$56.08
$82.21
$78.21
$72.08
$66.74
$64.37
$63.04
$60.56
$56.08
$44.51
$46.81
$42.41
$36.35
$38.13
$38.56
$43.62

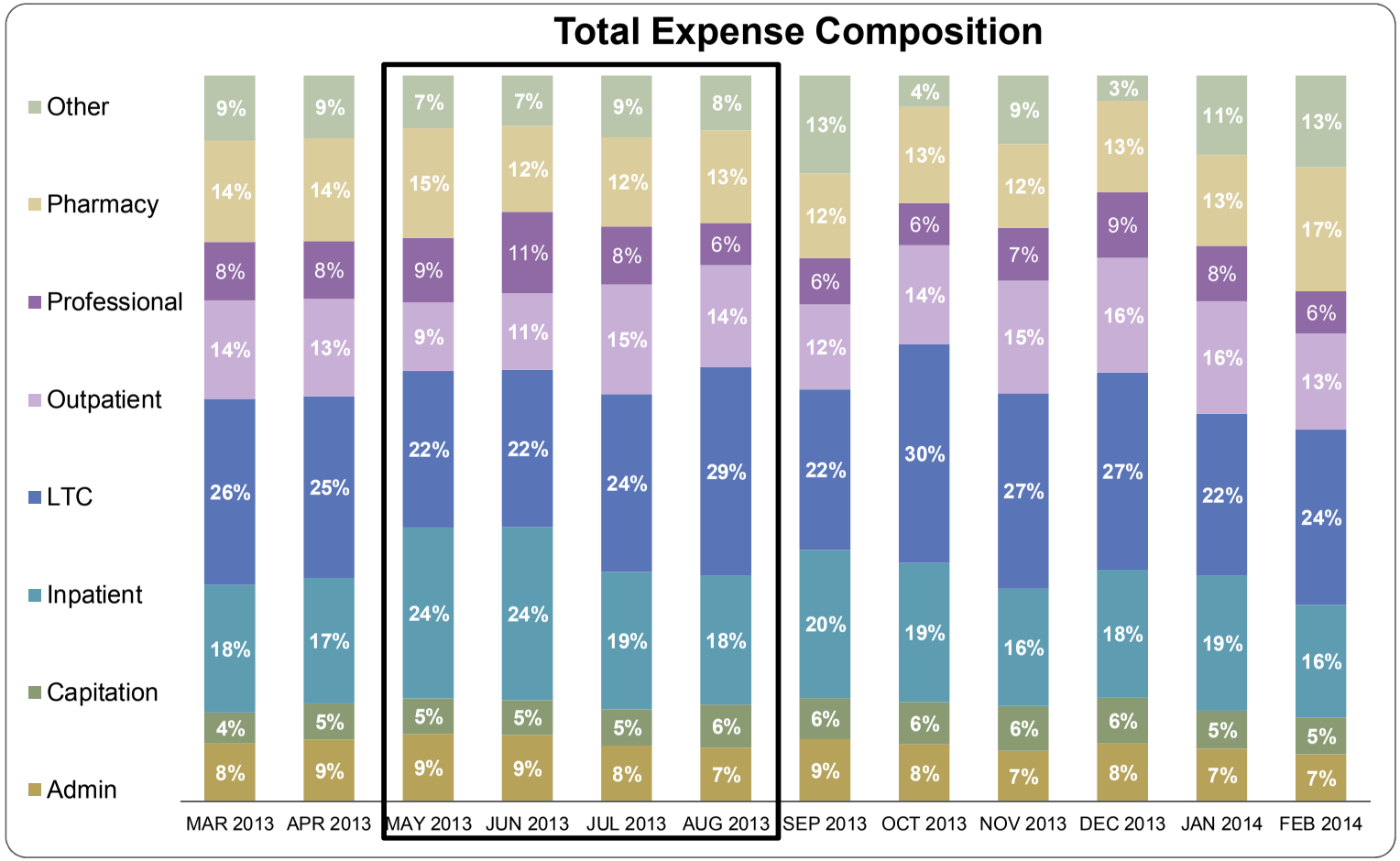
## Statement of Cash Flows - Monthly

| | FEB '14 | JAN '14 | DEC '13 | NOV '13 | JUN'13 |
|---|---|---|---|---|---|
| Cash Flow From Operating Activities | | | | | |
| Collected Premium | $ 48,103,931 | $ 28,969,167 | $ 28,079,945 | $ 27,862,839 | $ 52,138,834 |
| Miscellaneous Income | 14,273 | 11,688 | 12,031 | 8,658 | 8,594 |
| State Pass Through Funds | | 50,070 | | 5,691,714 | 34,346,474 |
| | | | | - | |
| Paid Claims | | | | - | |
| Medical & Hospital Expenses | (15,766,152) | (15,055,874) | (17,202,587) | (17,387,071) | (17,277,826) |
| Pharmacy | (4,420,992) | (5,426,411) | (1,690,164) | (3,787,143) | (4,009,168) |
| Capitation | (1,601,382) | (1,685,367) | (1,625,829) | (1,521,485) | (1,162,302) |
| Reinsurance of Claims | (308,946) | (278,035) | (278,975) | (277,386) | (240,430) |
| State Pass Through Funds Distributed | | | (5,691,714) | - | (34,346,474) |
| Paid Administration | (1,509,345) | (4,122,509) | (2,610,933) | (2,494,333) | (2,616,623) |
| MCO Tax Received / (Paid) | - | - | - | - | 829,564 |
| Net Cash Provided/ (Used) by Operating Activities | **24,511,385** | **2,462,729** | **(1,008,225)** | **8,095,794** | **27,670,643** |
| | | | | - | |
| Cash Flow From Investing/Financing Activities | | | | - | |
| Proceeds from Line of Credit | | | | - | - |
| Repayments on Line of Credit | - | - | - | - | - |
| Net Acquisition of Property/Equipment | (64,987) | (62,198) | (39,754) | (169,050) | (31,026) |
| Net Cash Provided/(Used) by Investing/Financing | **(64,987)** | **(62,198)** | **(39,754)** | **(169,050)** | **(31,026)** |
| **Net Cash Flow** | **$ 24,446,398** | **$ 2,400,530** | **$ (1,047,979)** | **$ 7,926,744** | **$ 27,639,617** |
| Cash and Cash Equivalents (Beg. of Period) | 44,343,991 | 41,943,461 | 42,991,440 | 35,064,697 | 23,068,235 |
| Cash and Cash Equivalents (End of Period) | 68,790,390 | 44,343,991 | 41,943,461 | 42,991,440 | 50,817,760 |
| | **$ 24,446,398** | **$ 2,400,530** | **$ (1,047,979)** | **$ 7,926,744** | **$ 27,749,525** |

| | | | | | |
|---|---|---|---|---|---|
| Adjustment to Reconcile Net Income to Net Cash Flow | | | | | |
| Net (Loss) Income | 2,775,825 | 2,410,637 | 2,208,708 | 1,568,798 | 4,109,976 |
| Depreciation & Amortization | 35,321 | 35,321 | 34,547 | 7,015 | 11,407 |
| Decrease/(Increase) in Receivables | 1,654,180 | (10,899,627) | (874,196) | (1,544,001) | 22,788,941 |
| Decrease/(Increase) in Prepaids & Other Current Ass | (79,327) | (302,569) | 851,572 | (104,858) | 769,972 |
| (Decrease)/Increase in Payables | 2,301,865 | 4,341,958 | (6,376,146) | 5,901,351 | (1,578,838) |
| (Decrease)/Increase in Other Liabilities | (38,333) | (38,333) | (38,333) | (38,333) | (121,667) |
| Change in MCO Tax Liability | 9,560,469 | 1,467,377 | 1,110,666 | 1,114,454 | 1,433,012 |
| Changes in Claims and Capitation Payable | 324,792 | 890,038 | (507,606) | (812,202) | 1,913,029 |
| Changes in IBNR | 7,976,594 | 4,557,927 | 2,582,563 | 2,003,570 | (1,655,189) |
| | 24,511,385 | 2,462,729 | (1,008,225) | 8,095,794 | 27,670,643 |
| **Net Cash Flow from Operating Activities** | **$ 24,511,385** | **$ 2,462,729** | **$ (1,008,225)** | **$ 8,095,794** | **$ 27,670,643** |

## Statement of Cash Flows - YTD

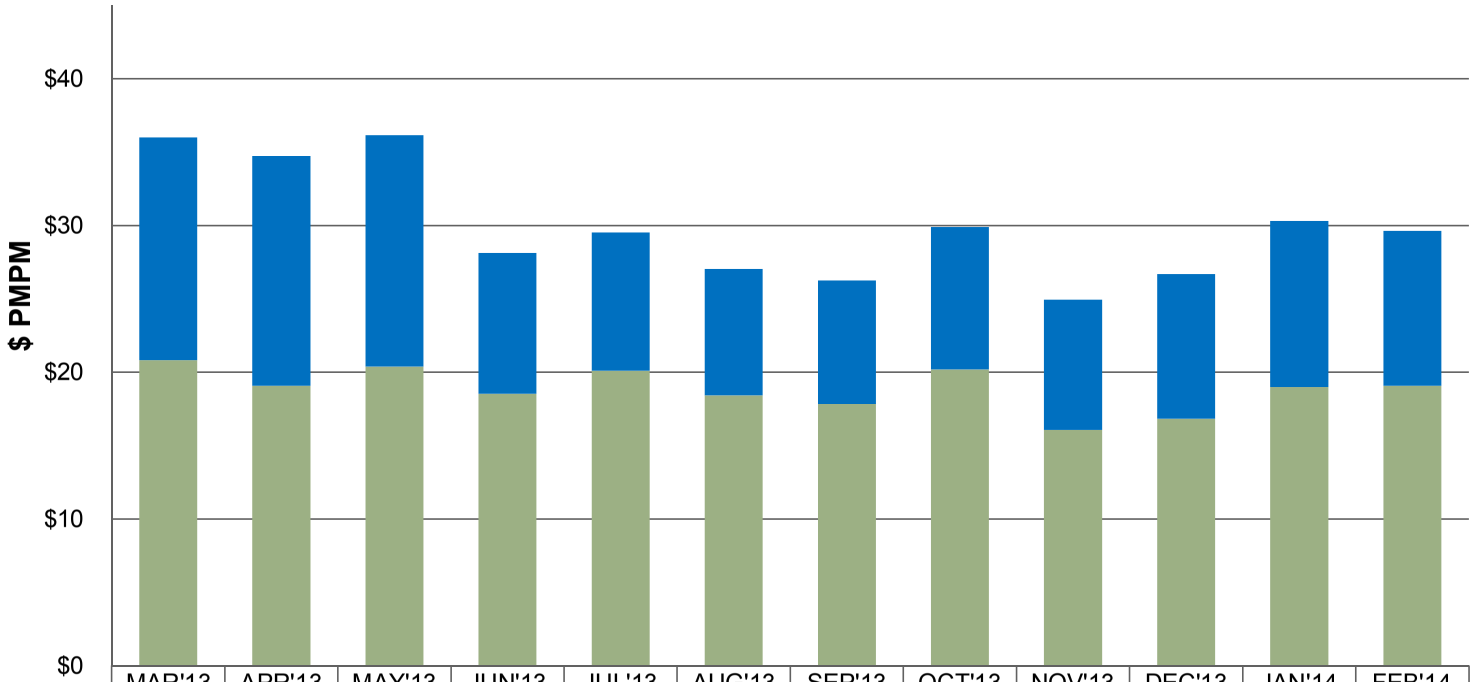
| | Feb 2014 YTD |
|---|---|
| Cash Flow From Operating Activities | |
| Collected Premium | $ 219,024,883 |
| Miscellaneous Income | 90,476 |
| State Pass Through Funds | 61,173,953 |
| | |
| Paid Claims | |
| Medical & Hospital Expenses | (135,644,555) |
| Pharmacy | (28,947,524) |
| Capitation | (12,037,480) |
| Reinsurance of Claims | (2,220,531) |
| State Pass Through Funds Distributed | (59,959,855) |
| Payment of Withhold / Risk Sharing Incentive | - |
| Paid Administration | (21,541,816) |
| Repay Initial Net Liabilities | - |
| MCO Taxes Received / (Paid) | (826,566) |
| Net Cash Provided/(Used) by Operating Activities | **19,110,985** |
| | |
| Cash Flow From Investing/Financing Activities | |
| Proceeds from Line of Credit | - |
| Repayments on Line of Credit | - |
| Net Acquisition of Property/Equipment | (1,138,355) |
| Net Cash Provided/(Used) by Investing/Financing | **(1,138,355)** |
| | |
| **Net Cash Flow** | **$ 17,972,630** |
| | |
| Cash and Cash Equivalents (Beg. of Period) | 50,817,760 |
| Cash and Cash Equivalents (End of Period) | 68,790,390 |
| | **$ 17,972,630** |
| | |
| Adjustment to Reconcile Net Income to Net Cash Flow | |
| Net Income/(Loss) | 14,286,099 |
| Depreciation & Amortization | 136,182 |
| Decrease/(Increase) in Receivables | (39,509,442) |
| Decrease/(Increase) in Prepaids & Other Current Assets | (637,568) |
| (Decrease)/Increase in Payables | 7,333,754 |
| (Decrease)/Increase in Other Liabilities | (307,821) |
| Change in MCO Tax Liability | 16,808,241 |
| Changes in Claims and Capitation Payable | (2,907,184) |
| Changes in IBNR | 23,908,723 |
| | 19,110,985 |
| | |
| **Net Cash Flow from Operating Activities** | **$ 19,110,985** |



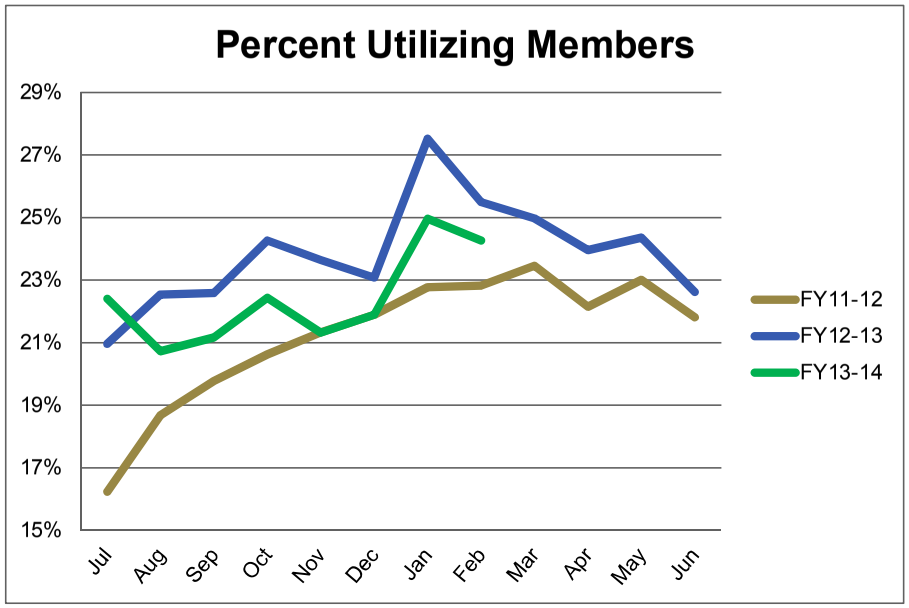

*In May 2013, GCHP changed its method of distributing Health Care Costs (HCC) across categories of service. Prior months utilized an allocation methodology. The methodology was updated to utilize payment information by different categories of services. Further changes have been made with the assumption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

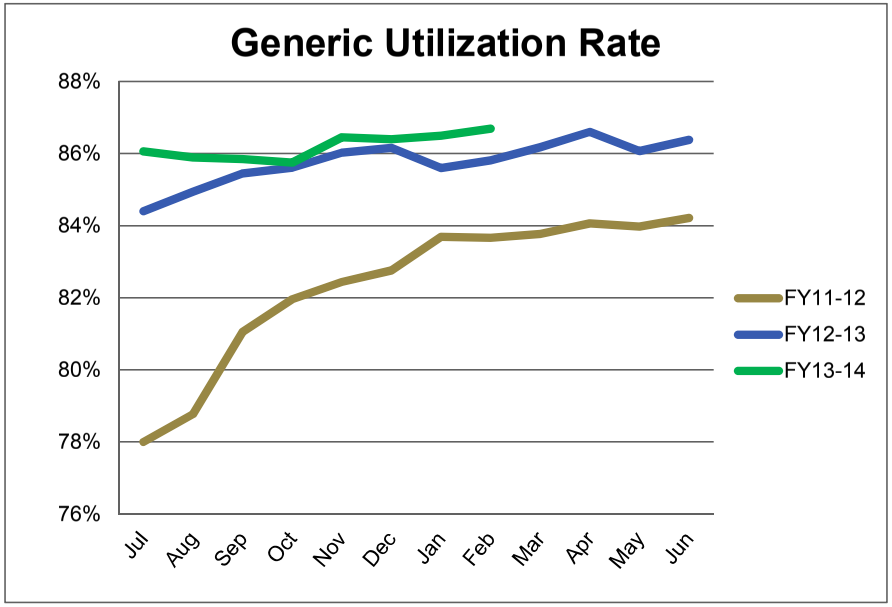
*Beginning January 2014, "Other" category includes ACA 1202 physician supplement and mental health expenses.*

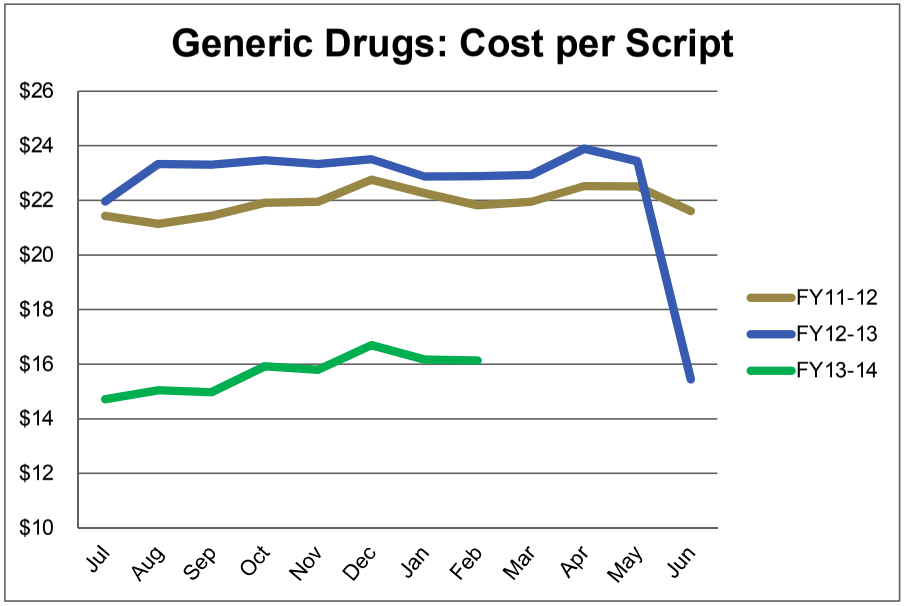
## Pharmacy Cost Trend

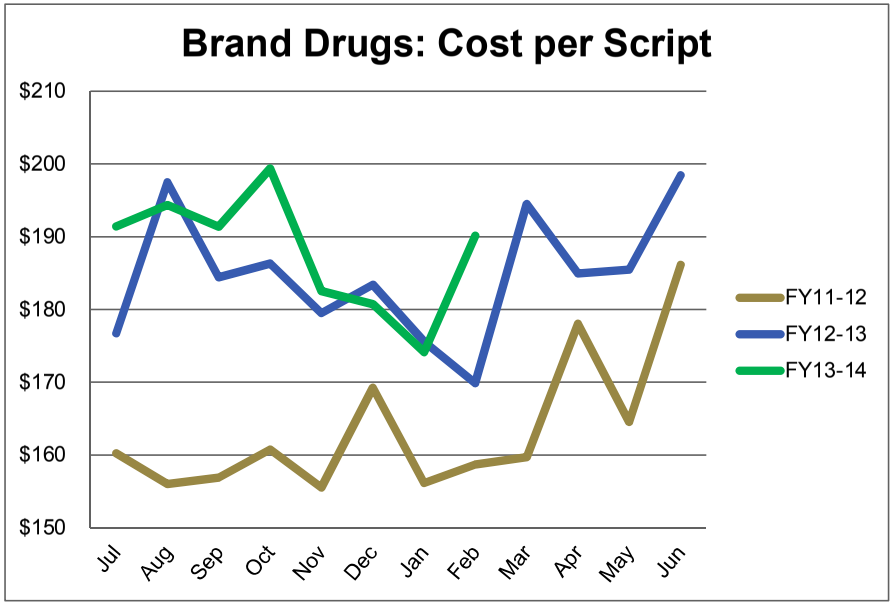



| | MAR'13 | APR'13 | MAY'13 | JUN'13 | JUL'13 | AUG'13 | SEP'13 | OCT'13 | NOV'13 | DEC'13 | JAN'14 | FEB'14 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| AVG PMPM | $35.99 | $34.74 | $36.15 | $28.12 | $29.53 | $27.04 | $26.24 | $29.90 | $24.94 | $26.70 | $30.30 | $29.63 |
| GENERIC | $15.16 | $15.66 | $15.78 | $9.58 | $9.43 | $8.62 | $8.41 | $9.71 | $8.87 | $9.87 | $11.30 | $10.55 |
| BRAND | $20.82 | $19.08 | $20.38 | $18.54 | $20.10 | $18.41 | $17.83 | $20.19 | $16.07 | $16.82 | $19.00 | $19.08 |


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


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


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


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

Gold Coast Health Plan℠
A Public Entity

# Gold Coast Health Plan

## April 3, 2014

## Executive / Finance Committee Meeting

**Michelle Raleigh, CFO**

www.goldcoasthealthplan.org

Gold Coast Health Plan℠
A Public Entity

- **Background**
- **Plan's status update on Auditor's Recommendations & Observations**
- **Next Steps**

# Background

- As part of the FY 2012-13 audit performed by McGladrey LLP (McGladrey), recommendations were made as part of their report to the Executive/Finance Committee:
  - Letter communicating deficiencies in internal controls in financial reporting
    - Material Weaknesses (none)
    - Significant Deficiencies
  - Letter communicating comments, observations and suggestions
- This report provides an update on the Plan's progress and future steps on these recommendations

# AUDITOR'S LETTER RE: CONTROLS

| McGladrey Recognized Significant Deficiencies | Summary of McGladrey's Recommendation | GCHP Update |
|---|---|---|
| **Claims Processing** | 1. Management should continue to perform audits on the procedures performed by third-party vendors who process claims information. | 1. GCHP audits the third-party vendors as follows:<br><br>a. GCHP audits vendor ACS (a division of Xerox) by performing:<br>• A post-payment audit of all claims that were included in the 2% random sample audit that ACS preforms on processed claims.<br>• A pre-payment audit of all claims with a payable amount greater than $25,000. As of December 4, 2013, GCHP has updated the criteria to include all claims with a payable amount greater than $10,000.<br>• Focused audits, as needed, are done based on trends resulting from routine audit results and adjustments.<br><br>b. GCHP audits the PBM vendor (Script Care, LTD.) by performing:<br>• Daily audits of all denied and 10% of approved prior authorizations from the prior day.<br>• Monthly and quarterly random audits of pharmacy claims to ensure proper formulary processing.<br><br>Note – pharmacy claims processed by Script Care will be audited for contract performance by an independent vendor by June 30, 2014. |

| McGladrey Recognized Significant Deficiencies | Summary of McGladrey's Recommendation | GCHP Update |
|---|---|---|
| **Claims Processing** ***(Continued)*** | 2. Consider performing an audit, similar to a Service Organization Controls (SOC 1) report.<br><br>3. Review ongoing processing policies and controls by:<br><br>a. Implementing formal review process of provider contracts/fee schedules<br><br>b. Continue to review processes to ensure claim payment accuracy | 2. GCHP acknowledges the need for a SOC 1 report from ACS and has defined the process and timing. The SOC 1 report is expected to be completed in the first half of FY 2014-15.<br><br>3. GCHP's Director of Operations is working with ACS to:<br><br>a. Formulate a process to validate the accuracy of provider contract and fee schedules in GCHP's core system after they have been uploaded.<br><br>b. Review all activities related to the claims processing function [claims production, adjustments, quality assurance, configuration, refunds, etc. This is one of the topics covered during a standing meeting between ACS and GCHP staff.] |

| McGladrey Recognized Significant Deficiencies | Summary of McGladrey's Recommendation | GCHP Update |
|---|---|---|
| **Claims Processing *(Continued)*** | 4. Review ongoing processing policies and controls by:<br><br>a. Continue to monitor IT change management policies<br><br>b. Continue to monitor ACS's policies and procedures regarding claims processing and IT controls<br><br>5. Monitor incurred but not paid (IBNP) levels monthly and incorporate estimates of reinsurance recoveries. | 4. The following processing policies and controls have been updated:<br><br>a. GCHP has implemented an internal change management policy for Plan-supported production systems. Production changes are tracked in the Connectwise helpdesk ticketing system. Examples of production changes include security patches and server configuration changes. As GCHP introduces new systems into the production environment, they will fall under the GCHP change management policy.<br><br>b. Several controls were implemented in fiscal FY 2012-13 including review of ACS's processes and increased auto-adjudication rate (i.e., auto adjudication increased from 33.78% to 60.44% between June 30 2012 and June 30, 2013).<br><br>Additionally, ACS follows a formal change management process to assure modifications are reviewed by designated employees before entered into production. Production changes are tracked in a ticketing system called "Service Center." The Plan has obtained and reviewed ACS's policies for change management.<br><br>5. GCHP calculates IBNP estimates monthly. The Plan is evaluating the recommendation to include estimates of reinsurance recoveries within the IBNP estimate. It should be noted that the current methodology conservatively states IBNP. Also, the Plan's financial statements will reflect reinsurance recoveries of high dollar claims once payments are received from reinsurance vendor. In addition, GCHP had their actuaries (Milliman) separately calculate an the IBNP estimate at November 30, 2013 and GCHP's estimate was in the range of Milliman's estimate. |

| McGladrey Recognized Significant Deficiencies | Summary of McGladrey's Recommendation | GCHP Update |
|---|---|---|
| **Claims Reserve** | 6. Evaluate need for premium deficiency reserves | 6. As GCHP updates financial projections, the Plan will continue to perform on-going evaluations regarding the need for a premium deficiency reserve. This will formally be evaluated prior to end of the fiscal year, as part of the next year's budget process. |
| **Segregation of Duties - Accounting** | 7. Hire staff to achieve proper segregation of duties and perform monthly reconciliations<br><br>8. Review procedures to ensure proper peer review and documentation | 7. GCHP has hired a Controller and two highly qualified accountants which are allowing the Plan to implement appropriate segregation of duties and reconcile accounts monthly. The Plan is also in the process of adding a third accountant position. A Director of Financial Analysis position has been created and filled, and two additional positions providing analysis on health care expenses are in the process of being filled.<br><br>8. As staff has been hired, additional documentation on procedures and peer review has improved. New procedures have been adopted and will continue to be augmented to support appropriate documentation of peer review. |

| McGladrey Recognized Significant Deficiencies | Summary of McGladrey's Recommendation | GCHP Update |
|---|---|---|
| **Segregation of Duties - Payroll** | 9. Review super-users and limit as appropriate | 9. After a thorough review of the payroll super-users it was determined that all super-users are appropriate. |
| | 10. Monitor supervisory approvals of payroll changes | 10. In June 2013, a process was implemented by human resource staff to review all changes made at every payroll cycle. |
| | 11. Implement a process to review changes made by super-user | 11. Currently, GCHP finance and human resource staff are updating processes to ensure peer review of all payroll changes, including those done by super-users. |
| **Segregation of Duties – IT** | 12. Implement and monitor a formal review procedure of user accounts with network access and Multiview access | 12. As of May 1, 2013, GCHP has implemented a policy for User Access Requests to track approvals and authorizations for permitting new hires and removing terminations from logical and physical access to information resources, and recommended the procedures be consistently followed to ensure access is granted/termed in a timely manner. User access requests are captured and tracked in the Connectwise ticketing system. |

| McGladrey Recognized Significant Deficiencies | Summary of McGladrey's Recommendation | GCHP Update |
|---|---|---|
| **Segregation of Duties – IT** | 13. Continue to eliminate conflicting duties through IT controls and segregation of duties | 13. The Plan has performed the following regarding reducing conflicting duties:<br>• A network user account clean-up was done in January 2013 and again in July 2013 as part of the GCHP active directory reconfiguration. As part of standard operating procedures, when a GCHP network Windows account is disabled, access to Multiview and Go-to-My-PC is subsequently restricted as the user no longer has access to the GCHP network. Go-to-My PC access will be replaced with a secure VPN remote access solution was implemented, which includes an annual review of remote user accounts.<br>• When an employee resigns/is termed, the employee's manager or human resources will complete and submit a user access form with all term details. This creates a ticket to the GCHP IT helpdesk ticket system – Connectwise. The ticket is closed once user account access is termed. In standard situations, human resources or management should submit term notices at least 5 days prior to employee leaving the Plan. |
| **Accounts Receivable Reconciliations and Allowances** | 14. Enhance reporting of provider accounts receivable<br>15. Review accounts monthly and assess collectability | 14. A review of provider receivable reports supplied by ACS Recoveries was completed. Standard, ongoing reports are utilized as part of the calculation of the provider receivable.<br>15. Accounts are reviewed monthly and a formulaic allowance is applied to aged balances. On an ongoing basis, GCHP is reviewing the methodology to determine what additional enhancements are appropriate.. |

# AUDITOR'S LETTER RE: RECOMMENDATIONS

| McGladrey Recommendation | Summary of McGladrey's Recommendation | GCHP Update |
|---|---|---|
| **Internal Audit Function** | Begin developing a department that can effectively execute the functions of an internal audit department to analyze, recommend and provide risk mitigation suggestions. | As the Plan staffs appropriately, policies and controls will be finalized. At that time, GCHP will evaluate what types of internal and/or external resources should be dedicated to perform various internal audit functions. |
| **Professional Services Provider Contracts** | Revise contracts to include specific language to clarify liability | GCHP has hired a permanent Chief Operating Officer and Director of Operations to manage the key professional services vendors, including ACS. The Plan concurs that contract language needs to be clarified regarding responsibility of processing run-out claims upon termination or expiration of the ACS contract. Currently, draft language has been proposed by ACS and is under review. These contracts are expected to be amended by June 30, 2014. |

# Next Steps

- **Plan management will continue to actively resolve outstanding findings**
- **Plan will provide quarterly updates to the Executive / Finance Committee; the next update will be after the Plan has closed FY 2013-14**

EDELSTEIN GILBERT ROBSON & SMITH LLC

Donald B. Gilbert Michael R. Robson Trent E. Smith Alan L. Edelstein OF COUNSEL

**GOLD COAST HEALTH PLAN**
**LEGISLATIVE REPORT**
By Don Gilbert and Trent Smith
March 26, 2014

Several hundred bills were introduced in the last few days before the February 21st deadline to introduce new bills. We have been sifting through all of the new bills to identify those that may be of interest to Gold Coast. While there were dozens of bills focused on health care and health care coverage, many new bills take aim at making changes to Covered California or impact only commercial health plans. However, we have identified several bills that may be of interest to Gold Coast.

Two bills were introduced to increased Medi-Cal provider rates. AB 1759 by Assemblyman Pan, Chairman of the Assembly Health Committee, would tie primary care provider rates to the Medicare rate. Under current law these rates are already linked, but the law is set to expire at the end of the year. AB 1759 would remove the sunset provision in law and continue the rate linkage going forward.

AB 1805 by Assemblywoman Skinner, Chairwoman of the Assembly Appropriations Committee, would eliminate the 10 percent provider cuts for all Medi-Cal providers. Both AB 1759 and AB 1805 will have strong support in the Legislature and will be the focus of extensive debate in policy committees. However, as we have reported in the past, Governor Brown has remained committed to keeping Medi-Cal rates at their current levels. Any chance of a compromise on Medi-Cal rates will have to come in the budget negotiations rather than in a policy bill. This is because the Governor can veto any bill he does not like, whereas in the budget process the Legislature can "bundle" in the budget bill or trailer bills its priorities along with those of the Governor.

Another bill that may be of interest to Gold Coast is SB 1081 by Senator Hernandez, Chairman of the Senate Health Committee. This measure proposes reforming the payment method for Federally Qualified Health Clinics (FQHC). Currently, FQHC's receive a federally mandated per patient per visit rate. Managed care plans can negotiate a capitated rate for these clinics, but the clinics receive a balance of their payment – the wrap around payment – directly from the state.

While FQHC's receive the health plan portion of their payment in a timely manner, the state payment is often delayed. This dual payment process can cause cash flow problems for the clinics. In addition, this problem will only become worse with the growing Medi-Cal population that FQHC's will serve in the future. Senator Hernandez wants to keep the FQHC's viable, as he sees them as a key health care provider.

The problem is that the Department of Health Care Services (DHCS) wants the health plans to assume more risk and more administrative responsibility without the guarantee of increased rates. Even with better rates from the state, many plans believe the administrative burdens would be too cumbersome. In addition, health plans would not be able to manage the care delivery in the same manner as other providers because FQHC's have their rates determined by federal law. We expect that there will be several amendments to SB 1081 as it is debated extensively throughout the legislative process.

We are also keeping a close eye on SB 964 by Senator Hernandez, which would require Knox-Keene licensed health plans that have multiple lines of business, including Medi-Cal, to provide more detailed network adequacy surveys. While the bill does not technically apply to Gold Coast at this point, there have been rumors that it could be amended to require County Organized Health Systems, like Gold Coast, to obtain a Knox-Keene license from the Department of Managed Health Care (DMHC).

SB 1452 by Senator Wolk would allow a Medi-Cal beneficiary for whom a conservator has been appointed under the Lanterman-Petris-Short (LPS) Act to be exempt from mandatory enrollment in Medi-Cal managed care. People conserved by a court under the LPS Act are mentally ill and unable to care for themselves. Because there is a shortage of mental health facilities in many parts of the state that can care for these individuals, many conservatees have to be placed in facilities in other counties. Such arrangements can be burdensome for public guardians who are responsible for the mental and physical health care of the conservatee because many providers outside of Orange County do not recognize Gold Coast and will not provide care without assurances of health care coverage. Ultimately, a process is needed to allow public conservators and health plans to better coordinate care.

Many bills were introduced to restore or enhance Medi-Cal benefits. AB 1552 by Assemblywoman Lowenthal would make Community Based Adult Services (CBAS) a Medi-Cal benefit. AB 1868 by Assemblyman Gomez would restore Medi-Cal podiatric services, while SB 1374 by Senator Hernandez intends to establish a new Medi-Cal rate for ambulance services. Like the bills intended to restore Medi-Cal provider rates, the subject matter in these bills will likely be resolved in budget debates rather than policy bills.

In addition to our work on legislation, we continue to oppose the Governor's budget proposal to establish a statewide drug formulary. As we wrote last month, DHCS would like to establish a statewide drug formulary so that they can negotiate with drug manufacturers to place certain brand name drugs on the formulary in exchange for significant rebates. This proposal would lead to higher pharmacy costs for health plans

like Gold Coast, which would eventually result in Gold Coast seeking higher reimbursement rates from the state.

The proposal received its first hearing in the Senate Budget Subcommittee, where DHCS vigorously defended the concept. However, there was a lot of opposition, including some very disparaging remarks from the non-partisan independent Legislative Analyst Office (LAO). While the LAO stopped short of opposing, claiming they were still analyzing the proposal, they spent a lot of time testifying against the plan. The committee did not vote on the proposal, but will likely wait until after the May Revise.