



**Ventura County Medi-Cal Managed Care Commission (VCMMCC)
dba Gold Coast Health Plan (GCHP)**

Executive/Finance Committee Regular Meeting

Regular Meeting

Thursday, June 6, 2019 – 3:00 p.m.

Community Room at Gold Coast Health Plan

711 E. Daily Drive, Suite 106, Camarillo, CA 93010

AGENDA

CALL TO ORDER

ROLL CALL

PUBLIC COMMENT

The public has the opportunity to address Ventura County Medi-Cal Managed Care Executive Finance Committee on the agenda. Persons wishing to address the Committee should complete and submit a Speaker Card.

Persons wishing to address the Executive Finance Committee are limited to three (3) minutes unless the Chair of the Committee extends time for good cause shown. Comments regarding items not on the agenda must be within the subject matter jurisdiction of the Committee.

PRESENTATION

1. Fiscal Year 2018 - 2019 Audit Plan

Staff: Kashina Bishop, Chief Financial Officer

Presenters: Moss Adams Representatives

RECOMMENDATION: Receive and file the presentation.



FORMAL ACTION ITEMS

2. April 2019 Financials

Staff: Kashina Bishop, Chief Financial Officer

RECOMMENDATION: Accept the April 2019 Financials and forward to the Ventura County Medi-Cal Managed Care Commission for approval.

3. Gold Coast Health Plan Budget – Fiscal Year 2019-2020

Staff: Kashina Bishop, Chief Financial Officer

RECOMMENDATION: Accept the Gold Coast Health Plan Budget for Fiscal Year 2019 – 2020 and forward to the Ventura County Medi-Cal Managed Care Commission for approval

COMMENTS FROM COMMITTEE MEMBERS

ADJOURNMENT

Administrative Reports relating to this agenda are available at 711 East Daily Drive, Suite #106, Camarillo, California, during normal business hours and on <http://goldcoasthealthplan.org>. Materials related to an agenda item submitted to the Committee after distribution of the agenda packet are available for public review during normal business hours at the office of the Clerk of the Board.

In compliance with the Americans with Disabilities Act, if you need assistance to participate in this meeting, please contact (805) 437-5512. Notification for accommodation must be made by the Tuesday prior to the meeting by 3 p.m. will enable the Clerk of the Board to make reasonable arrangements for accessibility to this meeting.



AGENDA ITEM NO. 1

TO: Gold Coast Health Plan Executive / Finance Committee
FROM: Kashina Bishop, Chief Financial Officer
DATE: June 6, 2019
SUBJECT: Fiscal Year 2018-2019 Audit Plan

SUMMARY:

Moss Adams will be presenting the audit plan for Gold Coast Health Plan (GCHP) for the year ending June 30, 2019.

RECOMMENDATION:

The Plan requests the Executive / Finance Committee receive and file the presentation.

ATTACHMENTS:

Audit Entrance Presentation

Audit Committee

Gold Coast Health Plan

Thank you for your continued engagement of Moss Adams LLP, the provider of choice for health care organizations. We are pleased to present our audit plan for Gold Coast Health Plan for the year ending June 30, 2019. We would also like to discuss current-year developments and accounting standard changes that will affect our audit.

We welcome any questions or input you may have regarding our audit plan and we look forward to working with you.



Your Dedicated Team



Stelian
Damu
Partner



Chris
Pritchard
Partner



Kimberly
Sokoloff
Senior
Manager

Other Team Members

Alina Bielewicz
Audit Manager

Madison Houseworth
Audit Senior

Dylan Sunga
Audit Staff

Required Communications to Those Charged with Governance

Now

- Auditor's responsibility under U.S. auditing standards
- Planned scope and timing of audit

Later

- Significant audit findings
- Qualitative aspects of accounting practices
- Difficulties encountered in performing the audit
- Corrected and uncorrected misstatements
- Management representations
- Management consultations with other independent accountants
- Other audit findings or issues



Our Responsibility

Our responsibility under U.S. Generally Accepted Auditing Standards



To express our opinion on whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA, and design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.

To consider internal control over financial reporting as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process and administering federal awards. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Audit Process

Internal Controls



Analytical Procedures



Substantive Procedures

Includes information technology

Revenues and expenses

Trends, comparisons, and expectations

Confirmation of account balances

Vouching to supporting documentation

Representations from attorneys and management

Examining objective evidence

What is Materiality?

The amount of a misstatement that could influence the economic decisions of users, taken on the basis of the consolidated financial statements.





How It's Calculated:

- Using certain quantitative (e.g., total assets) and qualitative factors (e.g., covenants, expectations, or industry factors)

It's Used To Identify:

- Significant risk areas
- Nature, timing, extent, and scope of test work
- Findings or misstatements

Significant Audit Areas

	Capitation revenue and receivables
	Cash and cash equivalents
	Investments
	Medical claims liability, capitation payable and payable to State of California

Consideration of Fraud

Auditors must consider fraud to “improve the likelihood that auditors will detect material misstatements due to fraud in a financial statement audit.”

How we gather information to identify fraud-related risks of material misstatement:

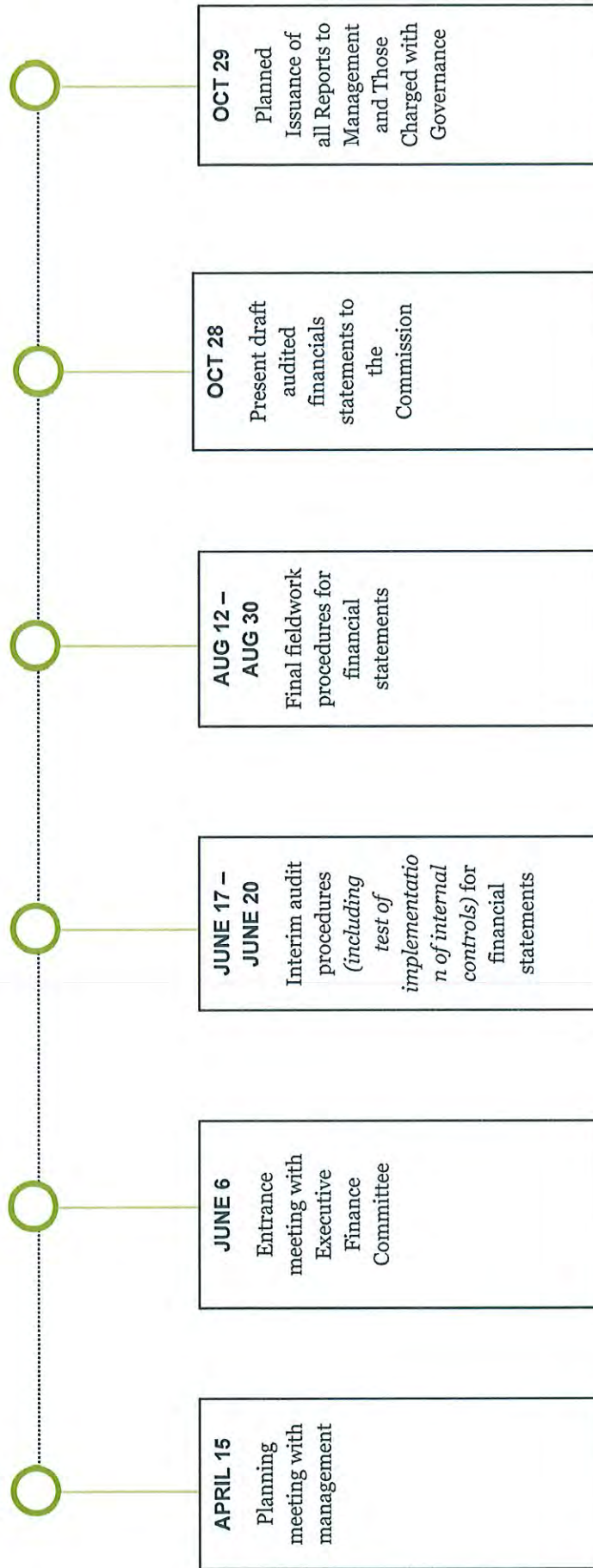
- Brainstorm with team
- Conduct personnel interviews
- Document understanding of internal control
- Consider unusual or unexpected relationships identified in planning and performing the audit

Procedures to be performed:

- Examine general journal entries for nonstandard transactions
- Evaluate policies and accounting for revenue recognition
- Test and analyze significant accounting estimates for biases
- Evaluate the business rationale for significant unusual transactions

Timeline

2019



Deliverables

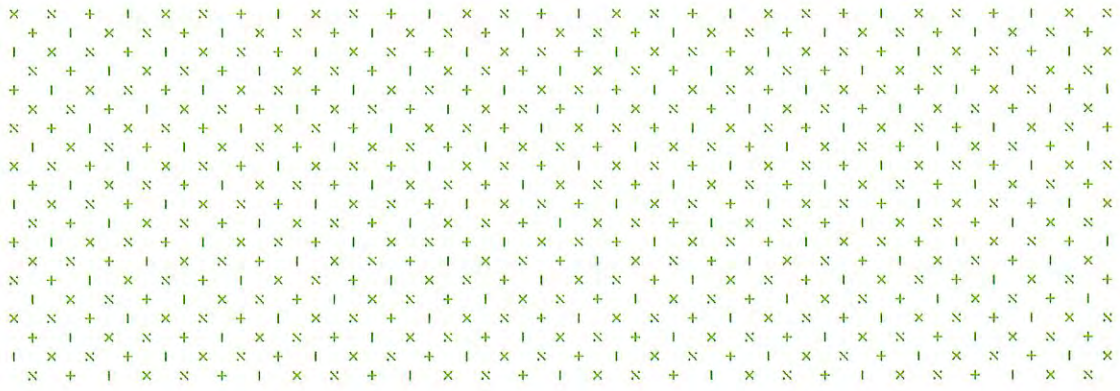
We will issue the following reports:

- Audit report on the financial statements of Ventura County Medi-Cal Managed Care Commission as of and for the year ended June 30, 2019.
- Report to those charged with governance.
 - Communicating required matters and other matters of interest.
- Report to Management and the Audit Committee.
 - Communicating internal control related matters identified during the audit.

Non-attest services:

- Assist Gold Coast Health Plan in drafting the financial statements and related footnotes as of and for the year ended June 30, 2019.





Accounting Update

New Standards

GASB 84 | Fiduciary Activities

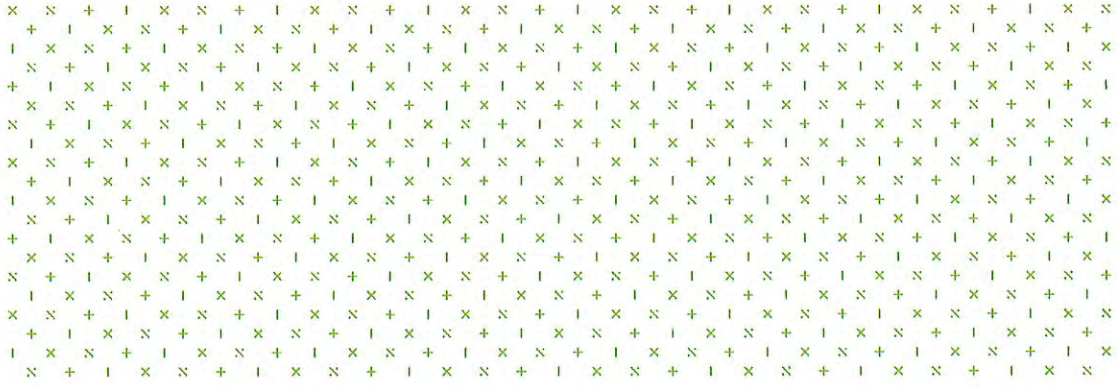
Clarifies fiduciary activities as having the following characteristics:

1. Government controls the assets of the activity.
 2. Those assets are not derived solely from the government's own source revenue.
 3. One of the following:
 - The assets result from a pass-through grant or trust agreement.
 - Assets are used to benefit individuals not typical recipients of the government's goods and services (i.e. employees receive the benefit instead of patients).
 - Assets are to be used to benefit other organizations or governments.
- Would require stand alone business-type entities (i.e. hospitals) with pension and OPEB trusts or patient custodial accounts to report separate fiduciary fund financial statements within the financial statements.
 - Effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

New Standards

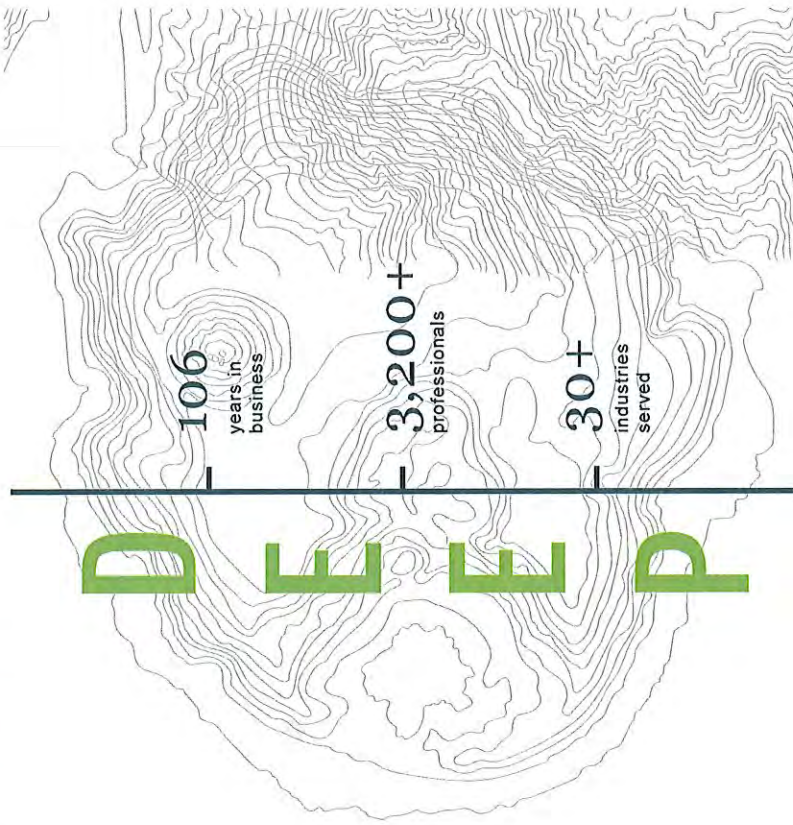
GASB 87 | Leases

- Would treat all leases as financings (no classification of capital v. operating) similar to FASB ASU 2016-02.
- Includes non-cancellable period + periods covered by options to renew if reasonably certain to be exercised.
- Lessee would record an intangible asset (amortized over the shorter of its useful life or lease term) and present value of future lease payments as a liability.
- Lessor would record a lease receivable and deferred inflow of resources for cash received up front + future payments (revenue recognized over lease term in a systematic and rational basis).
- Effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

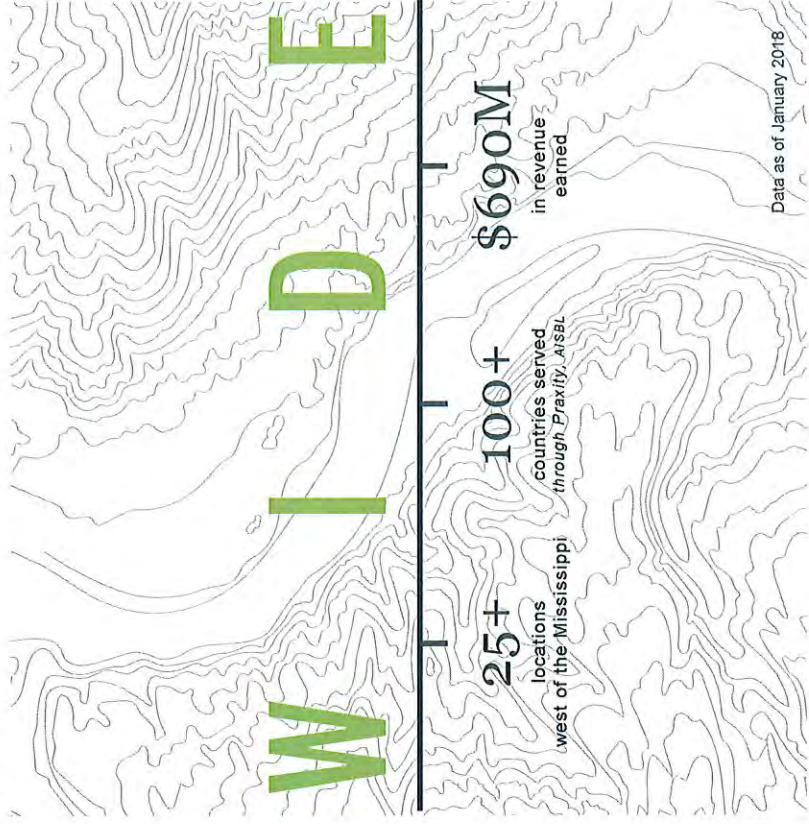


About Moss Adams

Expertise



Reach



National Health Care Practice

Increased federal and state regulations and shifting patient populations create an opportunity for fresh perspectives and novel approaches to effectively operating in the marketplace. Solve your most complex challenges by engaging a team that understands the unique obstacles you face, backed by decades of experience in health care.

Health care is one of the firm's largest practice areas, and we've built a strong team of 275 professionals who provide industry-related accounting, auditing, and consulting services to over 2,500 clients that span the health care continuum.

We provide solutions, not just services, and will keep you up to date with industry changes.



Services Overview: How This All Fits Together



Health Care Consulting

COST REIMBURSEMENT	GOVERNMENT COMPLIANCE	OPERATIONAL IMPROVEMENT
Medicare & Medicaid	Regulatory Compliance	Revenue Cycle Enhancement
Provider-based Licensure & Certification	Coding Validation	Claims Recovery
Medical Education	Coding Department Redesign	Litigation Support
Uncompensated Care	EHR Internal Controls	Employer Health Benefits
STRATEGY & INTEGRATION	LEAN TRANSFORMATION	INFORMATION TECHNOLOGY
Provider Risk Analysis, Contracting & Operational Design	3P & Innovation: redesign processes, products, facilities	HIPAA Security and Privacy
M&A Support	Lean Management Systems and Strategy Deployment	Network Security & Penetration Testing
Feasibility Studies	Lean Operations	HITRUST Assessment & Certification
Market Intelligence & Benchmarking	Quality & Patient Safety	SOC Pre-Audit Gap Analysis & Readiness
Service Line Enhancement		SOC Audits
Strategic Planning & Implementation		

Additional Services

Audit and tax are vital. But you have complex needs that go beyond these core functions. Our dedicated health care consulting team provides a range of services to address all your needs—both now and in the future.



Vision 2020

Preparing for the Future
of Health Care
2019 HEALTH CARE CONFERENCE

You're invited



WHEN

November 7-8, 2019



WHERE

Red Rock Resort & Casino
Las Vegas, Nevada



WHO

Executives and members of the
C-suite in health care, life
sciences, technology, and
venture capital



James Carville

Famed liberal campaign
consultant, political author,
and commentator



Jeff Flake

Former U.S. Senator from AZ



Susan Dentzer

Senior health care policy
expert, author, and journalist



Karl Rove

Iconic conservative political
strategist, pundit, and op-ed
contributor for *The Wall Street
Journal*



John Kitzhaber, M.D.

Former Governor of Oregon
Named one of *Modern
Healthcare's 100 Most Influential
People in Healthcare*



Donald Crane

President and CEO
America's Physician Groups

Insights & Resources

In today's fast-paced world, we know how precious your time is. We also know that knowledge is key. We'll keep you informed to help you stay abreast of critical industry **21** issues.

Moss Adams closely monitors regulatory agencies, participates in industry and technical forums, and writes about a wide range of relevant accounting, tax, and business issues to keep you informed.

We also offer CPE webinars and events which are archived and available on demand, allowing you to watch them on your time.



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ALERT

California State taxes will be administered and adjudicated differently beginning July 1

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THANK YOU



AGENDA ITEM NO. 2

TO: Gold Coast Health Plan Executive / Finance Committee
FROM: Kashina Bishop, Chief Financial Officer
DATE: June 6, 2019
SUBJECT: April 2019 Fiscal Year to Date Financials

SUMMARY:

Staff is presenting the attached April 2019 fiscal year-to-date (FYTD) financial statements of Gold Coast Health Plan ("Plan") for the Executive / Finance Committee to review.

BACKGROUND/DISCUSSION:

The staff has prepared the April 2019 FYTD financial package, including statements of financial position, statement of revenues, expenses and changes in net assets, and statement of cash flows.

FISCAL IMPACT:

Financial Highlights

- There was a decrease in net assets of \$4.9 million for the month of April.
- For the fiscal year ended April 30, 2019, the Plan's performance is a decrease in net assets of \$35.8 million, which is an unfavorable budget variance of \$26 million.
- April FYTD net revenue was \$604.4 million, \$19.1 million higher than budget.
- Cost of health care was \$604.8 million, \$54.1 million higher than budget.
- The medical loss ratio was 100.1% of revenue, which is 6.0% higher than the budget.
- The administrative cost ratio was 6.4%, 1.3% lower than budget.
- April membership of 198,443 which is 2,741 below the budgeted average.
- Tangible Net Equity was \$96.3 million which represents one and a half months of operating expenses in reserve and 292% of the required amount by the State.

Revenue

Base revenue is in line with budget expectations. The budget variance is being driven by Proposition 56 funding which was not included in budget as it was projected to be neutral to the bottom line. The Direct Payments line item under medical expenses in the amount of \$10.5 million is the associated expense for the additional Proposition 56 payments to providers.

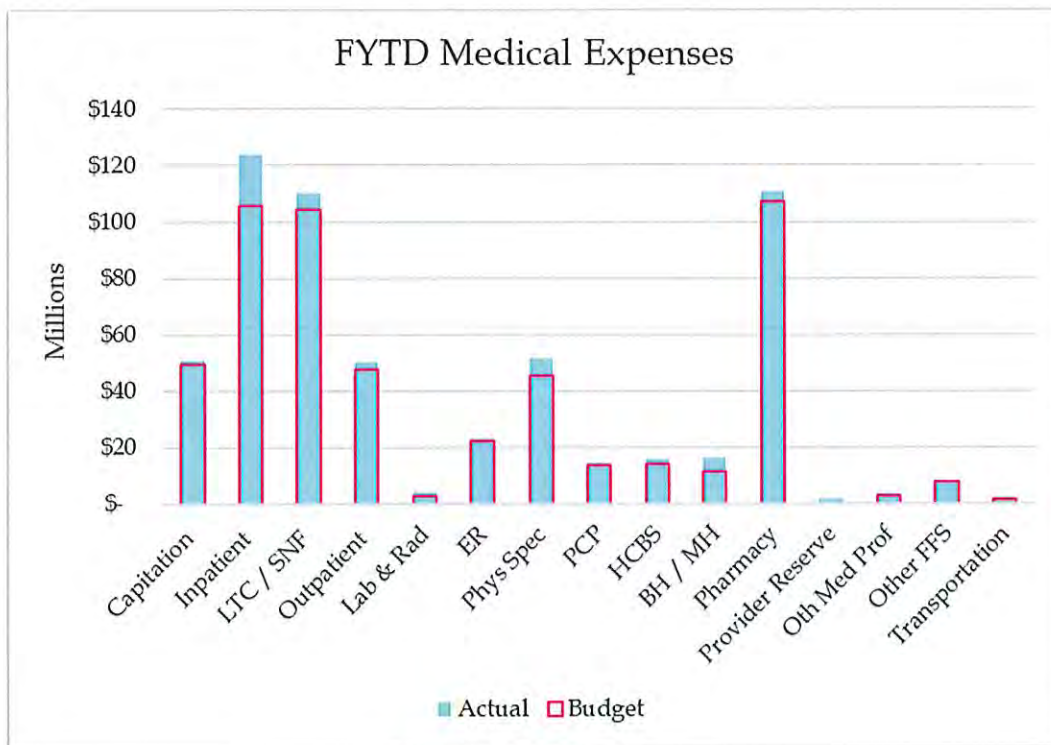
Note: Proposition 56 increased the excise tax rate on cigarettes and tobacco products for purposes of funding specified expenditures, including specified services in managed care effective July 1, 2017.

MCO Tax

MCO tax is a pre-determined liability in accordance with Senate Bill X2-2, passed in October 2016. The Plan’s MCO tax liability for FY 2019 is \$94.5 million, accrued at a rate of approximately \$7.9 million per month and paid on a quarterly basis.

Health Care Costs

April FYTD health care costs were \$604.8 million, which was \$54.1 million higher than budget. The medical loss ratio (MLR) was 100.1% versus 94.1% for budget. While we are noting some significant variances from budget, at a high level, medical expenses on a per member per month basis have stabilized with an increase in the first quarter of calendar year 2019 due to an increase in high dollar cases.



As displayed in the above graph, medical expenses are over budget in several service categories. The cause of the significant variances are as follows:

- **Inpatient exceeded budget by \$17.8 million (16.8%).**
The inpatient costs for the month of April increased significantly from prior months due to a number of high dollar cases (over \$100K) paid in the first quarter of 2019. There have been a number high dollar cases – most related to sepsis, cancer, transplants and heart surgery. The expense is offset by reinsurance claims; the reinsurance line item is a positive budget variance of \$4.5 million.
- **Physician Specialty exceeded budget by \$6.4 million (14%).**
The two highest specialties with significant increases to utilization are physical therapy and Dermatology. In a 6 month period, physical therapy increased by over \$600,000. New authorization requirements were implemented on December 1, 2018 which may reduce costs. Dermatology increased almost \$500,000 in a 6 month period and this is attributed to a single practitioner that is currently being monitored. We anticipate that these expenses will start to decrease.
- **Home & Community Based Services exceeded budget by \$1.6 million (11.4%).**
The increase is in part is related to hospice services that have steadily increased as a result of the Palliative Care benefit mandated by DHCS effective January 2018.
- **Applied Behavior Analysis and Mental Health were \$2.7 million (45.3%) and \$1.8 million (34.3%) over budget, respectively.**
There has been a steady increase in utilization which seems to be stabilizing.
- **Pharmacy exceeded budget by \$3.3 million (3.1%).**
The primary drug class driving the budget variance is dermatologicals. Recent actions by the Pharmacy and Therapeutics Committee to remove high cost dermatological generics and non-FDA approved drugs are proving effective in reducing the costs.
- **Provider reserve in the amount of \$1.9 million was not budgeted.**
This is accrued amounts based on the potential for a provider to earn back all or a portion of withheld capitation under an incentive program.

Administrative Expenses – For the fiscal year to date through April, administrative costs were \$38.9 million and \$6.3 million below budget. As a percentage of revenue, the administrative cost ratio (or ACR) was 6.4% versus 7.7% for budget.

Cash and Short Term Investment Portfolio – At April 30th, the Plan had \$148.3 million in cash and short-term investments. The investment portfolio included Ventura County Investment Pool \$41.6 million; LAIF CA State 5.1 million; the portfolio yielded a rate of 2.5%.

Medi-Cal Receivable – At April 30th, the Plan had \$85.0 million in Medi-Cal Receivables due from the DHCS.

RECOMMENDATION:

The Plan requests that the Executive / Finance Committee recommend approval of the April 2019 Fiscal Year to Date Financials.

ATTACHMENT:

April 2019 Financial Package



FINANCIAL PACKAGE
For the month ended April 2019

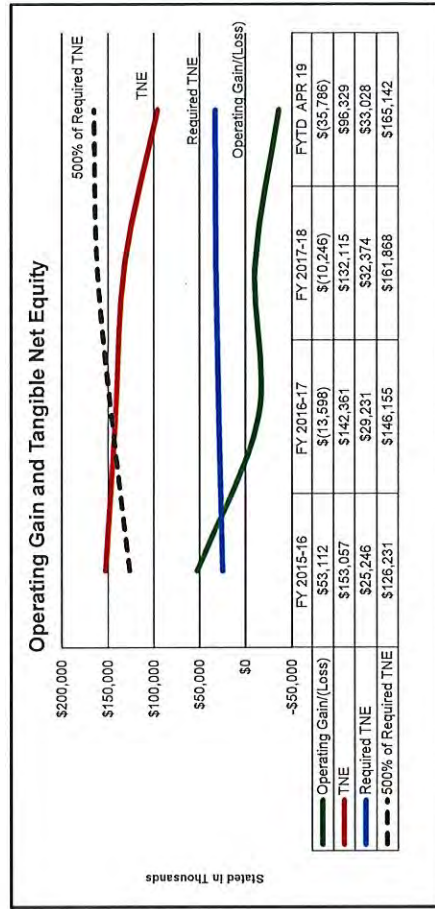
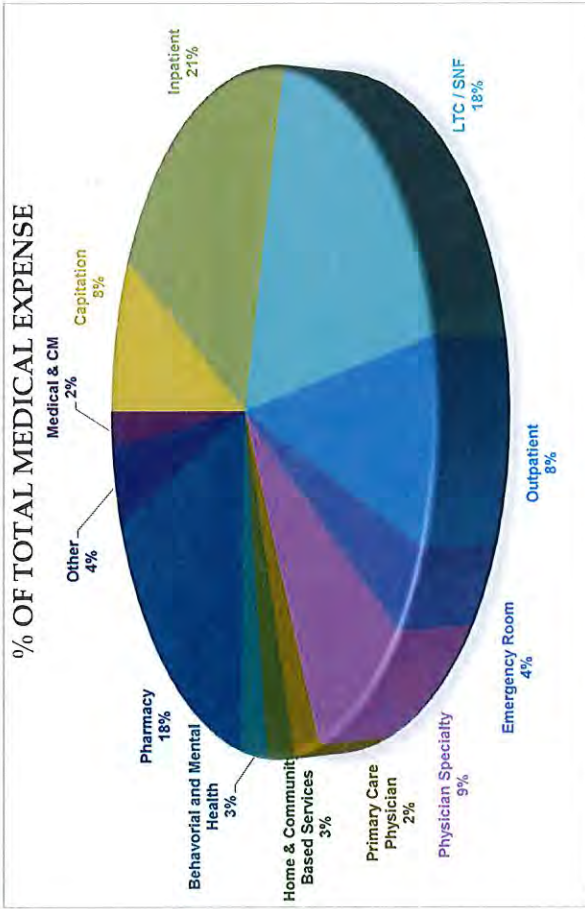
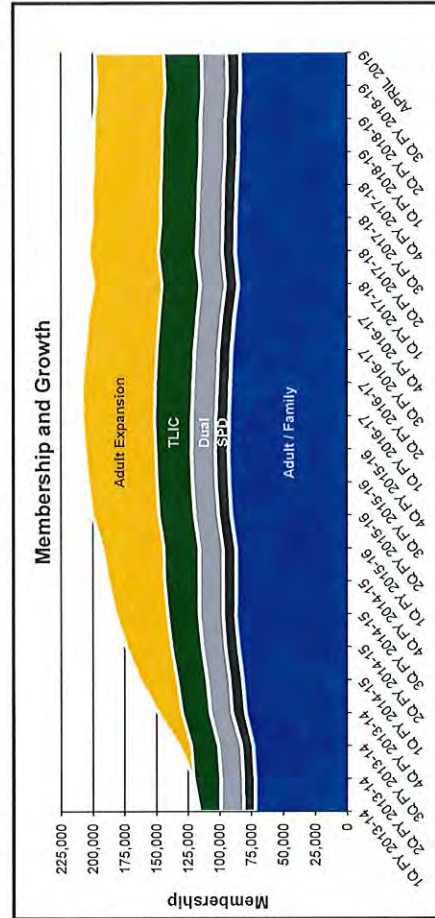
TABLE OF CONTENTS

- Executive Dashboard
- Statement of Financial Position
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows

Gold Coast Health Plan
Executive Dashboard as of April 30, 2019

	FYTD 18/19 Budget	FYTD 18/19 Actual	FY 17/18 Actual	FY 16/17 Actual
Average Enrollment	202,343	198,299	202,748	207,100
Revenue	\$ 289.24	\$ 304.44	\$ 284.60	\$ 273.72
Capitation	\$ 24.34	\$ 25.69	\$ 13.90	\$ 26.22
Inpatient	\$ 52.31	\$ 62.34	\$ 58.98	\$ 53.44
LTC / SNF	\$ 51.52	\$ 55.51	\$ 51.30	\$ 47.86
Outpatient	\$ 23.44	\$ 25.38	\$ 25.74	\$ 23.17
Emergency Room	\$ 11.00	\$ 11.61	\$ 12.77	\$ 9.07
Physician Specialty	\$ 22.48	\$ 26.16	\$ 23.82	\$ 22.55
Primary Care Physician	\$ 6.63	\$ 7.22	\$ 6.78	\$ 6.45
Home & Community Based Services	\$ 7.01	\$ 7.97	\$ 6.88	\$ 7.33
Behavioral and Mental Health	\$ 5.66	\$ 8.10	\$ 6.37	\$ 4.57
Pharmacy	\$ 53.01	\$ 55.77	\$ 49.76	\$ 47.76
Other	\$ 8.55	\$ 13.22	\$ 9.48	\$ 6.57
Medical & CM	\$ 6.18	\$ 6.01	\$ 4.79	\$ 4.92
Total Per Member Per Month	\$ 272.13	\$ 304.98	\$ 270.57	\$ 259.91
% of Revenue	94.1%	100.2%	95.1%	95.0%

Total Administrative Expenses	\$ 45,158,437	\$ 38,907,842	\$ 49,015,352	\$ 51,176,317
% of Revenue	7.7%	6.4%	7.1%	7.5%
TNE	\$ 119,110,334	\$ 96,329,365	\$ 132,115,371	\$ 142,360,951
Required TNE	\$ 29,981,572	\$ 32,995,492	\$ 32,373,536	\$ 29,231,062
% of Required	397%	292%	408%	487%



STATEMENT OF FINANCIAL POSITION

	<u>04/30/19</u>	<u>03/31/19</u>	<u>02/28/19</u>
ASSETS			
Current Assets:			
Total Cash and Cash Equivalents	\$ 101,647,151	\$ 186,238,369	\$ 96,950,115
Total Short-Term Investments	46,692,826	46,661,093	46,520,731
Medi-Cal Receivable	85,081,420	85,033,618	105,452,919
Interest Receivable	490,638	386,826	440,728
Provider Receivable	327,370	295,133	384,421
Other Receivables	6,780,216	6,780,916	6,781,626
Total Accounts Receivable	<u>92,679,644</u>	<u>92,496,494</u>	<u>113,059,694</u>
Total Prepaid Accounts	1,714,314	1,709,046	1,726,030
Total Other Current Assets	153,789	168,060	170,560
Total Current Assets	<u>242,887,724</u>	<u>327,273,062</u>	<u>258,427,130</u>
Total Fixed Assets	1,674,470	1,698,061	1,725,626
Total Assets	<u>\$ 244,562,194</u>	<u>\$ 328,971,122</u>	<u>\$ 260,152,756</u>
LIABILITIES & NET ASSETS			
Current Liabilities:			
Incurred But Not Reported	\$ 56,947,245	\$ 53,636,086	\$ 45,755,782
Claims Payable	24,316,267	39,518,458	35,941,444
Capitation Payable	28,852,654	28,800,886	28,681,916
Physician Payable	3,495,375	3,495,375	5,199,782
DHCS - Reserve for Capitation Recoup	3,337,147	2,721,112	0
Accounts Payable	9,048,552	719,178	217,748
Accrued ACS	3,319,764	3,335,302	3,224,668
Accrued Provider Reserve	1,842,677	1,689,926	1,536,819
Accrued Expenses	8,314,632	69,444,453	8,396,265
Accrued Premium Tax	5,811,650	21,562,481	13,687,065
Accrued Payroll Expense	1,817,759	1,704,001	1,528,455
Total Current Liabilities	<u>147,103,723</u>	<u>226,627,257</u>	<u>144,169,945</u>
Long-Term Liabilities:			
Other Long-term Liability-Deferred Rent	1,129,106	1,129,812	1,129,483
Total Long-Term Liabilities	<u>1,129,106</u>	<u>1,129,812</u>	<u>1,129,483</u>
Total Liabilities	<u>148,232,829</u>	<u>227,757,069</u>	<u>145,299,428</u>
Net Assets:			
Beginning Net Assets	132,115,371	132,115,371	132,115,371
Total Increase / (Decrease in Unrestricted Net Assets)	<u>(35,786,006)</u>	<u>(30,901,318)</u>	<u>(17,262,043)</u>
Total Net Assets	<u>96,329,365</u>	<u>101,214,053</u>	<u>114,853,328</u>
Total Liabilities & Net Assets	<u>\$ 244,562,194</u>	<u>\$ 328,971,122</u>	<u>\$ 260,152,756</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR TEN MONTHS ENDED APRIL 30, 2019

	April 2019		Year-To-Date		Variance		Variance	
	Actual	Budget	Actual	Budget	Fav / (Unfav)		Fav / (Unfav)	
Membership (includes retro members)	198,443	2,023,425	1,982,986	2,023,425	(40,439)			
Revenue								
Premium	72,021,317	662,152,997	686,789,052	662,152,997	23,636,055			18.59
Reserve for Cap Requirements	(616,035)	-	(3,337,147)	-	(3,337,147)			(1.68)
MCO Premium Tax	(7,875,415)	(76,890,211)	(78,754,153)	(76,890,211)	(1,863,941)			(1.71)
Total Net Premium	63,529,866	585,262,786	603,697,753	585,262,786	18,434,967			15.20
Other Revenue:								
Miscellaneous Income	686,625	-	686,625	-	686,625			0.35
Total Other Revenue	686,625	-	686,625	-	686,625			0.35
Total Revenue	64,216,491	585,262,786	604,384,378	585,262,786	19,121,592			15.54
Medical Expenses:								
Capitation (PCP, Specialty, Kaiser, NEMT & Vision)	5,152,427	49,243,790	50,940,241	49,243,790	(1,696,450)			(1.35)
FFS Claims Expenses:								
Inpatient	15,114,568	105,846,947	123,627,347	105,846,947	(17,780,400)			(10.03)
LTC / SNF	11,883,159	104,244,051	110,077,281	104,244,051	(5,833,230)			(3.99)
Outpatient	6,159,208	47,428,390	50,335,886	47,428,390	(2,907,496)			(1.94)
Laboratory and Radiology	480,690	2,866,712	3,622,371	2,866,712	(755,659)			(0.41)
Directed Payments - Provider	779,719	10,501,437	10,501,437	10,501,437	-			(5.30)
Emergency Room	2,339,489	22,256,949	23,015,440	22,256,949	(758,491)			(0.61)
Physician Specialty	5,780,195	45,495,992	51,865,866	45,495,992	(6,369,864)			(3.67)
Primary Care Physician	1,538,266	14,322,214	14,322,214	14,322,214	-			(0.96)
Home & Community Based Services	1,341,562	14,183,079	15,796,623	14,183,079	(1,613,545)			(0.99)
Applied Behavior Analysis Services	970,818	8,905,745	6,130,328	8,905,745	(2,775,418)			(1.46)
Mental Health Services	380,622	5,326,010	7,159,788	5,326,010	(1,827,757)			(0.98)
Pharmacy	10,843,789	107,262,630	110,596,221	107,262,630	(3,333,591)			(2.76)
Provider Reserve	152,751	1,942,677	1,942,677	1,942,677	-			(0.98)
Other Medical Professional	461,621	2,803,634	3,494,239	2,803,634	(690,605)			(0.38)
Other Medical Care	3,250	28,748	28,748	28,748	-			(0.01)
Other Fee For Service	986,057	7,778,534	7,778,534	7,778,534	-			(0.17)
Transportation	186,065	2,053,325	2,053,325	2,053,325	-			(0.32)
Total Claims	59,361,828	486,321,586	545,119,712	486,321,586	(58,798,126)			(34.55)
Medical & Care Management Expense	1,234,224	12,494,813	11,915,665	12,494,813	579,148			0.17
Reinsurance	245,235	2,569,006	(1,907,102)	2,569,006	4,476,108			2.23
Claims Recoveries	(312,165)	(1,299,217)	(1,299,217)	(1,299,217)	-			(0.66)
Sub-total	1,167,294	15,063,819	8,709,346	15,063,819	6,354,474			3.06
Total Cost of Health Care	65,681,549	550,629,195	604,769,298	550,629,195	(54,140,103)			(32.85)
Contribution Margin	(1,465,058)	34,633,591	(384,920)	34,633,591	(35,018,511)			(17.66)
General & Administrative Expenses:								
Salaries, Wages & Employee Benefits	1,986,683	20,694,995	20,468,223	20,694,995	226,772			(0.09)
Training, Conference & Travel	31,159	499,785	231,080	499,785	268,705			0.13
Outside Services	2,137,860	22,336,006	20,811,119	22,336,006	1,524,887			0.54
Professional Services	202,288	2,720,966	2,340,092	2,720,966	380,874			0.16
Occupancy, Supplies, Insurance & Others	637,235	7,225,638	6,067,057	7,225,638	1,158,581			0.51
Care Management Credit	(1,234,224)	(12,494,813)	(11,915,665)	(12,494,813)	(579,148)			(0.17)
G&A Expenses	3,761,000	40,982,577	38,001,906	40,982,577	2,980,671			1.09
Project Portfolio	86,868	4,175,860	905,937	4,175,860	3,269,924			1.61
Total G&A Expenses	3,847,869	45,158,437	38,907,842	45,158,437	6,250,595			2.70
Total Operating Gain / (Loss)	(5,312,926)	(10,524,846)	(39,292,763)	(10,524,846)	(28,767,916)			(14.96)
Non Operating								
Revenues - Interest	428,239	780,350	3,506,757	780,350	2,726,407			1.38
Total Non-Operating	428,239	780,350	3,506,757	780,350	2,726,407			1.38
Total Increase / (Decrease) in Unrestricted Net Assets	(4,884,687)	(9,744,496)	(35,786,006)	(9,744,496)	(26,041,509)			(13.58)

INCOME STATEMENT BY CATEGORY OF AID
FOR TEN MONTHS ENDED APRIL 30, 2019

	MARCH 2019 Year-To-Date				Total
	AE	SPD	Classic	Total	
Membership (includes retro members)	541,822	293,181	1,147,983		1,982,986
Revenue					
Premium	235,526,733	171,319,107	278,943,212		685,789,052
Reserve for Cap Requirements	(1,027,089)	(351,968)	(1,958,090)		(3,337,147)
MCO Premium Tax	(21,604,142)	(11,516,874)	(45,633,137)		(78,754,153)
Total Net Premium	212,895,502	159,450,266	231,351,985		603,697,753
Other Revenue:					
Miscellaneous Income	-	-	686,625		686,625
Total Other Revenue			686,625		686,625
Total Revenue	212,895,502	159,450,266	232,038,610		604,384,378
Medical Expenses:					
Capitation (PCP, Specialty, Kaiser, NEMT & Vision)	24,038,983	3,749,233	23,152,024		50,940,241
FFS Claims Expenses:					
Inpatient	58,037,288	33,787,860	31,802,199		123,627,347
LTC / SNF	11,820,015	31,253,603	67,003,662		110,077,281
Outpatient	21,923,803	12,665,222	15,746,861		50,335,886
Laboratory and Radiology	1,673,446	448,401	1,500,523		3,622,371
Directed Payments - Provider	3,232,656	1,158,861	6,109,920		10,501,437
Emergency Room	8,435,718	2,604,829	11,974,894		23,015,440
Physician Specialty	22,925,902	11,285,400	17,654,554		51,865,856
Primary Care Physician	4,099,371	2,335,863	7,886,981		14,322,214
Home & Community Based Services	1,854,309	12,756,000	1,186,314		15,796,623
Applied Behavior Analysis Services	-	3,868,253	5,037,492		8,905,745
Mental Health Services	2,639,838	1,412,090	3,101,839		7,153,768
Pharmacy	54,651,688	24,800,332	31,146,203		110,598,222
Adult Expansion Reserve					
Provider Reserve	966,687	102,213	873,778		1,942,677
Other Medical Professional	1,690,398	848,182	955,659		3,494,239
Other Medical Care	-	(2,931)	31,679		28,748
Other Fee For Service	1,554,608	4,167,584	2,056,342		7,778,534
Transportation	839,165	671,376	542,783		2,053,325
Total Claims	196,344,892	144,163,138	204,611,683		545,119,712
Medical & Care Management Expense					
Reinsurance	4,284,771	3,138,794	4,492,100		11,915,665
Claims Recoveries	707,768	361,382	(2,976,253)		(1,907,102)
Sub-total	4,992,539	3,500,177	216,630		8,709,346
Total Cost of Health Care	225,376,414	151,412,548	227,980,337		604,769,299
Contribution Margin	(12,480,912)	8,037,718	4,058,274		(384,921)

STATEMENT OF CASH FLOWS	April 2019	FYTD 18-19
Cash Flows Provided By Operating Activities		
Net Income (Loss)	(4,884,687)	(35,786,006)
Adjustments to reconciled net income to net cash provided by operating activities		
Depreciation on fixed assets	44,966	452,422
Amortization of discounts and premium	-	(105,364)
Changes in Operating Assets and Liabilities		
Accounts Receivable	(183,151)	(10,772,018)
Prepaid Expenses	9,003	(1,354)
Accounts Payable	(51,934,146)	(146,545,852)
Claims Payable	(15,150,423)	(102,730)
MCO Tax liability	(15,750,831)	(14,460,607)
IBNR	3,311,159	7,727,602
Net Cash Provided by (Used in) Operating Activities	(84,538,110)	(199,593,908)
Cash Flow Provided By Investing Activities		
Proceeds from Restricted Cash & Other Assets		
Proceeds from Investments	-	172,056,288
Proceeds for Sales of Property, Plant and Equipment		-
Payments for Restricted Cash and Other Assets		-
Purchase of Investments plus Interest reinvested	(31,733)	(21,961,603)
Purchase of Property and Equipment	(21,375)	(156,158)
Net Cash (Used In) Provided by Investing Activities	(53,108)	149,938,528
Increase/(Decrease) in Cash and Cash Equivalents	(84,591,218)	(49,655,380)
Cash and Cash Equivalents, Beginning of Period	186,238,369	151,302,531
Cash and Cash Equivalents, End of Period	101,647,151	101,647,151



AGENDA ITEM NO. 3

TO: Gold Coast Health Plan Executive / Finance Committee
FROM: Kashina Bishop, Chief Financial Officer
DATE: June 6, 2019
SUBJECT: FY 2019-20 Operating and Capital Budgets

SUMMARY:

Staff is presenting the FY 2019-20 Operating and Capital Budgets of Gold Coast Health Plan ("Plan") for the Executive / Finance Committee for review.

RECOMMENDATION:

The Plan requests that the Executive / Finance Committee recommend approval of the FY 2019-20 Operating and Capital Budgets to the Commission.

ATTACHMENTS:

Draft FY 2019-20 Operating and Capital Budgets



Gold Coast Health PlanSM

A Public Entity

FY 2019-20 OPERATING AND CAPITAL BUDGETS DRAFT

Executive Budget Summary

Overview

In looking forward to fiscal year 2019-20, Gold Coast Health Plan projects to operate at a slight surplus, but will need to continually monitor and assess the financial condition and forecasted medical expenses.

In any budget year a number of variables can impact the actual plan's performance including:

- Changes in State policy which impacts forecasted revenue.
- Membership trends.
- Medical expenses can fluctuate based on the medical needs of the membership and unknown environmental factors such as fires or disease outbreaks.

GCHP continues to be in a challenging position in which the tangible net equity has declined to level below that of the Commission approved policy, but is at a critical point in which investing in significant projects will hedge against future risks and allow the plan to meet evolving demands and requirements.

GCHP staff continues to explore ways to reduce medical expenses while minimizing the impact to the provider community which cares for our members. GCHP was notified by the State that capitation rates will remain level for an 18 month period through December 31, 2020 so this will be an important and ongoing focus.

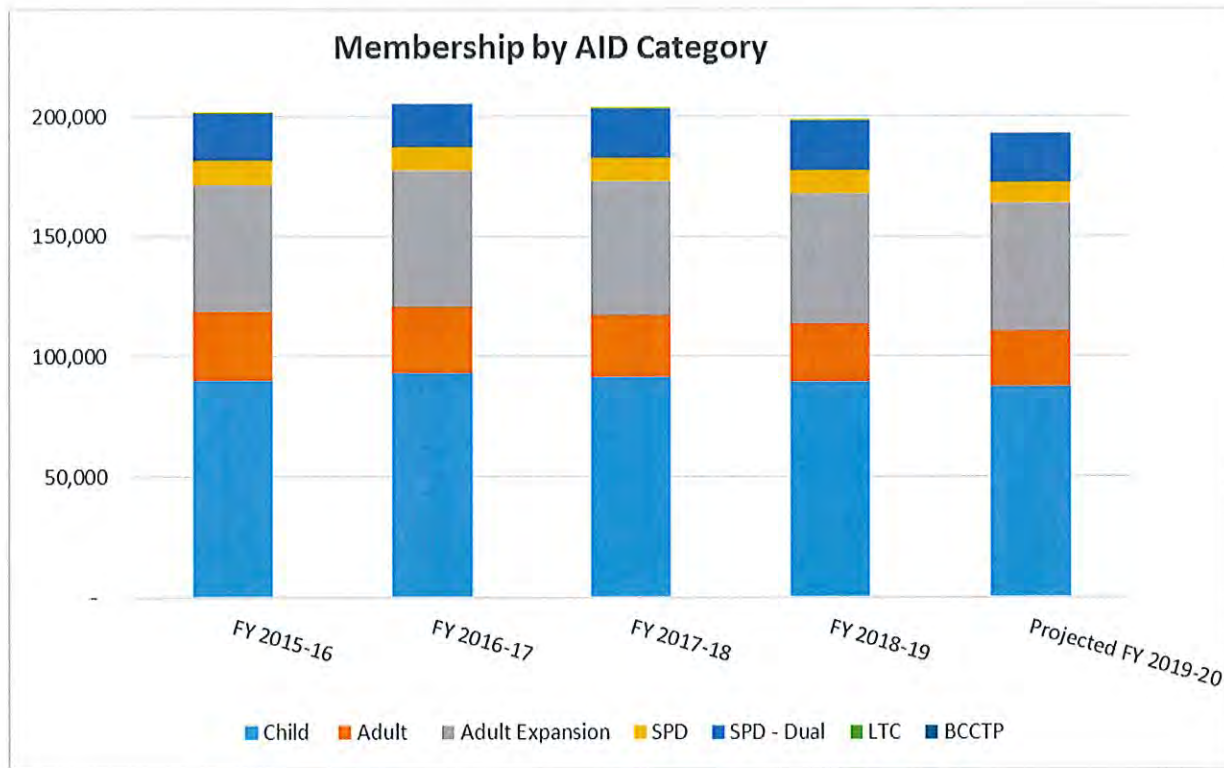
This document outlines the fiscal year 2019-20 operating and capital budgets and major associated assumptions.

Key Budget Highlights

- 12% increase in revenue
- 2% increase in medical expenses
- 92.5% medical loss ratio
- 7.4% administrative cost ratio (6.5% without projects)
- 204 FTEs
- Net surplus \$1.5 million
- Year end TNE 280% of required

Membership

Membership is projected at an average of 193,409, which represents a 2% decrease. This is consistent with the decline experienced in FY 18/19 and the Governor’s budget which estimates continued decreases due to lower unemployment rates and the impact of the minimum wage increase.

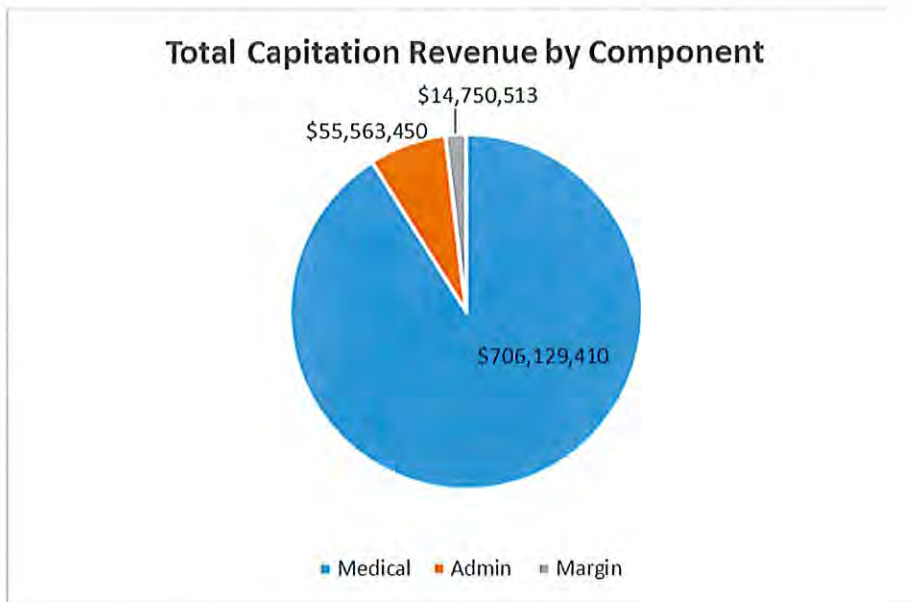


Revenue

Total revenue in the budget is projected at \$776.4 million (\$334.54 pmpm) based on draft capitation rates received from the State. On a pmpm basis, this is an approximate 12% increase in the base capitation rates from FY 2018-19.

Base Capitation	\$ 742,950,139
Hep C Supplemental	\$ 3,815,898
BHT Supplemental	\$ 11,713,322
Proposition 56	\$ 17,964,014
	<u>\$ 776,443,373</u>

The capitation rates from the State were established based on medical expenditures in calendar year 2017, with applied trend factors, credibility adjustments and program changes. Components were then applied for administrative expenses and an operating margin.



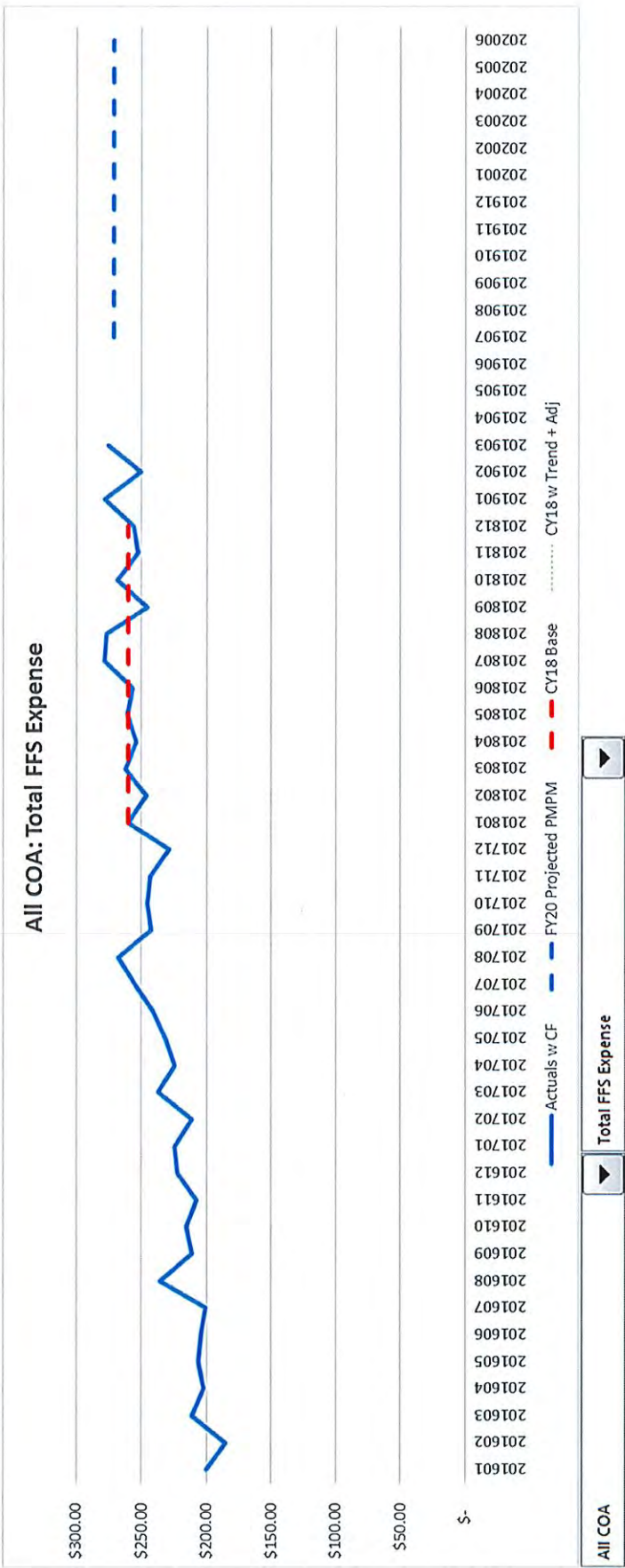
Medical Expenses

The medical expense budget is \$718,275,941 and is developed by calculating pmpm costs for CY 2018 by aid category and provider type, and then incorporating anticipated changes as a result of utilization patterns, market trends and changes in provider reimbursement rates forecasted to occur during the budget year. Total medical expense are projected to remain stable through the year as is reflected in the chart (see page 4).

The major assumptions impacting the projected medical expenses are as follows:

- Change to the transportation capitation arrangement which increased costs and carved in services previously paid on a fee for service basis.
- Contracting changes effective during fiscal year 2018-19 increasing the estimated inpatient and outpatient costs.
- Contracting changes effective during fiscal year 2018-19 increasing the estimated emergency room costs.
- An assumed increase of 3% for LTC/SNF expenses associated with annual increases based on State established facility rates.
- A projected increase of 3% in pharmacy expenses associated with drug unit cost trends and utilization factors.
- An annual increase of 1% for Specialty Physician costs which are based on the Medi-Cal fee schedule.
- Trended the Mental and Behavioral Health and the Home and Community Based Services costs based on more recent data due to increased utilization.

Note: Care management expenses are outlined in the General and Administrative budget.



FY 2019-20 MEDICAL EXPENSE BUDGET				
	FY 2018-19 as of March 2019	Projected FY 2019-20	Percent Change	Projected FY 2019-20 Total Dollar
	PMPM	PMPM		
Capitation - PCP Expense	\$ 25.66	\$ 26.52	3%	\$ 61,553,973
<u>Fee For Service</u>				
Inpatient FFS Expense	\$ 60.81	\$ 61.60	1%	\$ 142,961,687
Outpatient FFS Expense	24.76	25.68	4%	59,595,780
LTC/SNF Expense	55.02	57.35	4%	133,103,111
ER Facility Services FFS	11.59	11.91	3%	27,634,235
Physician Specialty Services FFS	25.82	25.49	-1%	59,161,691
Transportation FFS	1.05	0.73	-31%	1,684,686
Other Fee For Service Expense	3.82	4.01	5%	9,295,340
Primary Care Physician FFS	7.16	5.85	-18%	13,567,643
Mental and Behavioral Health	8.25	8.16	-1%	18,938,042
Pharmacy Expense FFS	55.90	57.07	2%	132,446,524
Other Medical Professional	1.70	1.63	-4%	3,790,614
Home & Community Based Svcs	8.10	8.08	0%	18,742,123
Laboratory and Radiology Expense	1.77	1.71	-4%	3,960,487
Other Medical Care Expenses	0.01	-	-100%	-
Directed Payments	5.45	7.74	42%	17,964,014
Provider Reserve	1.00	0.77	-23%	1,797,236
Budget Reduction	-	(2.15)		(5,000,000) *
Sub-total	\$ 272.21	\$ 275.60	1%	\$ 639,643,212
Reinsurance-Net	\$ (1.21)	\$ 0.84	-169%	\$ 1,949,564
Refunds & Recoveries	\$ (0.55)	\$ (0.43)	-22%	\$ (1,000,000)
Care Management	\$ 5.99	\$ 6.95	16%	\$ 16,129,193
Total Medical Expenses	\$ 302.10	\$ 309.48	2%	\$ 718,275,941
MLR	99.8%	92.5%		92.5%

* In order to protect the Plan from further losses, staff has developed several strategies to reduce medical expenditures in FY 2019-20. These include, but are not limited to:

- Contract rate changes
- Enhanced services for claims audit and recoveries
- Preferred Provider/Vendor Networks

General and Administrative Expenses

The 2019-20 general and administrative budget is \$50,623,480, excluding those expenses associated with major projects. This is 6.5% of estimated revenue and within the amount allocated in the capitation rates for administrative expenses which is a total of \$55,563,450. Including the Enterprise Project Portfolio, the total general and administrative budget is \$57,701,709 and 7.4% of revenue.

The budget was developed at a department level and is based on a review of FY 2018-19 actual expenditures with changes based on certain assumptions and expectations for FY 2019-20.

The major assumptions and changes in the general and administrative budget are as follows:

Salary Expense

Salary expense includes a merit pool equal to 3% of total salaries, and a 6% vacancy factor. Also impacting the salary expense are the addition of new positions, promotions, and re-purposing of positions at a higher salary. The table on the following page represents budgeted positions by department in comparison with the FY 2018-19 budget.

Budgeted Positions				
Department	FY 2018-19	FY 2019-20	Change	
Diversity	1.0	-	(1.0)	
Executive	9.0	11.0	2.0	*
Human Resources	6.0	6.0	-	
Compliance	11.0	10.0	(1.0)	*
Operations	2.0	2.0	-	
Appeals & Grievance	5.0	5.0	-	
Operations Support Services	5.0	5.0	-	
Member Services	7.0	7.0	-	
Claims	7.0	6.0	(1.0)	*
Facilities	3.0	3.0	-	
Network Operations	10.0	11.0	1.0	*
Communications	2.0	2.0	-	
Accounting and Finance	8.0	6.0	(2.0)	*
Procurement	3.0	3.0	-	
Decision Support Services	6.0	7.0	1.0	*
Project Management Office	4.0	2.0	(2.0)	*
Information Technology	2.0	3.0	1.0	*
Infrastructure	5.0	5.0	-	
Solution Services	9.0	10.0	1.0	
Government and Community Relations	1.0	3.0	2.0	*
Quality	10.0	10.0	-	
Pharmacy	2.0	2.5	0.5	
Health Services/Health Education	84.0	85.0	1.0	
	<u>202.0</u>	<u>204.5</u>	<u>2.5</u>	

* Indicates there was not a net change to FTE's but the change is due to a department transfer or re-purposing of a position.

The new positions, net of transfers and re-purposing, are as follows:

Senior IT Business Analyst (Solution Services) – this is a contractor that is converting to a FTE with cost offset in consulting expense.

PT Pharmacy Tech (Pharmacy) – this position was added during fiscal year 2018-19 to allow staff more time to perform provider outreach.

RN, Utilization Management (Health Services) – this is a contractor that is converting to a FTE with cost offset in temp labor expense.

Community Relations Specialist (Government and Community Relations) – this position is needed to fulfill the strategic objective to be a collaborative community partner by increasing community participation and engagement through outreach activities and other initiatives.

Note: Although the budget reflects new positions, management is continuing to operate with a soft hiring freeze, and assessing the functional needs of the organization as positions are vacated.

Temp Labor

The reduction is related to the hiring of staff positions where the work has been deemed to be ongoing and a net savings for the work can be achieved.

Taxes and Benefits

The costs are primarily driven by salary expense which increased due to the items noted above. In addition, there was an assumed increase to employee related insurances of 5%.

Training, Conference, and Travel

The total budget is consistent with the prior year, but significantly higher than the FY 2018-19 projected actual expenditures. The budget was increased to enhance participation in community events and hold additional meetings within the community.

Outside Services – PBM fees

The budget is consistent with the prior year but significantly more than the FY 2018-19 projected actual expenses. The administrative fees were lower this fiscal year due to receipt of a credit that is not anticipated in FY 2019-20.

Outside Services – Other

Increase in cost due to engagement with a vendor to assist GCHP with the HEDIS Gap closure which will improve member health outcomes and HEDIS scores.

Consulting

Diversity officer role was budgeted at a full year in consulting, and had previously been budgeted as a staff position for a portion of the year.

Software Licenses

The most significant change is the increase in software subscription fees for Inovalon which is budgeted for \$1.0 million, an increase from the prior year budget of over \$500,000. Inovalon, a certified HEDIS software vendor, provides critical requirements of the annual HEDIS data collection project, including measure calculation and reporting, as well as medical record pursuit and abstraction.

The following table outlines general and administrative budget and includes a comparison to the initial budget (adopted in June 2018) for 2018-19, as well as a projection on the actual expenditures to be incurred during the current fiscal year 2018-19.

FY 2019-20 GENERAL AND ADMINISTRATIVE EXPENSES					
	FY 2018-19			Change	
	Projected	FY 2018-19	FY 2019-20	Budget to	Percent
	Actual	Budget	Budget	Budget	Change
Salary Expense	\$ 18,011,194	\$ 18,310,154	\$ 19,683,560	\$ 1,373,406	8%
Temp Labor	1,065,125	745,788	561,579	(184,209)	-25%
Taxes and Benefits	5,565,735	5,832,110	6,815,660	983,550	17%
Training, Conference, and Travel	266,562	585,341	614,926	29,585	5%
Outside Services - Conduent	19,948,562	19,728,000	19,217,127	(510,873)	-3%
Outside Services - PBM Admin	1,392,136	2,950,044	3,052,936	102,892	3%
Outside Services - Other	3,556,980	4,111,519	4,468,112	356,593	9%
Accounting & Actuarial Services	206,969	204,072	166,000	(38,072)	-19%
Legal	1,398,336	1,500,000	1,500,000	-	0%
Consulting Services	980,581	1,101,846	1,238,045	136,199	12%
Translation Services	162,656	163,456	220,000	56,544	35%
Committee/Advisory	7,333	21,450	18,800	(2,650)	-12%
Employee Recruitment	94,531	218,422	100,000	(118,422)	-54%
Lease	1,459,901	1,440,136	1,475,532	35,396	2%
Depreciation & Amortization	543,275	495,691	560,403	64,712	13%
Non-Capital - Furniture & Equipment	67,720	181,451	156,006	(25,445)	-14%
Office & Operating Supplies	131,014	166,828	150,166	(16,662)	-10%
Shipping & Postage	174,165	218,363	176,990	(41,373)	-19%
Printing	245,386	275,828	342,300	66,472	24%
Software Licenses	2,697,617	3,518,361	4,193,023	674,662	19%
Repairs & Maintenance	104,205	94,841	150,823	55,982	59%
Telephone/Internet	146,380	174,672	247,914	73,242	42%
Advertising and promotion	119,300	296,357	206,550	(89,807)	-30%
Insurance	502,333	600,000	525,000	(75,000)	-13%
Interest	723,426	540,000	540,000	-	0%
Professional dues, fees, and licenses	280,089	311,984	315,111	3,127	1%
Subscriptions and publications	32,883	26,397	32,221	5,824	22%
Bank Service Fees	12,067	23,891	23,891	-	0%
Care Management	(14,241,921)	(15,010,927)	(16,129,192)	(1,118,265)	7%
Total General and Administrative	\$ 45,654,541	\$ 48,826,075	\$ 50,623,480	\$ 1,797,405	4%
% Admin to Revenue	6.3%	7.0%	6.5%		
Enterprise Project Portfolio	\$ 1,092,091	\$ 5,045,262	\$ 7,078,229	\$ 2,032,967	40%
Total G&A (including Projects)	\$ 46,746,631	\$ 53,871,337	\$ 57,701,709	\$ 3,830,372	7%
% to Revenue	6.5%	7.7%	7.4%		

FY 2019-20 Enterprise Project Portfolio (EPP)

The FY2019-20 Enterprise Project Portfolio comprises the projects identified through our project steering committee process as the highest priorities for GCHP in supporting our strategic objectives around ensuring access to and availability of quality care, investing in quality data, streamlining the experience of our business partners, building a culture of compliance, ensuring fiscal discipline and long-term fiscal solvency, enhancing our work environment, and positioning the organization to meet the future demands of providing health care to our members.

The FY2019-20 EPP includes nine (9) carryover projects from the previous fiscal year, eight of which are currently in planning or active status. Staff identified and prioritized four (4) additional EPP initiatives for FY2019-20 based on the following business drivers:

- KTLO & Information Security - Initiatives to maintain current and ongoing business operations, optimize the organization's information and cybersecurity posture, and ensure business continuity in case of an emergency or disaster.
- Strategic Technology Investments - Initiatives and technology investments critical to improving business efficiencies and the organization's ability to address expanded State and Federal regulatory requirements around access and quality, as well as data exchange. These initiatives also mitigate the risk of a financial penalty that could be assessed for non-compliance.

The total enterprise portfolio budget is valued at \$7.8 million. The total budgeted amount in the income statement is \$7.1 million as that excludes capital amounts and those related to care management. Individual project budgets include estimates for technology investments (software subscriptions, licensing fees, hardware, cloud storage, etc.), professional implementation services, temporary labor for staff augmentation, print and communication costs (if applicable), and contingency. The Enterprise Transformation Project (ETP) and Provider Credentialing, Contracting and Data Management (PCCM) project comprise 64% of the total FY19-20 enterprise project budget.

GCHP FY19/20 Enterprise Project Portfolio					
FY18-19 Carryover					
Project	Description	FY19/20 Budget	Capital	Expense	
MedHOK 3.5 Upgrade	Lights-on initiative to ensure GCHP is current on vendor supported MedHOK application version. MedHOK is the organization's medical management system, used for mission critical utilization management, case management, health education and grievance and appeals functions.	\$ 49,613	\$ -	\$ -	*
AHP Plan-to-Plan Pilot	Implement a Plan-to-Plan pilot program of 5,000 members (yr. 1) with AmericasHealth Plan	\$ -	\$ -	\$ -	
Enterprise Transformation Project (ETP)	Initiative to convert to a new core administrative platform - Health Solutions Plus (HSP) for claims processing, eligibility, membership, and benefits maintenance, along with implementation of new customer service system solution to optimize call center efficiencies services.	\$ 4,138,508	\$ 50,000	\$ 4,088,508	
IT Infrastructure Business Continuity (BC) Implementation	Additional infrastructure hardware investments and installations to ensure business continuity in the case of an emergency or disaster.	\$ 187,000	\$ 156,000	\$ 31,000	
Windows 10 Migration	Lights-on initiative to migrate all GCHP workstations, laptops and servers to Windows 10 operating system to ensure ongoing Microsoft support.	\$ 372,600	\$ -	\$ 372,600	
Internet Access Security Enhancements (CyberData Breach)	Implementation of tools and software to enhance GCHP's management of internet based applications; part of cybersecurity risk mitigation strategies.	\$ 80,000	\$ -	\$ 80,000	
Provider Credentialing, Contracting & Data Mgmt	Implementation of an integrated system for the management of provider credentialing, contracting and data. Mission critical initiative to ensure GCHP continues to meet ongoing and increasing regulatory requirements around provider data accuracy, support contracting efforts, and optimize business processes.	\$ 853,650	\$ 219,450	\$ 634,200	
GCHP Website Refresh	Initiative to ensure GCHP's external website continues to function and meets current website design standards.	\$ 54,792	\$ -	\$ 54,792	
RDT Re-design & Optimization	Business process improvement initiative to optimize and improve our rate development template submission process.	\$ 175,000	\$ -	\$ 175,000	
FY19-20 New Initiatives					
Knox-Keene Licensing	Initiative to obtain Knox-Keene license as part of organization's strategic objectives of ensuring long-term fiscal solvency and positioning the Plan to meet the future demands of providing health care to our members.	\$ -	\$ -	\$ -	
Enterprise Data Warehouse (Phase I)	Strategic technology investment in data warehouse architecture, tools and resources to effectively support the provision, management, proliferation, and use of data for ongoing and future business decision needs. Phase I Scope: Select and procure EDW tool(s) and implementation services to stand up platform and implement one data dimension.	\$ 650,000	\$ -	\$ 650,000	
MultiView Cloud Implementation	Leveraging GCHP's technology investment in Multi-View financial application. Moving from on-premise to cloud based software as a service platform for improved functionality.	\$ 73,500	\$ -	\$ 73,500	
Inovolan Upgrade and New Modules	Leveraging GCHP's technology investment in Inovolan quality platform. Initiative includes upgrade of existing platform and the purchase and implementation of additional Inovolan modules to improve our ability to analyze, monitor, inform, and take action on HEDIS quality performance.	\$ 279,418		\$ -	*
Edifecs Encounter Data Platform (planning only)	Leveraging GCHP's technology investment in Edifecs platform for managing encounter data, a mission critical component to the organization's financial planning, quality management, regulatory reporting, and business analytics.	\$ -	\$ -	\$ -	
EPP Staff Aug	Temporary staffing to support EPP (except for ETP and EDW).	\$ 867,600		\$ 867,600	
TOTAL		\$ 7,781,681	\$ 425,450	\$ 7,027,200	

Interest Income

Total interest income is budgeted at \$1,035,258. This amount is significantly less than the FY 2018-19 actual amount which is \$3.1 million through March 2019. In November 2018, cash and investments were reduced due to the payment of amounts due to the State for the adult expansion 85% MLR requirement. In addition, the tangible net equity has declined throughout the fiscal year impacting available cash and investments. Of the remaining cash and investments, it was assumed that more amounts would be in cash and money markets with lower yields.

Capital Budget

The total budget for capital expenditures, including those included in the project portfolio, are \$1.3 million. Of that amount, \$425,450 is related to the Enterprise Project Portfolio.

GOLD COAST HEALTH PLAN FY 2019-20 OPERATING BUDGET		
Program Revenue		\$ 776,443,373
Medical Expenses		\$ 718,275,941
	MLR	92.5%
Gross Margin		\$ 58,167,432
General & Administrative Expenses		\$ 50,623,480
	Admin %	6.5%
Project Portfolio		\$ 7,078,229
Interest Income		\$ 1,035,258
Net Surplus		\$ 1,500,981

GOLD COAST HEALTH PLAN FY 2019-20 CAPITAL BUDGET		
<u>Asset Category</u>	<u>Description</u>	<u>Amount (\$)</u>
Leasehold Improvements	Office, cubicle and conference room repairs	\$ 103,000
Leasehold Improvements	Granicas Video - Community Room	55,000
Leasehold Improvements	Data and fiber	24,575
Leasehold Improvements	Security equipment	40,999
Computer Systems & Software	Firewalls	135,550
Computer Systems & Software	Fiber and switches	155,525
Computer Systems & Software	Electrical engineer	15,000
Computer Systems & Software	Computer and monitor refresh	240,375
Computer Systems & Software	UPS refresh	62,500
Computer Systems & Software	ETP - Project	50,000
Computer Systems & Software	IT infrastructure and business continuity - Project	156,000
Computer Systems & Software	PCCM - Project	219,450
		<u>\$ 1,257,974</u>

Projected Tangible Net Equity (TNE)

The TNE is projected to be at \$93.7 million or 280% of the State required amount.

APPENDIX – CONTRACT RENEWALS IN FY 2019-20

Vendor	Description	Contract Type	Contract Term Start Date	Contract Expiration Date	Estimated Actual Cost 3/31/19	Estimated Remaining Cost Until Expiration	Estimated Annual Cost	Expiration Strategy	Renewal Projected Cost	Projected Cumulative Cost (As of 3/31/19)	Renewal End Date
3M Heal-A2-A26th Information Systems	Groupware Software & Pricer Tables	Software License	11/1/2018	10/31/2019	\$57,391.00	\$0.00	\$50,000.00	Renew with current vendor for 1 year	\$50,000.00	\$117,391.00	10/31/2020
CO Solutions	Subscription Infrastructure Maintenance and support	PSA/Service Order	8/6/2013	10/31/2019	\$192,256.00	\$44,660.00	\$76,560.00	Renew with current vendor for 1 year	\$76,560.00	\$913,486.00	10/31/2020
CO Solutions	Enterprise ShoreTel Annual Support	PSA/Service Order	3/5/2016	3/5/2020	\$149,220.00	\$44,000.00	\$44,000.00	Renew with current vendor for 1 year	\$44,000.00	\$237,220.00	3/5/2021
CO Solutions	Firmware Updates	PSA/Service Order	8/6/2013	10/31/2019	\$85,904.00	\$7,011.67	\$12,020.00	Renew with current vendor for 1 year	\$12,020.00	\$104,935.67	10/31/2020
Coffey Communications - Fulfillment	SO11 - Print Member Fulfillment Direct-Mailing Services	PSA/Service Order	1/1/2017	12/31/2019	\$83,943.00	\$73,500.00	\$98,000.00	Renew with current vendor for 1 year	\$98,000.00	\$255,443.00	12/31/2020
Coffey Communications - Newsletters	SO 8 - Member Newsletter Services	PSA/Service Order	1/1/2017	12/31/2019	\$277,023.00	\$119,500.50	\$159,334.00	Renew with current vendor for 1 year	\$159,334.00	\$555,857.50	12/31/2020
Coffey Communications - Website Hosting	SO 10 - net Returns Modules	PSA/Service Order	1/1/2018	12/31/2019	\$30,135.00	\$28,200.00	\$37,600.00	Renew with current vendor for 3 years	\$112,800.00	\$171,135.00	12/31/2022
Emagined	SO 7 - Security Operations Center	PSA/Service Order	12/5/2018	12/4/2019	\$86,140.00	\$87,537.00	\$116,716.00	Renew with current vendor for 1 year	\$116,716.00	\$290,393.00	12/4/2020
Emagined	SO 6 - T&M Security Risk Assessment's	PSA/Service Order	10/18/2018	6/30/2019	\$65,000.00	\$58,333.33	\$100,000.00	Renew for 6 months (Annual estimate is \$200,000)	\$100,000.00	\$223,333.33	12/31/2019
EverBank and DocuSystems	Lease 7es Upgraded Ricoh copiers	Lease Agreement	7/1/2018	6/30/2020	\$58,000.00	\$90,000.00	\$72,000.00	Refresh with new 24 month lease. (US Communities GPA)	\$150,000.00	\$298,000.00	6/30/2022
Gartner	Executive Programs Leadership - Website research access	Subscription Agreement	12/1/2018	4/30/2020	\$165,500.00	\$0.00	\$179,000.00	Renew with current vendor for 2 years	\$358,000.00	\$523,500.00	4/30/2022
Jason Kim	Supports - IT data base administration work.	CSA	8/19/2013	12/31/2019	\$368,380.00	\$48,750.00	\$65,000.00	Renew with current vendor for up to 6 months	\$92,500.00	\$449,630.00	6/30/2020
Lisa & Associates	Promotional Services	PSA/Service Order	11/1/2016	10/31/2019	\$58,132.00	\$7,000.00	\$12,000.00	Renew with current vendor for 3 years	\$36,000.00	\$101,132.00	10/31/2022
Quest Analytics	Data Verification and Attestation Accuracy Services	Software License Agreement	12/17/2018	12/16/2019	\$80,000.00	\$0.00	\$80,000.00	Renew with current vendor for 1 year	\$80,000.00	\$160,000.00	12/16/2020
The JVP Group	Website design and content management	PSA/Service Order	12/2/2014	9/30/2019	\$208,038.00	\$25,000.00	\$50,000.00	Renew with current vendor for 3 years	\$150,000.00	\$383,038.00	9/30/2022

Vendor	Description	Contract Type	Contract Term Start Date	Contract Expiration Date	Estimated Actual Cost 3/31/19	Estimated Remaining Cost Until Expiration	Estimated Annual Cost	Expiration Strategy	Renewal Projected Cost	Projected Cumulative Cost (As of 3/31/19)	Renewal End Date
Xpedite Systems (Easylink)	Fax-Messaging services/solutions	Customer Service Agreement	6/1/2015	5/31/2019	\$119,818.00	\$6,500.00	\$39,000.00	Renew with current vendor for 1 year	\$39,000.00	\$159,318.00	5/31/2020
Karen Escalante	SO 2-Grantmaking Services-activities and initiatives	PSA/Service Order	7/1/2018	6/30/2019	\$89,025.00	\$15,000.00	\$60,000.00	Renew with current vendor for 1 year	\$60,000.00	\$154,025.00	6/30/2020
LinkedIn (formally Lynda.com) Company	Training Resources	Subscription Agreement	12/1/2017	11/30/2019	\$43,401.00	\$19,333.33	\$29,000.00	Renew with current vendor for 3 years	\$87,000.00	\$149,734.33	11/30/2022
Moss Adams	SO 5 Financial Audit Services Fiscal 2017-2019	PSA/Service Order	4/7/2017	10/31/2019	\$277,640.00	\$87,500.00	\$150,000.00	Renew with current vendor for 2 years	\$300,000.00	\$665,140.00	10/31/2021
Adaptive Insights	Budgeting Software.	SaaS Agreement	10/1/2016	9/30/2019	\$89,680.00	\$0.00	\$32,000.00	Renew with current vendor for 2 years	\$64,000.00	\$153,680.00	9/30/2021
Provalon	HEDIS Hybrid Medical Record Abstraction-Medical Data Processing	MSA/SOW	4/1/2016	6/30/2019	\$1,209,795.00	\$250,000.00	\$1,000,000.00	Renew with current vendor for 3 years	\$3,000,000.00	\$4,459,795.00	6/30/2022
Mardev Gupta, MD	Medical Reviews	CSA	10/1/2015	9/30/2019	\$169,260.00	\$35,000.00	\$70,000.00	Renew with current vendor for 5 years	\$350,000.00	\$554,260.00	9/30/2024
Carol Hsu	SOW 1 - 3rd Party Medical Reviews	CSA	6/1/2015	10/31/2019	\$180,649.00	\$37,916.67	\$65,000.00	Renew with current vendor for 5 years	\$925,000.00	\$543,565.67	10/31/2024
Clarence Albert Reeves Jr, M.D.	Medical Reviews	CSA	10/1/2017	9/30/2019	\$78,469.00	\$50,000.00	\$100,000.00	Renew with current vendor for 5 years	\$500,000.00	\$628,469.00	9/30/2025
Gemini Diversified Services	Credentialing Verification Services	Credentialing Services Delegation Agreement	7/1/2015	9/30/2019	\$128,912.00	\$30,000.00	\$60,000.00	Renew with current vendor for 3 years	\$180,000.00	\$338,912.00	9/30/2022
DME Consulting Group, Inc.	Credentialing Services	PSA/Service Order	2/1/2015	12/31/2019	\$132,200.00	\$45,000.00	\$60,000.00	Renew with current vendor for 3 years	\$180,000.00	\$337,200.00	12/31/2022
Solera Health, Inc.	Diabetes Prevention Program (DPP), includes Weight Loss	MSA/SOW	1/1/2019	12/31/2019	\$40,000.00	\$75,000.00	\$100,000.00	Renew with current vendor for 1 year	\$100,000.00	\$215,000.00	12/31/2020
Shred-it	Document Storage, Collection, Mass Destruction Service	Customer Service Agreement	12/1/2017	11/30/2019	\$72,667.00	\$20,000.00	\$30,000.00	Renew with current vendor for 3 years (US Communities GPA)	\$90,000.00	\$182,667.00	11/30/2021
Thousand Oaks Industrial Development	Lease-Warehouse Storage	Multi-Tenant Lease Agreement	1/1/2017	12/31/2019	\$39,926.00	\$15,489.00	\$20,652.00	Renew with current vendor for 3 years	\$61,956.00	\$117,371.00	12/31/2022