



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

Executive Conference Room at Gold Coast Health Plan  
711 E. Daily Drive, Suite 106, Camarillo, CA 93010  
**Thursday, February 5, 2015**  
**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 8, 2015 Regular Executive / Finance Meeting Minutes](#)

**2. ACCEPT AND FILE ITEMS**

a. [CEO Update](#)

b. [CFO Update – December Financials](#)

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

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

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

**Ventura County Medi-Cal Managed Care Commission (VCMCC) dba Gold Coast Health Plan  
February 5, 2015 Executive / Finance Committee Meeting Agenda (*continued*)**

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

**TIME:** 3:00 p.m.

**PAGE:** 2 of 2

**3. INFORMATION**

a. [Investment Policy](#)

**COMMENTS FROM COMMITTEE MEMBERS**

**ADJOURNMENT**

Unless otherwise determined, the next regular meeting of the Executive / Finance Committee will be held on March 5, 2015 at 3:00 p.m. in the Executive Conference Room at 711 E. Daily Drive, Suite 106, Camarillo, CA 93010.

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

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

**January 8, 2015**

*(Not official until approved)*

**CALL TO ORDER**

Chair Araujo called the meeting to order at 3:33 p.m. in the Executive Conference Room at Gold Coast Health Plan, 711 E. Daily Drive, Suite 106, Camarillo, CA 93010.

**COMMITTEE MEMBERS PRESENT**

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

**Antonio Alatorre**, Clinicas del Camino Real, Inc.

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

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

**Dee Pupa**, Ventura County Health Care Agency

**STAFF IN ATTENDANCE**

**Ruth Watson**, Interim CEO / Chief Operations Officer

**John Meazzo**, Interim Chief Financial Officer

**Traci R. McGinley**, Clerk of the Board

**Cathy Salenko**, Legal Counsel

**William Freeman**, Network Operations Director

**Guillermo Gonzalez**, Government Relations Director

**Steven Lalich**, Communications Director

**Allen Maithel**, Controller

**Melissa Scrymgeour**, Chief Information Officer

**Lyndon Turner**, Financial Analysis Director

**PUBLIC COMMENTS**

None.

**1. APPROVE MINUTES**

**a. August 7, 2014 Regular Meeting Minutes**

**b. November 6, 2014 Special Meeting Minutes**

Committee Member Pawar requested that the second to the last paragraph on page 3 of the November 6, 2014 Special Meeting Minutes, read as follows:

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

Committee Member Glycer moved to approve the August 7, 2014 Regular Meeting Minutes and the November 6, 2014 Special Meeting Minutes as amended. Committee Member Alatorre seconded. The motion carried with the following vote:

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

## **2. ACCEPT AND FILE ITEMS**

### **a. CEO Update**

Interim CEO Watson provided an overview of the report highlighting the significant growth in membership.

Committee Member Alatorre stated that AB 85 requires the County to submit data to the state regarding the maximum number of enrollees they can accept. He expressed concern that members would have access issues because the County's original figures were 30,000 and they are now reporting that they can accept an additional 65,000. Interim CEO Watson explained that the information is based on a formula provided by the State. The AB 85 member tracking report will be provided to the Commission monthly for their review.

Further discussion was held regarding the AB 85 qualification guidelines. Chair Araujo noted that these are Members that are not assigned to PCPs. In response to questions from the Committee, Financial Analysis Director Turner explained that 11% of the 140,000 members in December are not assigned to PCPs - they are share of cost members, administrative members, etc.

Discussion was held regarding the ACA 1202 funds. Committee Member Alatorre suggested using the approximate \$2.5 million remaining from calendar year 2013 for provider increases. CEO Watson recommended that this amount, plus additional funds be discussed during that Provider Reimbursement Increase agenda item.

Committee Member Alatorre moved to accept the CEO Update. Committee Member Pupa seconded. The motion carried with the following vote:

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

## **2. CFO Update – October and November Financials**

John Meazzo, Interim Chief Financial Officer, reviewed the October and November financials. Interim CEO Watson reported that DHCS has cut the Adult Expansion (AE) population capitation rate retroactively to January 2014, by approximately twenty percent. Staff is in the process of estimating an appropriate reserve should the Plan be

required to return the excess premium. Discussion was held regarding the AE population MLR. Plans across the state do not believe that the full impact of the AE population has been seen and are greatly concerned that the State will make additional retroactive rate cuts before the real impact has been seen.

After discussion was held regarding the \$9 million Provider Reserve in the October Income Statement it was decided that the final October results would not contain the Provider Reserve.

Financial Analysis Director Turner stated that DHCS is currently only providing rates every six months. Committee Member Glycer asked if the State could make additional cuts retroactive to January 2014. Interim CEO Watson responded that they could actually go back 18 months.

Committee Member Pawar requested that the revenue and expenditure data for the AE population be separated from other aide codes. Interim CEO Watson explained that revenue and medical expenses could be provided; however other expenses across the Plan (such as additional staffing) could not be separated in that manner.

Financial Analysis Director Turner added that the data to this granular of a level only started this fiscal year. Staff will need some time to determine the best way to present the information to the Committee because at this time it is only raw data.

Committee Member Alatorre stated that he had requested the same information be provided in the Health Services Update (the Authorizations pie chart). It was determined that data would be provided for the Family, Duels and SPD's aid codes.

Committee Member Glycer moved to accept the October and November Financials with the removal of the \$9 million Provider Reserve from the October Income Statement Committee Member Alatorre seconded. The motion carried with the following vote:

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

### **3. APPROVAL ITEMS**

#### **a. Provider Reimbursement Increases**

Interim CEO Watson reviewed the report with the Committee and noted that the Plan is at a point where provider reimbursement rates can be increased. Staff recommended the two following increases:

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

Additional programs will be analyzed and developed by staff at a future date.

Committee Member Glycer asked why staff was recommending this specific group of providers be the first to receive an increase. Interim CEO Watson responded that this was just the start and \$3 million was put aside to look at the rest of the providers. GCHP's providers have been very patient, but a number of providers have advised GCHP that they cannot afford to continue to see Medi-Cal patients at the current rates. GCHP rates are lower than any other COHS in the state. Interim CEO Watson added that the Hospital and ancillary providers need to be looked at individually, two of the hospital contracts were recently renegotiated and each took approximately 90 days.

Committee Members asked how GCHP compares to other counties. Interim CEO Watson explained that some counties pay greater than 120% of Medi-Cal or even Medicare to insure they have sufficient providers in their network.

Committee Member Glycer moved to approve the Provider rate increases and to provide the Commission with 120, 125 and 130 percent options for comparison. Committee Member Alatorre seconded. The motion carried with the following vote:

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

### **COMMENTS FROM COMMITTEE MEMBERS**

Committee Member Alatorre noted that the minutes have improved greatly.

### **ADJOURNMENT**

Meeting adjourned at 5:41 p.m.

**AGENDA ITEM 2a**

To: Gold Coast Health Plan Executive / Finance Committee  
 From: Ruth Watson, Interim CEO / Chief Operating Officer  
 Date: February 5, 2015  
 Re: CEO Update

**MEMBERSHIP UPDATE**

Gold Coast Health Plan (GCHP) experienced a modest increase of 821 members in February, bringing our total membership to 178,984 as of February 1, 2015. This represents an increase of 60,472 in the past fourteen months. The cumulative new membership since January 1, 2014 is summarized as follows:

- L1 (Low Income Health Plan) – 6,128
- M1 (Adult Expansion) – 31,203
- 7U (CalFresh Adults) – 3,342
- 7W (CalFresh Children) – 872
- 7S (Parents of 7Ws) – 442
- Traditional Medi-Cal – 18,485

M1 membership continues on an upward climb. GCHP was originally expecting to see increases in the 7W and 7S aid code categories due to the transition of Covered CA members to Medi-Cal. DHCS indicated that we had a potential of 2,196 members transitioning in January; however, one-third of those members were not included on our January eligibility file and another one-third were already existing GCHP members with an effective date prior to January 1, 2015. GCHP eventually added 486 members in January who transitioned from Covered CA. A review of potential transition members for February indicates an additional 14 members coming to GCHP from Covered CA.

	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14
<b>L1</b>	7,618	8,083	8,154	8,134	8,118	7,975	7,839	7,726	7,568	7,443	7,289	6,972
<b>M1</b>	183	1,550	2,482	4,514	7,279	10,910	15,606	18,585	21,944	23,569	24,060	27,176
<b>7U</b>	0	0	1,741	3,584	3,680	3,515	3,453	3,400	3,368	3,312	3,254	3,204
<b>7W</b>	0	0	0	684	714	691	667	624	606	296	599	589
<b>7S</b>						3	4	4	5	11	14	15

	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15
<b>L1</b>	6,508	6,128	0	0	0	0	0	0	0	0	0	0
<b>M1</b>	30,107	31,203	0	0	0	0	0	0	0	0	0	0
<b>7U</b>	3,390	3,342	0	0	0	0	0	0	0	0	0	0
<b>7W</b>	872	872	0	0	0	0	0	0	0	0	0	0
<b>7S</b>	478	442	0	0	0	0	0	0	0	0	0	0

## **ADULT EXPANSION MEDICAL AND OUTREACH PROGRAMS**

Staff is developing programs to increase member awareness and levels of care for the Adult Expansion (AE) population. Since the January 1 inception of Medi-Cal expansion, roughly one-half of AE members have not yet received any medical attention. By designing targeted provider incentives, the Plan expects to facilitate the delivery of needed care to under-served individuals and increase the share of related provider payments. Incentives will be driven by medical utilization analysis, and the Plan welcomes provider input in designing such programs. Targeted areas of service may include, but are not limited to:

- Primary Care Provider initial visits
- E/R avoidance
- Pharmaceutical care
- Patient Centered Medical Home
- Behavioral Health integration
- Palliative Care

Staff has estimated that approximately \$10 million can be set aside for AE programs. This amount is intended to be expended by the end of this fiscal year and may lead to other permanent increases in provider payments. While it is desirable to increase the Medical Loss Ratio (MLR) for this population the Plan will exercise caution in developing these programs. GCHP's Tangible Net Equity (TNE) will require continued monitoring and additions to reach the stated target to ensure the Plan's ongoing financial viability. In addition, with a lack of significant data, the AE population still presents challenges in estimating long-term cost trends.

For example, early enrollees who enrolled in the first 10 months have produced lower MLRs. For more recent AE enrolled members, such as those who signed up after October, utilization and costs appear to be gaining significant momentum and their MLR exceeds that of the early enrollees after only 2 months. Going forward, we expect that the medical claims experience for future AE enrollees will be more similar to recent AE members than those who initially enrolled at the beginning of the year.





## **AGENDA ITEM 2b**

To: Gold Coast Health Plan Executive / Finance Committee

From: John Meazzo, Interim Chief Financial Officer

Date: February 5, 2015

Re: December 2014 Financials

### **SUMMARY**

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

### **BACKGROUND / DISCUSSION**

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

### **FISCAL IMPACT**

#### **Highlights of Year-To-Date Financial Results:**

On a year-to-date basis through December, the Plan's net income is approximately \$35.8 million compared to the \$9.8 million budget. These operating results have contributed to a Tangible Net Equity (TNE) level of approximately \$75.6 million, which exceeds both the budget of \$40.5 million by \$35.1 million and the State minimum required TNE amount of \$23.8 million by \$51.8million. As in prior reports, the Plan's TNE amount includes \$7.2 million County of Ventura lines of credit. The December TNE was 318% of the State required TNE, but 182% below the average of the 6 County Organized Health Systems of 500%.

#### **Highlights of December Financial Results:**

Membership – December membership of 178,532 exceeded budget by 18,643 members. The majority of the growth was in the Adult Expansion (AE) category, where membership was 14,574 higher than budget, accounting for approximately 78% of the total growth in membership.

Revenue – December net revenue was \$59.6 million or \$11.3 million better than the budgeted amount of \$48.3 million. The positive variance was primarily due to growth in membership with higher capitation rates (Adult Expansion). An adjustment of \$7.2 million was recorded as a reserve in anticipation of a rate reduction in the AE category. On a per-member-per-month (PMPM) basis, revenue was \$333.63, which was \$31.71 better than the budget of \$301.92.

Health Care Costs - Health care costs for December were \$50.9 million or approximately \$7.2 million above budget. On a PMPM basis, reported health care costs for December were \$285.37 compared to a budgeted amount of \$273.63. The variance is due to the AE membership increases which again exceeded budget and account for \$10.0 million of the difference. This was offset by favorable AE cost variances of \$2.8 million. December costs have been aligned with the new AE rate sheet developed by the Department of Health Care Services (DHCS). Other variances include:

- Physician ACA 1202 – An estimated \$4.9 million was recorded to recognize the final segment of the calendar year 2014 physician increases under the Affordable Care Act.
- Pharmacy – Lower than expected utilization in the AE category, again contributed to savings of approximately \$3.4 million.
- Adult Expansion Reserve – Using the new lower rates as published by DHCS, a previously recorded \$3.5 million reserve was reversed to achieve the 85% medical loss ratio (MLR) corridor provision for this population. As disclosed in prior months, the current financials continue to reflect a targeted 85% MLR for overall medical expenses specific to the AE population, as required by the Affordable Care Act's risk corridor.
- The approximate reserve recorded to increase the actual claims and Incurred But Not Reported (IBNR) to the 85% MLR based upon DHCS' expected claims cost is approximately \$38 million. The additional claims expense reserve is anticipated to gradually decrease through June of 2015 as a result of:
  - Increases in capitation, hospital rate increases (per diem and outpatient augmentation) and fee-for-service (FFS) rates
  - AE member utilization of services in the 3 months ending December 31, 2014 was 1400% greater than the 3 months ending March 31, 2014
  - Provider incentives and other programs being instituted by the Plan which will increase AE utilization.
- The effect of a \$38 million reduction in claims expense would be accompanied by a reduction of \$44.7 million in revenues, resulting in a corresponding payable to the State. Similar to the adjustment the plan made in November as a result of the AE rate decrease, the net effect to the Plan would be a \$6.7 million decrease in net income.
- Staff will continue to review paid claims data in connection with the year-end reconciliation of the estimated claims expense to actual paid claims and IBNR reserves. Our reserve methodology may be amended, if necessary, under guidance from our audit and actuary firms.

- Outpatient and Inpatient – Higher than budgeted utilization was noted in the Disabled aid category and resulted in a negative variance of \$0.6 million. However, it was also noted that Inpatient services for the Disabled category produced a positive \$1.3 million variance, suggesting that more services were shifted to outpatient facilities.
- LTC / SNF – Significantly higher costs were noted in the Long Term Care (LTC) Dual aid category. An unfavorable variance of \$0.9 million was driven by a 50% increase in billed days. The bulk of the increase was related to higher than trend November days billed in December.

Administrative Expenses – For the month of December, overall operational costs were \$3.1 million or \$370,000 over budget. Higher than budgeted legal fees and outside services were offset by positive variance due to lower personnel and expenses. The following were the primary contributors to the large variances:

- Outside Services (ACS and Beacon) – over budget by \$169,000 due to growth in membership.
- Legal Fees – over budget by \$346,000 due to continued legal services and ongoing services for the Special Investigation Ad Hoc Committee. Year to date legal expenses of \$1.4 million exceeded the budget by \$1.3 million.
- Consulting – under budget by \$78,000 due to increase use of in-house services for budgeted projects.

Cash + Medi-Cal Receivable – The total of Cash and Medi-Cal Premium Receivable balances of \$295 million reported as of December 31, 2014. This total includes pass-through payments for Managed Care Organization (MCO) tax of \$3.8 million. Excluding the impact of the pass through amount, the total of Cash and Medi-Cal Receivable balance as of December 31, 2014 was \$291 million or \$147.3 million better than the budgeted level of \$143.7 million

## **RECOMMENDATION**

Staff requests that the Executive / Finance Committee recommend approval of the December 2014 financial package.

## **CONCURRENCE**

N/A

## **Attachments**

December, 2014 Financial Package



**FINANCIAL PACKAGE**  
For the month ended December 31, 2014

**TABLE OF CONTENTS**

- Financial Overview
- Membership
- Balance Sheet
- Monthly Cash Flow
- YTD Cash Flow
- Income Statement
- YTD Income Statement

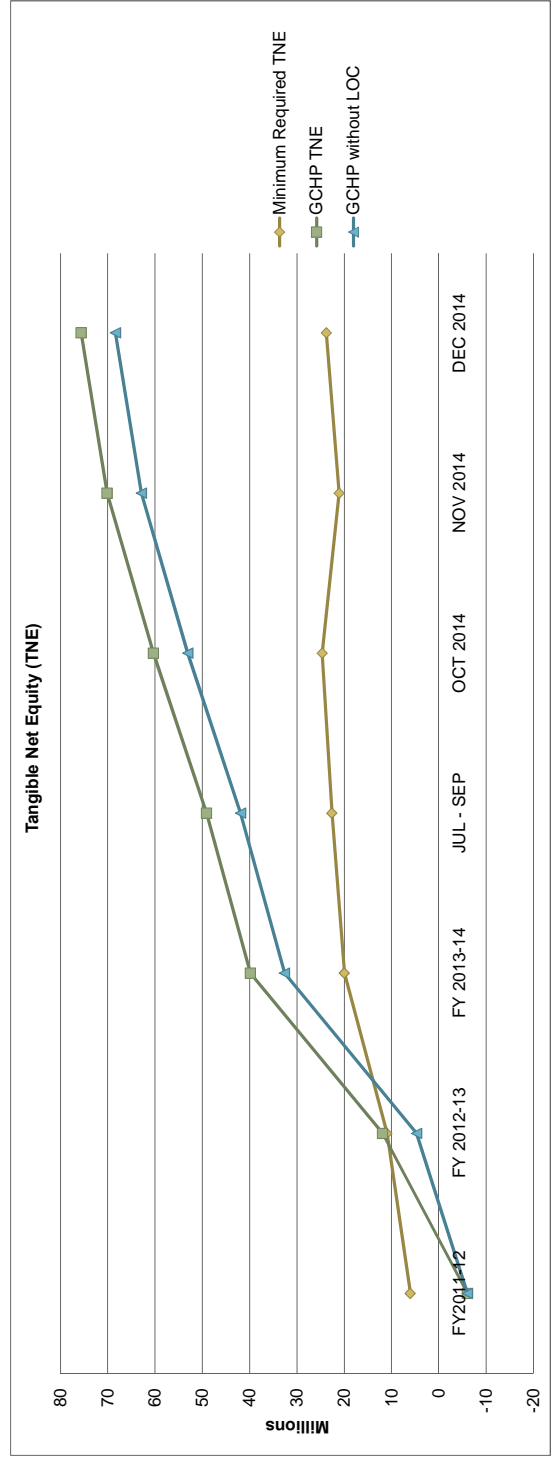
**APPENDIX**

- Cash Trend Combined
- Paid Claims and IBNP Composition
- Total Expenditure Composition
- Pharmacy Cost & Utilization Trends

**GOLD COAST HEALTH PLAN**  
Financial Results Summary

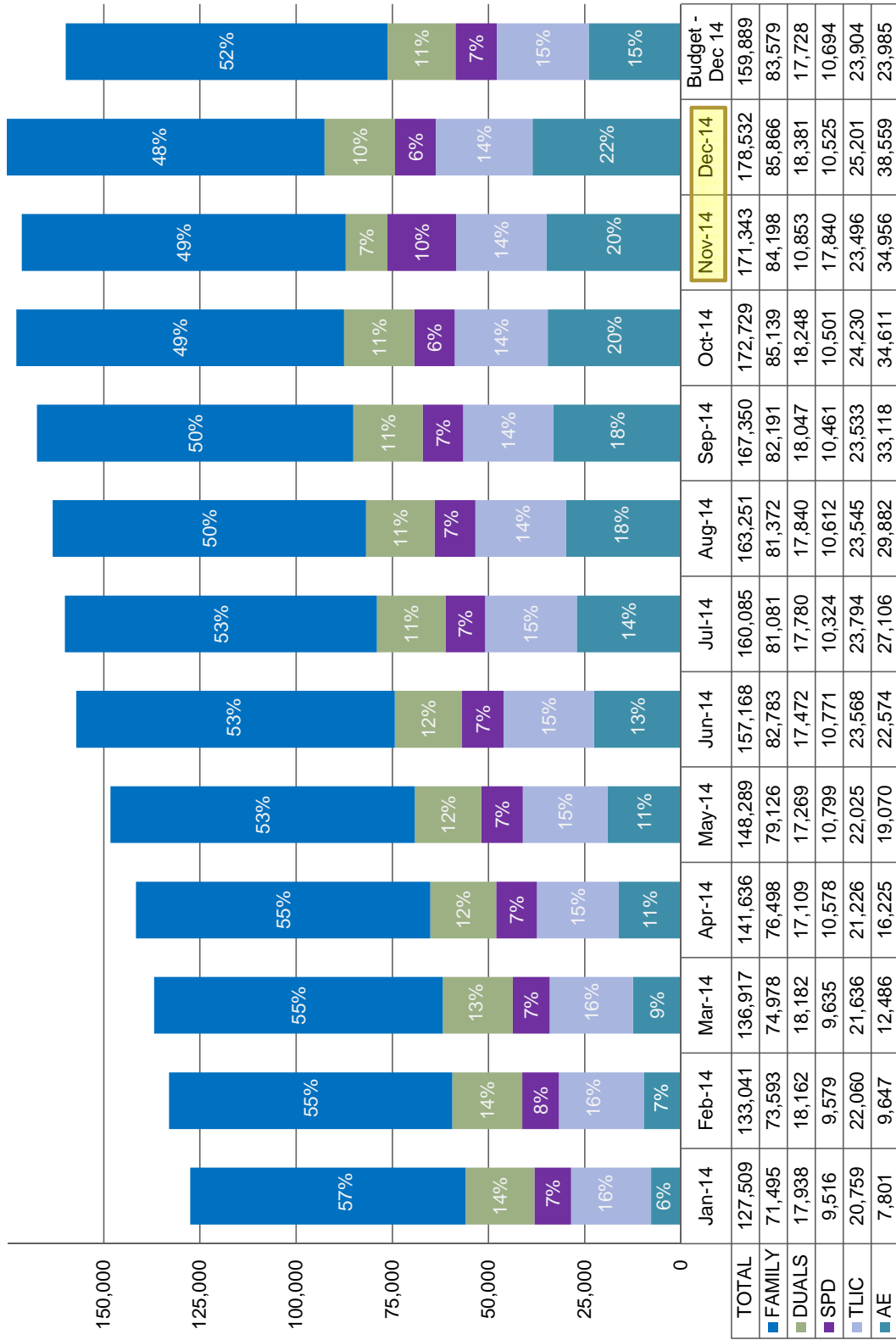
Description	AUDITED*		AUDITED*		FY 2014 - 15				Budget Comparison	
	FY2011-12	FY 2012-13	FY 2013-14	JUL - SEP	OCT 2014	NOV 2014	DEC 2014	Budget Dec 2014	Variance Fav/(Unfav)	Variance Fav/(Unfav) %
<b>Member Months</b>	<b>1,258,189</b>	<b>1,223,895</b>	<b>1,553,660</b>	<b>490,686</b>	<b>172,729</b>	<b>171,343</b>	<b>178,532</b>	<b>159,889</b>	<b>18,643</b>	<b>11.7 %</b>
<b>Revenue</b>	<b>304,635,932</b>	<b>315,119,611</b>	<b>423,995,809</b>	<b>158,761,380</b>	<b>56,934,456</b>	<b>25,538,171</b>	<b>59,563,938</b>	<b>48,274,586</b>	<b>11,289,352</b>	<b>23.4 %</b>
<i>pmprn</i>	242.12	257.47	272.90	323.55	329.62	149.05	333.63	301.92	31.71	10.5 %
<b>Health Care Costs</b>	<b>287,353,672</b>	<b>280,382,704</b>	<b>369,321,385</b>	<b>141,486,486</b>	<b>42,774,442</b>	<b>12,855,002</b>	<b>50,947,617</b>	<b>43,750,843</b>	<b>(7,196,774)</b>	<b>(16.4)%</b>
<i>pmprn</i>	228.39	229.09	237.71	288.34	247.64	75.02	285.37	273.63	(11.74)	(4.3)%
% of Revenue	94.3%	89.0%	87.1%	89.1%	75.1%	50.3%	85.5%	90.6%	-5.1%	-5.6%
<b>Admin Exp</b>	<b>18,891,320</b>	<b>24,013,927</b>	<b>26,751,533</b>	<b>7,994,304</b>	<b>2,954,018</b>	<b>2,883,649</b>	<b>3,132,315</b>	<b>2,761,867</b>	<b>(370,448)</b>	<b>(13.4)%</b>
<i>pmprn</i>	15.01	19.62	17.22	16.29	17.10	16.83	17.54	17.27	(0.27)	(1.6)%
% of Revenue	6.2%	7.6%	6.3%	5.0%	5.2%	11.3%	5.3%	5.7%	0.5%	8.1%
<b>Net Income</b>	<b>(1,609,063)</b>	<b>10,722,980</b>	<b>27,922,891</b>	<b>9,280,590</b>	<b>11,205,997</b>	<b>9,799,520</b>	<b>5,484,006</b>	<b>1,761,877</b>	<b>3,722,130</b>	<b>211.3 %</b>
<i>pmprn</i>	(1.28)	8.76	17.97	18.91	64.88	57.19	30.72	11.02	19.70	178.8 %
% of Revenue	-0.5%	3.4%	6.6%	5.8%	19.7%	38.4%	9.2%	3.6%	5.6%	152.3%
<b>YTD</b>	<b>16,769,368</b>	<b>16,138,440</b>	<b>19,964,221</b>	<b>22,600,707</b>	<b>24,668,181</b>	<b>21,069,622</b>	<b>23,789,982</b>	<b>23,933,124</b>	<b>(143,142)</b>	<b>(0.6)%</b>
100% TNE	36%	68%	100%	100%	100%	100%	100%	100%		
% TNE Required										
Minimum Required TNE	6,036,972	10,974,139	19,964,221	22,600,707	24,668,181	21,069,622	23,789,982	23,933,124	(143,142)	(0.6)%
GCHP TNE	(6,031,881)	11,891,099	39,813,991	49,094,581	60,300,578	70,100,097	75,584,104	40,459,949	35,124,154	86.8 %
TNE Excess / (Deficiency)	(12,068,853)	916,960	19,849,770	26,493,874	35,632,397	49,030,475	51,794,122	16,526,825	35,267,297	213.4 %
% of Required TNE level			199%	217%	244%	333%	318%	169%		
% of Required TNE level (excluding \$7.2 million LOC)			163%	185%	215%	299%	287%	139%		

Note: TNE amount includes \$7.2 million related to the Lines of Credit (LOC) from Ventura County.  
\* Audited amounts reflect financial adjustments made by auditors, but exclude presentation reclassifications without P&L impact (i.e. reporting package kept the same).



**GOLD COAST HEALTH PLAN**

**Membership - Rolling 12 Months**



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

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

**Comparative Balance Sheet**

	12/31/14	11/30/14	10/31/14
<b>ASSETS</b>			
<b>Current Assets</b>			
<b>Total Cash and Cash Equivalents</b>	<b>\$ 215,731,716</b>	<b>\$ 183,224,078</b>	<b>\$ 164,976,610</b>
Medi-Cal Receivable*	79,164,402	86,747,896	75,437,421
Provider Receivable	739,377	1,067,444	748,596
Other Receivables	169,825	172,938	171,902
<b>Total Accounts Receivable</b>	<b>80,073,603</b>	<b>87,988,278</b>	<b>76,357,918</b>
Total Prepaid Accounts	1,037,280	1,135,545	1,258,445
Total Other Current Assets	81,702	79,079	79,079
<b>Total Current Assets</b>	<b>296,924,300</b>	<b>272,426,981</b>	<b>242,672,052</b>
<b>Total Fixed Assets</b>	<b>1,049,670</b>	<b>1,080,359</b>	<b>1,110,800</b>
<b>Total Assets</b>	<b>\$ 297,973,971</b>	<b>\$ 273,507,340</b>	<b>\$ 243,782,853</b>
<b>LIABILITIES &amp; FUND BALANCE</b>			
<b>Current Liabilities</b>			
Incurring But Not Reported	\$ 140,562,535	\$ 128,769,325	\$ 145,918,067
Claims Payable	8,196,446	7,010,225	8,565,735
Capitation Payable	2,567,438	2,499,232	2,443,391
Physician ACA 1202 Payable	14,235,884	12,765,516	12,765,516
AB85 Payable	-	1,234,422	-
DHCS - Reserve for Capitation Recoup	43,976,489	36,753,996	-
Accounts Payable	3,253,329	1,805,393	1,690,595
Accrued ACS	1,430,991	1,331,496	1,331,053
Accrued Expenses	2,749,516	1,337,668	1,082,568
Accrued Premium Tax	3,839,632	8,145,887	7,883,262
Accrued Interest Payable	56,448	54,703	52,028
Current Portion of Deferred Revenue	460,000	460,000	460,000
Accrued Payroll Expense	555,013	728,952	775,348
<b>Total Current Liabilities</b>	<b>221,883,723</b>	<b>202,896,815</b>	<b>182,967,564</b>
<b>Long-Term Liabilities</b>			
Other Long-term Liability-Deferred Rent	276,144	242,094	208,044
Deferred Revenue - Long Term Portion	230,000	268,333	306,667
Notes Payable	7,200,000	7,200,000	7,200,000
<b>Total Long-Term Liabilities</b>	<b>7,706,144</b>	<b>7,710,427</b>	<b>7,714,711</b>
<b>Total Liabilities</b>	<b>229,589,867</b>	<b>210,607,242</b>	<b>190,682,275</b>
Beginning Fund Balance	32,613,991	32,613,991	32,613,991
Net Income Current Year	35,770,113	30,286,106	20,486,587
<b>Total Fund Balance</b>	<b>68,384,104</b>	<b>62,900,097</b>	<b>53,100,578</b>
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$ 297,973,971</b>	<b>\$ 273,507,340</b>	<b>\$ 243,782,853</b>

**FINANCIAL INDICATORS**

Current Ratio	1.34 : 1	1.34 : 1	1.33 : 1
Days Cash on Hand	120	349	108
Days Cash + State Capitation Rec	164	515	158
Days Cash + State Capitation Rec (less Tax Liab)	161	499	153

## Statement of Cash Flows - Monthly

	DEC 14	NOV 14	OCT 14
Cash Flow From Operating Activities			
Collected Premium	\$ 76,497,908	\$ 53,468,516	\$ 214,139
Miscellaneous Income	47,435	37,734	42,429
State Pass Through Funds	1,619,462	1,272,300	-
<u>Paid Claims</u>			
Medical & Hospital Expenses	(26,863,207)	(22,348,925)	(23,375,027)
Pharmacy	(5,297,236)	(5,828,747)	(6,006,120)
Capitation	(2,939,560)	(2,907,935)	(2,902,464)
Reinsurance of Claims	(476,754)	(471,741)	(460,248)
State Pass Through Funds Distributed	(1,234,422)	(1,147,874)	(25,173,527)
Paid Administration	(3,518,102)	(1,487,467)	(3,309,178)
MCO Tax Received / (Paid)	(5,327,887)	(2,338,145)	(5,536,013)
Net Cash Provided/ (Used) by Operating Activities	<b>32,507,638</b>	<b>18,247,716</b>	<b>(66,506,008)</b>
Cash Flow From Investing/Financing Activities			
Proceeds from Line of Credit			
Repayments on Line of Credit	-	-	-
Net Acquisition of Property/Equipment	-	(248)	(2,518)
Net Cash Provided/(Used) by Investing/Financing	-	<b>(248)</b>	<b>(2,518)</b>
<b>Net Cash Flow</b>	<b>\$ 32,507,638</b>	<b>\$ 18,247,468</b>	<b>\$ (66,508,526)</b>
Cash and Cash Equivalents (Beg. of Period)	183,224,078	164,976,610	231,485,135
Cash and Cash Equivalents (End of Period)	215,731,716	183,224,078	164,976,610
	<b>\$ 32,507,638</b>	<b>\$ 18,247,468</b>	<b>\$ (66,508,526)</b>
Adjustment to Reconcile Net Income to Net Cash Flow			
Net (Loss) Income	5,484,006	9,799,520	2,205,997
Depreciation & Amortization	30,689	30,689	30,600
Decrease/(Increase) in Receivables	7,914,675	(11,630,360)	(60,251,822)
Decrease/(Increase) in Prepays & Other Current Assets	95,643	122,900	(86,831)
(Decrease)/Increase in Payables	10,245,526	38,315,038	(15,061,438)
(Decrease)/Increase in Other Liabilities	(4,284)	(4,284)	(4,284)
Change in MCO Tax Liability	(4,306,255)	262,625	(3,191,544)
Changes in Claims and Capitation Payable	1,254,427	(1,499,669)	1,668,398
Changes in IBNR	11,793,211	(17,148,743)	8,184,917
	32,507,638	18,247,716	(66,506,008)
<b>Net Cash Flow from Operating Activities</b>	<b>\$ 32,507,638</b>	<b>\$ 18,247,716</b>	<b>\$ (66,506,008)</b>



## Statement of Cash Flows - YTD

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	<u>DEC 14</u>
Cash Flow From Operating Activities	
Collected Premium	\$ 392,534,725
Miscellaneous Income	197,847
State Pass Through Funds	33,242,938
<u>Paid Claims</u>	
Medical & Hospital Expenses	(142,028,420)
Pharmacy	(34,881,783)
Capitation	(16,316,111)
Reinsurance of Claims	(2,939,591)
State Pass Through Funds Distributed	(30,860,629)
Paid Administration	(18,205,765)
Repay Initial Net Liabilities	-
MCO Taxes Received / (Paid)	(25,121,732)
Net Cash Provided/(Used) by Operating Activities	<u><b>155,621,479</b></u>
Cash Flow From Investing/Financing Activities	
Proceeds from Line of Credit	-
Repayments on Line of Credit	-
Net Acquisition of Property/Equipment	(66,462)
Net Cash Provided/(Used) by Investing/Financing	<u><b>(66,462)</b></u>
<b>Net Cash Flow</b>	<u><b>\$ 155,555,018</b></u>
Cash and Cash Equivalents (Beg. of Period)	60,176,698
Cash and Cash Equivalents (End of Period)	<u>215,731,716</u>
	<u><b>\$ 155,555,018</b></u>
Adjustment to Reconcile Net Income to Net Cash Flow	
Net Income/(Loss)	35,770,113
Depreciation & Amortization	180,060
Decrease/(Increase) in Receivables	36,775,057
Decrease/(Increase) in Prepaids & Other Current Assets	(42,984)
(Decrease)/Increase in Payables	47,820,949
(Decrease)/Increase in Other Liabilities	(25,702)
Change in MCO Tax Liability	(11,935,488)
Changes in Claims and Capitation Payable	(773,041)
Changes in IBNR	47,852,515
	<u>155,621,479</u>
<b>Net Cash Flow from Operating Activities</b>	<u><b>\$ 155,621,479</b></u>

**Income Statement Monthly Trend**

	FY2014-15 Monthly Trend*			Current Month		
	SEP 14	OCT 14	NOV 14	DEC 14		Variance
				Actual	Budget	Fav/(Unfav)
<b>Membership (includes retro members)</b>	167,350	172,729	171,343	178,532	159,889	18,643
<b>Revenue:</b>						
Premium	\$ 59,992,380	\$ 59,184,067	\$ 64,766,272	\$ 67,600,543	\$ 50,196,163	\$ 17,404,380
Reserve for Rate Reduction	-	-	(36,753,996)	(7,222,493)	-	(7,222,493)
MCO Premium Tax	(2,362,200)	(2,330,373)	(2,550,172)	(930,197)	(1,976,474)	1,046,277
<b>Total Net Premium</b>	<b>57,630,180</b>	<b>56,853,694</b>	<b>25,462,104</b>	<b>59,447,852</b>	<b>48,219,689</b>	<b>11,228,163</b>
<b>Other Revenue:</b>						
Interest Income	30,121	42,429	37,734	47,435	16,565	30,870
Miscellaneous Income	38,333	38,333	38,333	68,651	38,333	30,318
<b>Total Other Revenue</b>	<b>68,454</b>	<b>80,762</b>	<b>76,067</b>	<b>116,086</b>	<b>54,898</b>	<b>61,189</b>
<b>Total Revenue</b>	<b>57,698,634</b>	<b>56,934,456</b>	<b>25,538,171</b>	<b>59,563,938</b>	<b>48,274,586</b>	<b>11,289,352</b>
<b>Medical Expenses:</b>						
<u>Capitation (PCP, Specialty, Kasier, NEMT &amp; Vision)</u>	2,796,518	2,864,387	2,932,938	3,004,545	2,690,068	(314,476)
<b>FFS Claims Expenses:</b>						
Inpatient	13,423,203	8,820,600	(3,366,301)	10,389,370	9,834,314	(555,056)
LTC/SNF	9,147,787	10,759,562	8,603,699	9,058,853	7,510,868	(1,547,985)
Outpatient	3,693,295	2,405,528	154,989	4,421,489	2,604,346	(1,817,143)
Laboratory and Radiology	1,191,252	533,829	(658,499)	1,239,938	748,601	(491,337)
<b>Physician ACA 1202</b>	-	-	-	4,942,182	-	(4,942,182)
Emergency Room	1,818,198	1,181,015	(526,608)	1,773,425	1,521,022	(252,403)
Physician Specialty	3,527,267	2,156,736	1,150,877	4,232,969	3,219,336	(1,013,633)
Primary Care Physician	3,230,565	2,026,593	263,568	3,187,156	2,485,097	(702,059)
Home & Community Based Services	1,729,152	1,106,600	1,315,061	1,429,964	835,189	(594,775)
Applied Behavior Analysis Services	-	-	-	392	-	(392)
Mental Health Services	670,802	710,363	464,368	642,434	743,505	101,071
Pharmacy	5,525,771	5,358,792	4,772,776	5,436,966	8,807,462	3,370,496
<b>Adult Expansion Reserve</b>	-	2,500,000	-	(3,500,000)	-	3,500,000
Other Medical Professional	340,253	196,706	(64,226)	409,206	264,091	(145,116)
Other Medical Care	331	-	-	38	-	(38)
Other Fee For Service	1,328,749	1,333,514	(3,254,779)	1,744,277	924,584	(819,693)
Transportation	379,458	82,729	58,244	792,920	303,302	(489,618)
<b>Total Claims</b>	<b>46,006,084</b>	<b>39,172,566</b>	<b>8,913,169</b>	<b>46,201,577</b>	<b>39,801,717</b>	<b>(6,399,860)</b>
Medical & Care Management Expense	1,024,517	1,029,183	911,817	1,075,547	1,063,992	(11,555)
Reinsurance	449,539	460,248	471,741	(206,923)	195,065	401,988
Claims Recoveries	(128,569)	(751,942)	(374,663)	872,871	-	(872,871)
Sub-total	1,345,487	737,488	1,008,895	1,741,495	1,259,057	(482,438)
<b>Total Cost of Health Care</b>	<b>50,148,088</b>	<b>42,774,442</b>	<b>12,855,002</b>	<b>50,947,617</b>	<b>43,750,843</b>	<b>(7,196,774)</b>
<b>Contribution Margin</b>	<b>7,550,545</b>	<b>14,160,015</b>	<b>12,683,169</b>	<b>8,616,322</b>	<b>4,523,744</b>	<b>4,092,578</b>
<b>General &amp; Administrative Expenses:</b>						
Salaries and Wages	690,867	712,605	587,651	724,287	807,593	83,306
Payroll Taxes and Benefits	192,767	185,805	151,578	265,074	216,586	(48,488)
Travel and Training	12,543	19,428	8,957	9,763	13,734	3,972
Outside Service - ACS	1,278,018	1,332,236	1,331,496	1,370,254	1,201,706	(168,549)
Outside Services - Other	123,714	136,260	136,226	143,598	120,773	(22,825)
Accounting & Actuarial Services	15,037	10,990	37,386	10,000	25,000	15,000
Legal	202,842	249,708	355,504	378,862	33,334	(345,528)
Insurance	7,186	17,151	16,863	18,265	14,583	(3,682)
Lease Expense - Office	63,588	63,318	63,048	63,318	64,354	1,036
Consulting Services	56,353	43,960	5,420	9,194	87,654	78,460
Translation Services	5,882	4,208	10,895	401	7,083	6,682
Advertising and Promotion	-	100	5,684	147	5,839	5,692
General Office	116,147	77,828	125,251	87,687	95,988	8,301
Depreciation & Amortization	16,534	16,441	16,530	16,530	25,930	9,400
Printing	26,864	3,123	739	-	24,077	24,077
Shipping & Postage	1,681	1,249	1,362	17,239	2,632	(14,607)
Interest	(7,319)	79,607	29,060	17,695	15,000	(2,695)
<b>Total G &amp; A Expenses</b>	<b>2,802,703</b>	<b>2,954,018</b>	<b>2,883,649</b>	<b>3,132,315</b>	<b>2,761,867</b>	<b>(370,448)</b>
<b>Net Income / (Loss)</b>	<b>\$ 4,747,842</b>	<b>\$ 11,205,997</b>	<b>\$ 9,799,520</b>	<b>\$ 5,484,006</b>	<b>\$ 1,761,877</b>	<b>\$ 3,722,130</b>
<b>Full time employees</b>				<b>143</b>	<b>165</b>	<b>22</b>

**PMPM Income Statement Comparison**

	SEP 14	OCT 14	NOV 14	DEC 14		Variance Fav/(Unfav)
				Actual	Budget	
<b>Membership (includes retro members)</b>	167,350	172,729	171,343	178,532	159,889	18,643
<b>Revenue:</b>						
Premium	358.48	342.64	377.99	378.65	313.94	64.70
Reserve for Rate Reduction	-	-	(214.51)	(40.45)	-	(40.45)
MCO Premium Tax	(14.12)	(13.49)	(14.88)	(5.21)	(12.36)	7.15
<b>Total Net Premium</b>	<b>344.37</b>	<b>329.15</b>	<b>148.60</b>	<b>332.98</b>	<b>301.58</b>	<b>31.40</b>
<b>Other Revenue:</b>						
Interest Income	0.18	0.25	0.22	0.27	0.10	0.16
Miscellaneous Income	0.23	0.22	0.22	0.38	0.24	0.14
<b>Total Other Revenue</b>	<b>0.41</b>	<b>0.47</b>	<b>0.44</b>	<b>0.65</b>	<b>0.34</b>	<b>0.31</b>
<b>Total Revenue</b>	<b>344.78</b>	<b>329.62</b>	<b>149.05</b>	<b>333.63</b>	<b>301.92</b>	<b>31.71</b>
<b>Medical Expenses:</b>						
<u>Capitation (PCP, Specialty, Kasier, NEMT &amp; Vision)</u>	16.71	16.58	17.12	16.83	16.82	(0.00)
<u>FFS Claims Expenses:</u>						
Inpatient	80.21	51.07	(19.65)	58.19	61.51	3.31
LTC/SNF	54.66	62.29	50.21	50.74	46.98	(3.77)
Outpatient	22.07	13.93	0.90	24.77	16.29	(8.48)
Laboratory and Radiology	7.12	3.09	(3.84)	6.95	4.68	(2.26)
<b>Physician ACA 1202</b>	-	-	-	27.68	-	(27.68)
Emergency Room	10.86	6.84	(3.07)	9.93	9.51	(0.42)
Physician Specialty	21.08	12.49	6.72	23.71	20.13	(3.58)
Primary Care Physician	19.30	11.73	1.54	17.85	15.54	(2.31)
Home & Community Based Services	10.33	6.41	7.68	8.01	5.22	(2.79)
Applied Behavior Analysis Services	-	-	-	0.00	-	(0.00)
Mental Health Services	4.01	4.11	2.71	3.60	4.65	1.05
Pharmacy	33.02	31.02	27.86	30.45	55.08	24.63
<b>Adult Expansion Reserve</b>	-	14.47	-	(19.60)	-	19.60
Other Medical Professional	2.03	1.14	(0.37)	2.29	1.65	(0.64)
Other Medical Care	0.00	-	-	0.00	-	(0.00)
Other Fee For Service	7.94	7.72	(19.00)	9.77	5.78	(3.99)
Transportation	2.27	0.48	0.34	4.44	1.90	(2.54)
<b>Total Claims</b>	<b>274.91</b>	<b>226.79</b>	<b>52.02</b>	<b>258.79</b>	<b>248.93</b>	<b>(9.85)</b>
Medical & Care Management Expense	6.12	5.96	5.32	6.02	6.65	0.63
Reinsurance	2.69	2.66	2.75	(1.16)	1.22	2.38
Claims Recoveries	(0.77)	(4.35)	(2.19)	4.89	-	(4.89)
Sub-total	8.04	4.27	5.89	9.75	7.87	(1.88)
<b>Total Cost of Health Care</b>	<b>299.66</b>	<b>247.64</b>	<b>75.02</b>	<b>285.37</b>	<b>273.63</b>	<b>(11.74)</b>
<b>Contribution Margin</b>	<b>45.12</b>	<b>81.98</b>	<b>74.02</b>	<b>48.26</b>	<b>28.29</b>	<b>(19.97)</b>
<b>Memo: exclusive of adjustment</b>						
<b>General &amp; Administrative Expenses:</b>						
Salaries and Wages	4.13	4.13	3.43	4.06	5.05	0.99
Payroll Taxes and Benefits	1.15	1.08	0.88	1.48	1.35	(0.13)
Travel and Training	0.07	0.11	0.05	0.05	0.09	0.03
Outside Service - ACS	7.64	7.71	7.77	7.68	7.52	(0.16)
Outside Services - Other	0.74	0.79	0.80	0.80	0.76	(0.05)
Accounting & Actuarial Services	0.09	0.06	0.22	0.06	0.16	0.10
Legal	1.21	1.45	2.07	2.12	0.21	(1.91)
Insurance	0.04	0.10	0.10	0.10	0.09	(0.01)
Lease Expense - Office	0.38	0.37	0.37	0.35	0.40	0.05
Consulting Services	0.34	0.25	0.03	0.05	0.55	0.50
Translation Services	0.04	0.02	0.06	0.00	0.04	0.04
Advertising and Promotion	-	0.00	0.03	0.00	0.04	0.04
General Office	0.69	0.45	0.73	0.49	0.60	0.11
Depreciation & Amortization	0.10	0.10	0.10	0.09	0.16	0.07
Printing	0.16	0.02	0.00	-	0.15	0.15
Shipping & Postage	0.01	0.01	0.01	0.10	0.02	(0.08)
Interest	(0.04)	0.46	0.17	0.10	0.09	(0.01)
<b>Total G &amp; A Expenses</b>	<b>16.75</b>	<b>17.10</b>	<b>16.83</b>	<b>17.54</b>	<b>17.27</b>	<b>(0.27)</b>
<b>Net Income / (Loss)</b>	<b>28.37</b>	<b>64.88</b>	<b>57.19</b>	<b>30.72</b>	<b>11.02</b>	<b>19.70</b>

**Income Statement**  
**For Six Months Ended December 31, 2014**

	Dec 14 Year-To-Date		Variance
	Actual	Budget	Fav/(Unfav)
<b>Membership (includes retro members)</b>	1,013,290	953,916	59,374
<b>Revenue</b>			
Premium	\$ 356,626,880	\$ 297,867,492	\$ 58,759,387
Reserve for Rate Reduction	(43,976,489)	-	(43,976,489)
MCO Premium Tax	(12,310,609)	(11,728,533)	(582,077)
<b>Total Net Premium</b>	<b>300,339,781</b>	<b>286,138,960</b>	<b>14,200,821</b>
<b>Other Revenue:</b>			
Interest Income	197,847	98,296	99,551
Miscellaneous Income	260,318	229,998	30,320
<b>Total Other Revenue</b>	<b>458,165</b>	<b>328,294</b>	<b>129,871</b>
<b>Total Revenue</b>	<b>300,797,946</b>	<b>286,467,254</b>	<b>14,330,692</b>
<b>Medical Expenses:</b>			
Capitation (PCP, Specialty, Kaiser, NEMT & Vision)	16,811,349	15,988,354	(822,995)
<u>FFS Claims Expenses:</u>			
Inpatient	51,939,472	58,226,372	6,286,901
LTC/SNF	54,130,181	44,975,705	(9,154,477)
Outpatient	17,162,503	15,446,494	(1,716,009)
Laboratory and Radiology	4,252,165	4,389,968	137,803
Physician ACA 1202	4,942,182	-	(4,942,182)
Emergency Room	7,509,567	8,999,565	1,489,998
Physician Specialty	17,984,105	19,118,627	1,134,522
Primary Care Physician	13,483,011	14,660,187	1,177,176
Home & Community Based Services	8,170,660	5,007,220	(3,163,440)
Applied Behavior Analysis Services	392	-	(392)
Mental Health Services	3,272,762	4,425,798	1,153,036
Pharmacy	32,315,284	51,416,839	19,101,554
Other Medical Professional	1,490,741	1,561,399	70,658
Other Medical Care	369	-	(369)
Other Fee For Service	5,176,024	5,507,144	331,120
Transportation	1,803,998	1,785,596	(18,402)
Total Claims	223,633,416	235,520,913	11,887,498
Medical & Care Management Expense	6,041,648	6,304,191	262,544
Reinsurance	1,690,086	1,163,778	(526,308)
Claims Recoveries	(112,951)	-	112,951
Sub-total	7,618,783	7,467,970	(150,813)
<b>Total Cost of Health Care</b>	<b>248,063,547</b>	<b>258,977,237</b>	<b>10,913,690</b>
<b>Contribution Margin</b>	<b>52,734,399</b>	<b>27,490,017</b>	<b>25,244,382</b>
<b>General &amp; Administrative Expenses:</b>			
Salaries and Wages	4,017,912	4,871,564	853,652
Payroll Taxes and Benefits	1,169,809	1,267,749	97,940
Travel and Training	70,060	163,114	93,054
Outside Service - ACS	7,823,209	7,171,588	(651,622)
Outside Services - Other	736,187	823,933	87,746
Accounting & Actuarial Services	104,641	225,000	120,359
Legal	1,400,737	200,000	(1,200,737)
Insurance	106,058	87,500	(18,558)
Lease Expense - Office	379,906	386,124	6,218
Consulting Services	213,234	799,932	586,698
Translation Services	26,949	42,498	15,549
Advertising and Promotion	9,955	81,904	71,949
General Office	579,095	1,099,159	520,064
Depreciation & Amortization	95,110	136,073	40,963
Printing	40,250	124,422	84,172
Shipping & Postage	45,331	75,678	30,347
Interest	145,844	90,000	(55,844)
<b>Total G &amp; A Expenses</b>	<b>16,964,287</b>	<b>17,646,238</b>	<b>681,951</b>
<b>Net Income / (Loss)</b>	<b>\$ 35,770,113</b>	<b>\$ 9,843,780</b>	<b>\$ 25,926,333</b>

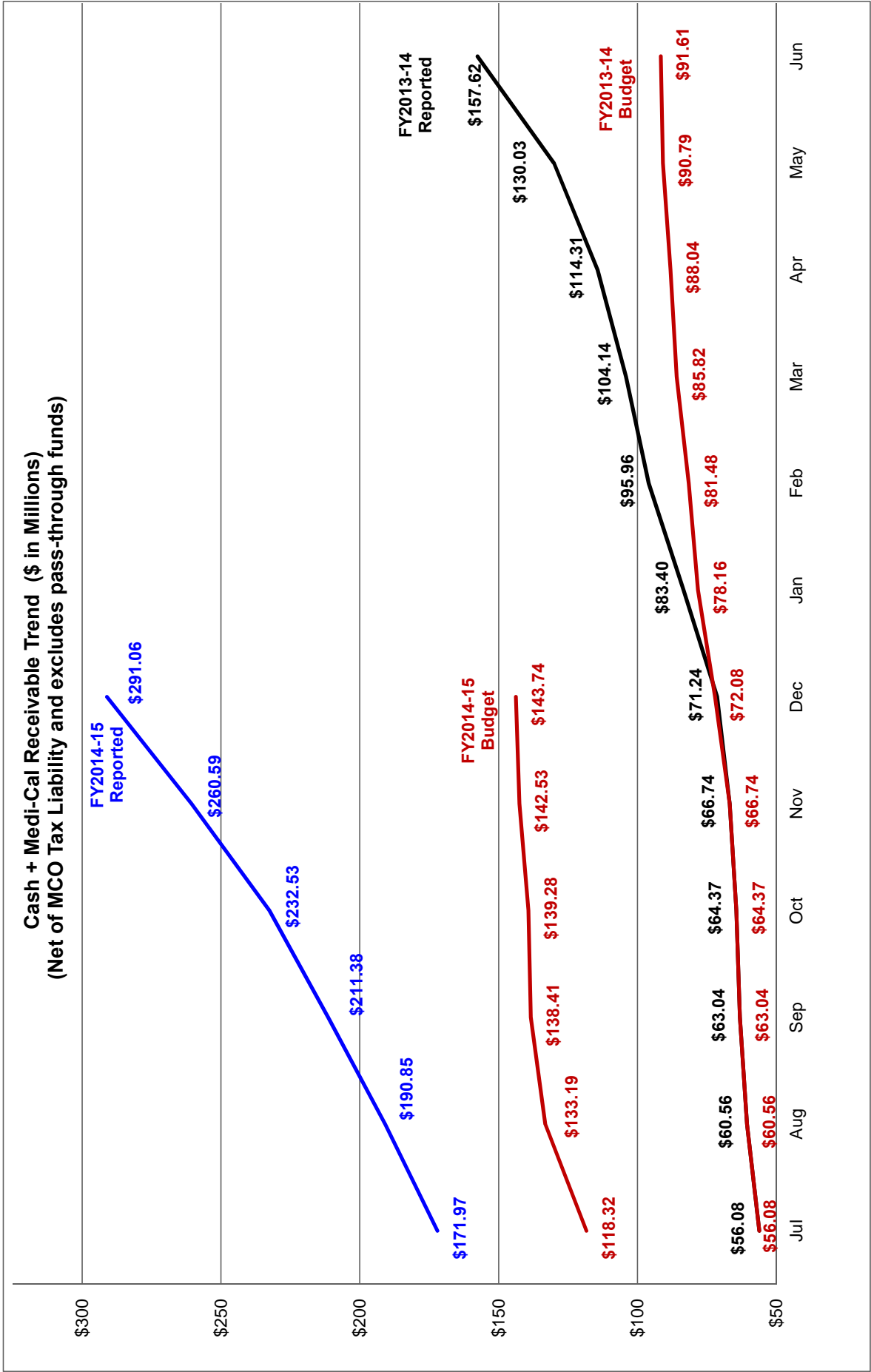


For the month ended December 31, 2014

## **APPENDIX**

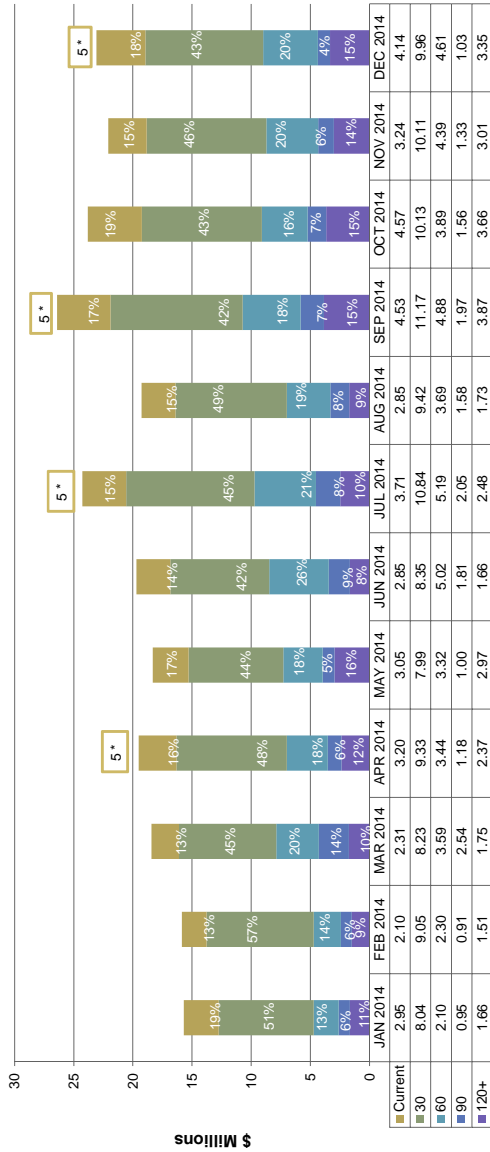
- Cash Trend Combined
- Paid Claims and IBNP Composition
- Total Expenditure Composition
- Pharmacy Cost & Utilization Trends

**GOLD COAST HEALTH PLAN  
DEC 14**



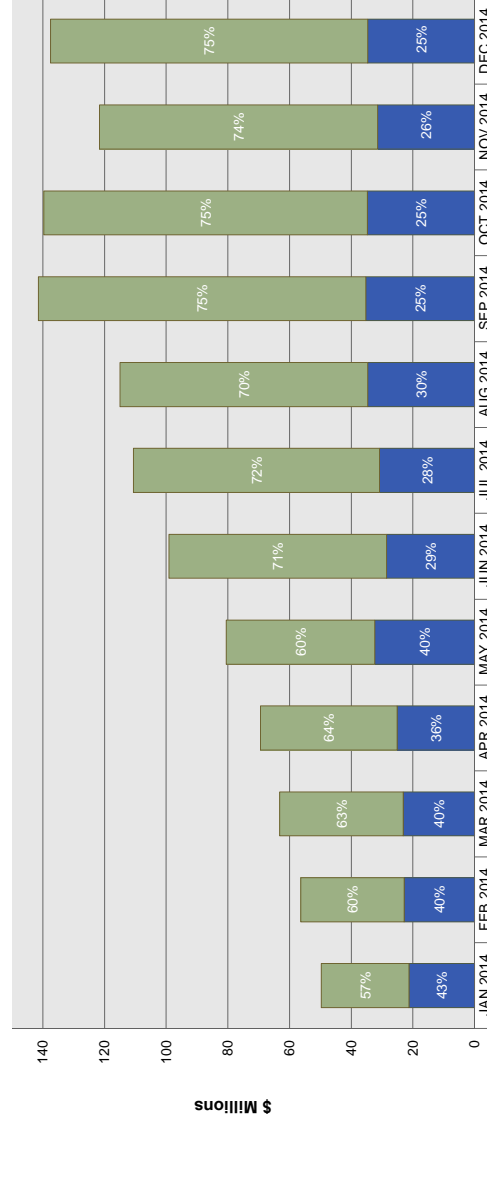
**GOLD COAST HEALTH PLAN**  
DEC-14

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



**Note: Paid Claims Composition** - reflects adjusted medical claims payment lag schedule.  
\* - Months Indicated with 5\* represent months for which there were 5 claim payments. For all other months, 4 claim payments were made.

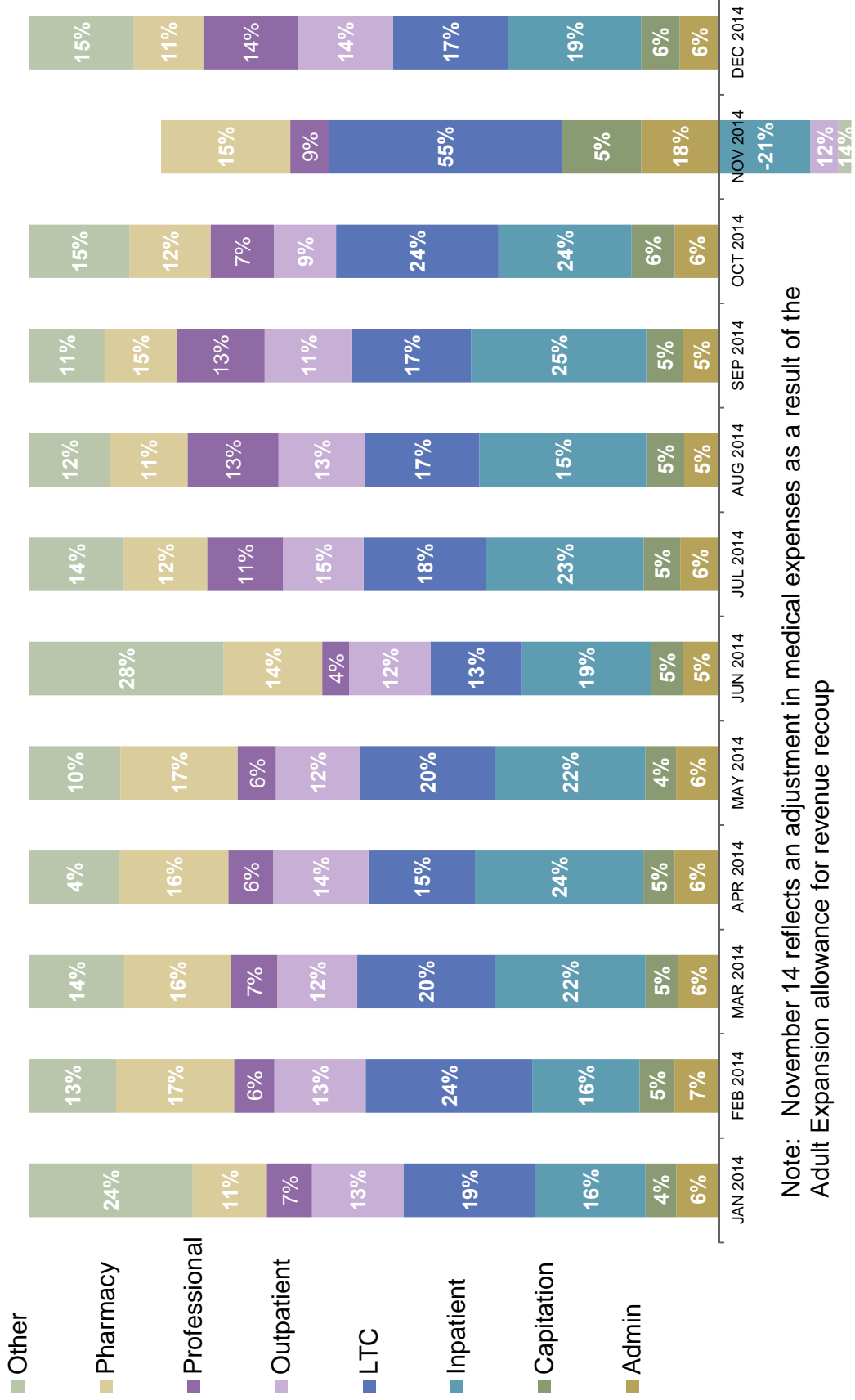
**IBNP Composition (excluding Pharmacy and Capitation)**



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

# GOLD COAST HEALTH PLAN

**Total Expense Composition**



Note: November 14 reflects an adjustment in medical expenses as a result of the Adult Expansion allowance for revenue recoup

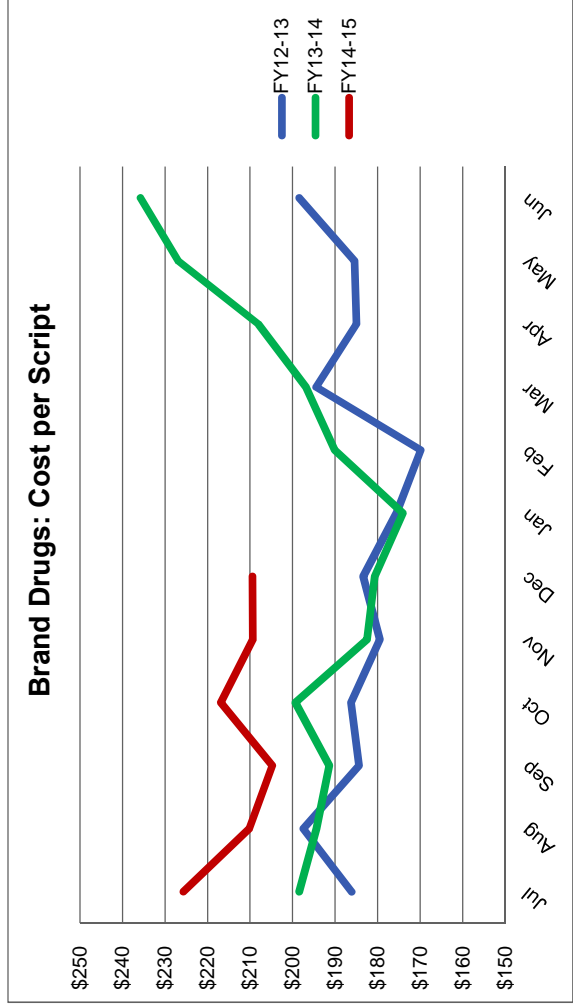
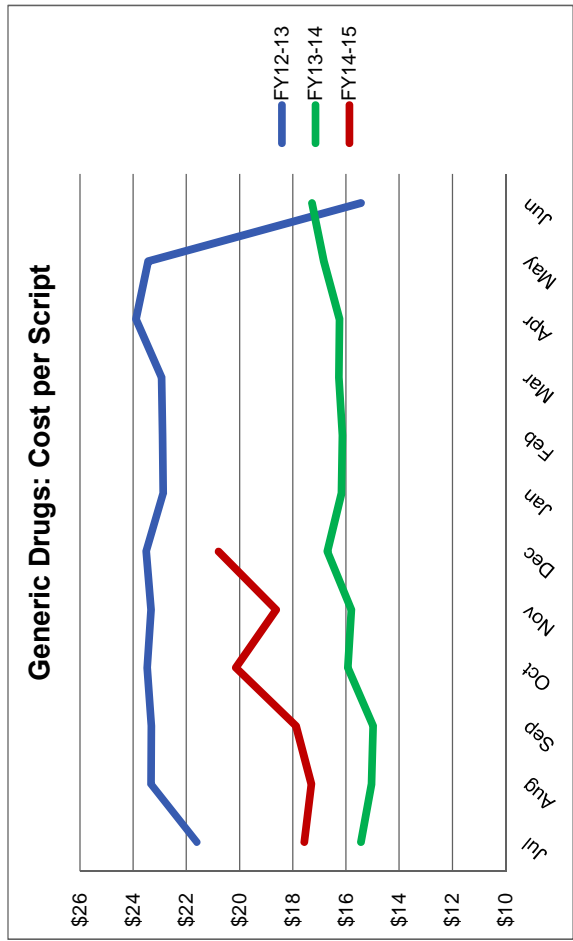
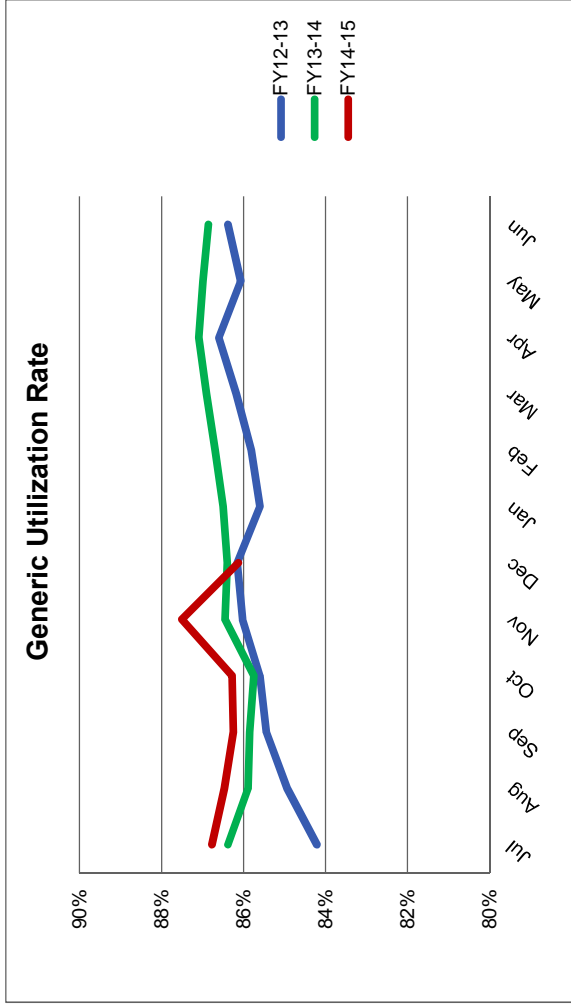
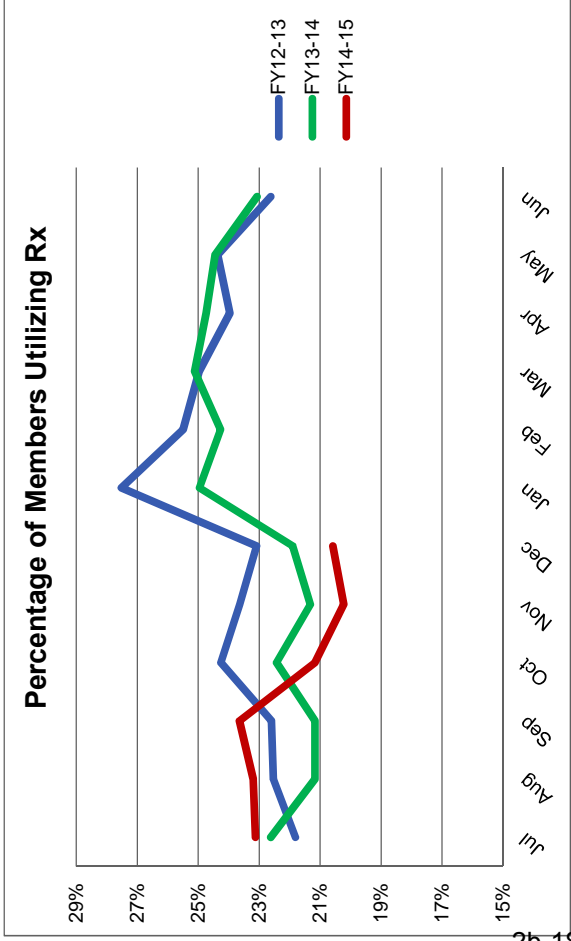


# GOLD COAST HEALTH PLAN

## Pharmacy Cost Trend



# GOLD COAST HEALTH PLAN Pharmacy Analysis





Title:	Policy Number:
Department:	Effective Date:
CEO Approved:	Revised:

**Purpose:**

This Investment Policy sets forth the investment guidelines for all Operating Funds and Board- Designated Reserve Funds (also referred to as Assigned) of the Gold Coast Health Plan (GCHP).

**Policy:**

**INVESTMENT POLICY**

**I. PURPOSE**

This Investment Policy sets forth the investment guidelines for all Operating Funds and Board- Designated Reserve Funds (also referred to as Assigned) of the Gold Coast Health Plan (GCHP). The objective of this Investment Policy is to ensure GCHP’s funds are prudently invested according to the Board of Commissioners’ objectives to preserve capital, provide necessary liquidity and to achieve a market-average rate of return through economic cycles.

Investments may only be made as authorized by this Investment Policy. GCHP Investment Policy conforms to the California Government Code sections 53600 et seq. (the Code) as well as customary standards of prudent investment management. Irrespective of these policy provisions, should the provisions of the Code or any other applicable law be or become more restrictive than those contained herein, such provisions will be considered immediately incorporated into the Investment Policy. GCHP shall also comply with investment requirements contained within contracts that GCHP may have with any government funding agencies, and such requirements shall be considered incorporated into this policy.

**II. OBJECTIVES**

GCHP’s investment objectives, in order of priority, are as follows:

- A. Safety of Principal - Safety of principal is the foremost objective of GCHP. Each investment transaction shall seek to ensure that the risks of capital losses are minimized, including risks arising from institutional default, broker-dealer default, or erosion of market value of securities. GCHP shall seek to preserve principal by mitigating the two types of risk, credit risk and market risk, to the extent reasonable under the circumstances. Liquidity - Liquidity is the second most important objective of GCHP. The portfolio shall contain investments for which there is a secondary market or which otherwise offer the flexibility to be sold or liquidated within a reasonable amount time as set forth in this Policy with minimal risk of loss of either the principal or interest based upon then prevailing rates.

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- B. Total Return – GCHP’s portfolio shall be designed to earn a competitive rate of return (i.e., yield) within the confines of the California Government Code, this policy, and procedural structure.

The length of term for all investments shall be commensurate with the short, medium, and long-term cash flow needs of GCHP. Market risk, the risk of market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by matching maturity dates, to the extent possible, with GCHP's expected cash flow draws. It is explicitly recognized herein, however, that in a diversified portfolio, occasional losses are inevitable and must be considered within the context of the overall investment return. Consideration will be made to debt security that would trigger capital gains or losses as the market interest rates fluctuate.

**III. PRUDENCE**

GCHP’s Board of Commissioners and GCHP officials and employees authorized to make investment decisions on behalf of GCHP are trustees and fiduciaries subject to the prudent investor standard.

The standard of prudence to be used by investment officials shall be the "prudent person" standard as defined in Code Section 53600.3 and shall be applied in the context of managing an overall portfolio.

THE PRUDENT PERSON STANDARD: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of GCHP, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

**IV. ETHICS AND CONFLICTS OF INTEREST**

GCHP's officers and employees involved in the investment process shall refrain from personal and professional business activities that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. GCHP's officers and employees involved in the investment process are not permitted to have any material financial interests in financial institutions, including state or federal credit unions, that conduct business with GCHP, and they are not permitted to have any personal financial or investment holdings that could be materially related to the performance of GCHP's investments.

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**V. DELEGATION OF AUTHORITY**

Authority to manage GCHP's investment program is derived from an order of the Board of Commissioners. Management responsibility for the investment program is hereby delegated to GCHP's Chief Financial Officer (CFO). The CFO may recommend an independent licensed Investment Advisor and / or the investment department (trust department) with the current bank relationship (Advisors) to assist in managing the investment portfolio based upon the investment policies. The Advisor will be responsible to implement and comply with this policy and to ensure that the investment objectives are met.

The CFO may also invest funds in certain pre-established investments as stated herein.

The CFO shall be responsible for all actions undertaken and shall establish a system of controls to regulate the activities of one or more independent advisors and subordinate investment staff.

The CFO and / or investment advisor(s) shall mitigate risk by following these guidelines:

- A. Pre-qualifying financial institutions with which it will do business through the utilization of Moody's Credit Review Service, Standard and Poor's Financial Institutions Ratings, and Moody's Commercial Paper Record.
- B. Diversifying the portfolio so that the failure of any one issuer or backer will not place any undue financial burden on GCHP. Spreading investments over different investment types minimizes the impact anyone industry/investment class can have on the portfolio; Spreading investments over multiple credits / issuers within an investment type minimizes the credit exposure of the portfolio to any single firm/institution.
- C. Monitor all GCHP investments on a daily basis to anticipate and respond appropriately to a significant reduction in the credit worthiness of a depository.
- D. Structuring GCHP's portfolio so that securities mature at times to meet GCHP's ongoing cash needs. Spreading investments over various maturities minimizes the risk of portfolio depreciation due to a rise in interest rates. An unforeseen liquidity need allows no options if "all your eggs are in one basket".
- E. Restructure of GCHP's portfolio to minimize the loss of market value or cash flow.

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**VI. GUIDELINES FOR INVESTMENT**

The CFO shall maintain and instruct the investment advisor to adhere to these investment protocols:

A. Liquidity

GCHP's portfolio will be structured so that securities will mature at or about the same time as cash is needed to meet demand and in accordance with the economic projections mentioned above.

The Finance Team will construct a portfolio that will consist of securities with active secondary and resale markets. Any investments for which no secondary market exists, such as time deposits, shall not exceed 375 days and no investment shall have a maturity of more than 1150 days (to minimize capital losses).

B. Yield

The CFO and Advisors shall always attempt to obtain a competitive rate of return on any investment type consistent with the required safety, liquidity, and other parameters of this policy, departmental procedures, and the laws of the State of California.

C. Internal Controls

The CFO shall establish a system of internal controls, which shall be documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, as well as unanticipated changes in financial markets.

D. Safekeeping of Securities

To protect against potential losses caused by the collapse of individual securities dealers, all securities owned by GCHP, including collateral on repurchase agreements shall be held in safekeeping by a third party bank trust department, acting as agent for GCHP under the terms of a custody agreement executed by the bank and GCHP CFO. All trades executed between GCHP and a dealer will settle on a delivery vs. payment basis with a custodial bank. All security transactions engaged in by the Chief Investment Officer shall be countersigned by a second Finance Department official or employee, who the CFO has authorized to countersign security transaction.

E. Rating

With the exception of Local Agency Investment Fund (LAIF), insured deposits, and U.S. Finance and Government Agency issues, investments shall be placed only in those instruments and institutions rated favorably as

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determined by GCHP's CFO with the assistance of Moody's Commercial Paper Record, Moody's Credit Report, and the S & P Financial Institutions Ratings Service.

If the rating of any depository drops during the course of time with which GCHP has placed an investment, the investment will be matured at the earliest possible convenience.

If anyone security rating drops below A-1 or P-1 resulting in a split rating, the investment will be sold if no significant loss of principal is involved or matured at the earliest possible convenience. These sales must be approved by the CFO.

F. Financial Benchmarks

GCHP's portfolio shall be designed to attain a market-average rate of return through economic cycles given an acceptable level of risk. The performance benchmark for the investment portfolio will be based upon the market indices for short-term investments of comparable risk and duration. These performance benchmarks will be determined by GCHP's CFO with the assistance of an independent advisor and will be reviewed by the Executive Finance Committee and / or an Investment Committee or Sub-Committee on semi- annually basis.

G. Periodic Review of the Investment Policy

The CFO is responsible for providing the Executive Finance Committee with this recommended Investment Policy. The Executive Finance Committee is responsible for recommending the Investment Policy to the Board of Commissioners for final approval. This Investment Policy shall be reviewed by the Board of Commissioners at a public meeting pursuant to Section 53646 (a) of the California Government Code.

H. Collateralization

Collateralization is required on two types of investments: bank deposits in excess of the current insurance limit and repurchase agreements.

Bank deposits in excess of \$250,000, or the current prevailing U.S. government insurance guarantee, may only be invested with financial institutions which participate in the California local Agency Security Program (LASP) administered by the California Department of Financial Institutions. LASP provides for collateral requirements, oversight and monitoring, and reporting by financial institutions.

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Collateral is also required for repurchase agreements. The market value of securities that underlie a repurchase agreement shall not be allowed to fall below 102% of the value of the repurchase agreement and the value shall be adjusted no less than quarterly. Securities that can be pledged for collateral shall consist only of securities permitted in this policy.

- I. Securities Lending  
Investment securities shall not be lent to an Investment Manager, broker or any other entity.
- J. Leverage  
The investment portfolio, or investment portfolios, cannot be used as collateral to obtain additional investable funds.
- K. Other Investments  
Any investment not specifically referred to herein will be considered a prohibited investment.
- L. Underlying Nature of Investments  
GCHP shall not make investments in organizations which have a line of business that is visibly in conflict with the interests of public health (which shall be defined by GCHP Board of Commissioners). Furthermore, GCHP shall not make investments in organizations with which it has a business relationship through contracting, purchasing or other arrangements.
- M. Derivatives  
Investments in derivative securities are not allowed, except as to U.S. Finance STRIPS.
- N. Investments  
Investments shall be made in the securities presented on exhibit 1.

**VII. REPORTING AND REVIEW**

The CFO is responsible for directing GCHP's investment program and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities. The CFO shall make a semi-annual report to the Executive Finance Committee, Investment Sub-Committee and the Commission of GCHP.



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A. Procedures performed by the CFO

1. The Operating Funds and Board-Designated (allocated) Reserve Funds targeted average maturities will be established and reviewed periodically.
2. Investment diversification and portfolio performance will be reviewed semi- annually to ensure that risk levels and returns are reasonable and that investments are diversified in accordance with this policy.

**VIII. QUALIFICATIONS OF BROKERS, DEALERS, AND FINANCIAL INSTITUTIONS**

The CFO shall transact business with Advisors, broker / dealer or with direct issuers, broker / dealers licensed by the State, National, or State chartered bank or savings institutions and primary government dealers designated by the Federal Reserve.

Any investment advisors, broker / dealer interested in conducting business with GCHP must have an office within the State of California and is required to fill out an extensive questionnaire maintained by the Chief Financial Officer. This questionnaire is then reviewed by the Investment Committee and upon acceptance permits GCHP to deal with the broker / dealer.

No broker / dealer may have made political contributions greater than the limits expressed in Rule G-37 of the Municipal Securities Rule Making Body to the CFO, Board of Supervisors, or candidate for those offices.

The Finance staff shall investigate dealers with which it will conduct business in order to determine: if the firm is adequately capitalized and meets the Federal Reserve's minimum capital requirements for broker / dealer operations, makes markets in securities appropriate to GCHP's investment policy, the individual covering the account has a minimum of three years dealing with large institutional accounts, and receives three favorable recommendations from other short term cash portfolio managers.

GCHP may engage the support services of outside investment advisors in regard to its investment program, so long as it can be clearly demonstrated that these services produce a net financial advantage or necessary financial protection of GCHP financial resources. Investment advisors shall follow this policy, State law and other such written instructions as provided by the Treasurer.

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**IX. DUTIES AND RESPONSIBILITIES OF THE EXECUTIVE COMMITTEE AND / OR, THE INVESTMENT COMMITTEE:**

- A. The CFO with or without the assistance of an independent investment advisor and staff are responsible for the day-to-day management of GCHP’s investment portfolio. The Board of Commissioners is responsible for GCHP’s Investment Policy. The Finance Committee shall not make or direct GCHP staff to make any particular investment, purchase any particular investment product, or do business with any particular investment companies or brokers. It shall not be the purpose of the Finance Committee to advise on particular investment decisions of GCHP.
- B. The duties and responsibilities of the Executive Finance Committee shall consist of the following:
1. Review any changes to GCHP’s Investment Policy before consideration by the Board of Commissioners and recommend revisions, as necessary.
  2. Review semi-annually GCHP’s investment portfolio for conformance to GCHP’s Investment Policy diversification and maturity guidelines, and make recommendations as appropriate.
  3. Perform such additional duties and responsibilities as may be required from time to time by specific action and direction of the Board of Commissioners.

Interview investment advisors chosen by the CFO and propose the investment advisor of choice to the Board of Commissioners for contracting.

**Definitions:**

N/A.

**Procedure:**

Procedures performed by the CFO

1. The Operating Funds and Board-Designated (allocated) Reserve Funds targeted average maturities will be established and reviewed periodically.
2. Investment diversification and portfolio performance will be reviewed semi- annually to ensure that risk levels and returns are reasonable and that investments are diversified in accordance with this policy.



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**Attachments:**

**Exhibit 1:**

Investment of Surplus: California Government Code Section §§53600-53610

Deposit of Funds: California Government Code Section §§53630-53686

**References:**

Investment of Surplus: California Government Code Section §§53600-53610

Deposit of Funds: California Government Code Section §§53630-53686

Federal Bankruptcy Code

**Revision History:**

Review Date	Revised Date	Approved By



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Department:	Effective Date:
CEO Approved:	Revised:

**EXHIBIT 1**

**Investment of Surplus: California Government Code Section §§53600-53610**

**Deposit of Funds: California Government Code Section §§53630-53686**

**1. INVESTMENT DESCRIPTION**

**1.1 U.S. Agencies**

The purchase of U.S. agency securities shall be limited to issues of the Federal Farm Credit Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corp. (Freddie Mac), Student Loan Marketing Association (Sallie Mae), Tennessee Valley Authority (TVA), the Federal National Mortgage Corporation (Fannie Mae), Federal Agricultural Mortgage Corporation (Farmer Mac), or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored or backed entity. TVA notes shall be limited to \$300 million. The maximum maturity of any one agency investment shall not exceed 1150 days.

**1.2 Commercial Paper**

Commercial Paper is a short term unsecured promissory note issued to finance short term credit needs. Commercial Paper eligible for investment must be of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided for by Standard and Poor's Corporation or Moody's Investors Service, Inc. Eligible paper is further limited to issuing corporations that are organized and operating within the United States and have total assets in excess of \$500 million and an “A” or higher rating for the issuer’s debt, other than commercial paper, if any, as provided for by Moody’s Investors Service, Inc. or Standard and Poor’s Corporation. Purchases of eligible Commercial Paper may not exceed 270 days to maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation. Purchases of Commercial Paper may not exceed 40 percent of GCHP’s surplus money that may be invested. No more than 10 percent of GCHP’s surplus money available for investing may be invested in the outstanding paper of any single issuing corporation. The CFO shall establish a list of approved Commercial Paper issuers in which investments may be made.

**1.3 Medium Term Notes and Deposit Notes**

The California Government Code restricts investment in Medium Term Corporate Notes of a maximum of five years maturity issued by corporations operating in the United States. Securities eligible for investment must be rated in the top three note rates categories (Moody's designates AAA, A2, A, Standard & Poor's designates (AAA, AA, A). Medium term corporate notes may not exceed 5 percent of GCHP's portfolio and may not have a maturity of longer than 24 months

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**1.4 U. S. Government**

United States Finance Bills, Notes, and Bonds are backed by the full faith and credit of the United States Government. There shall be no limitation as to the percentage of the portfolio which can be invested in this category. The maturity of a security is limited to a maximum of three years.

**1.5 Bankers Acceptances**

A Bankers Acceptance is a draft or bill of exchange accepted by a bank or trust company and brokered to investors in the secondary market. Bankers Acceptances may be purchased for a period of up to 180 days and in an amount not to exceed 40 percent of surplus funds with no more than 30 percent of the surplus funds in the Bankers Acceptances of any one commercial bank. The CFO shall establish a list of those banks deemed most credit worthy for the investment in Bankers Acceptances.

**1.6 Negotiable Certificates of Deposit**

Negotiable Certificates of Deposit (NCD) are issued by commercial banks, foreign banks, and thrift institutions against funds deposited for a specified period of time and earn specified or variable rates of interest. The CFO may invest up to 30 percent of surplus funds in NCD's. Negotiable certificates of deposit shall be limited to those institutions rated "AA" or better by Moody's and "AA" or better by Standard and Poor's C.D. Rating Service.

NCD's differ from other Certificates of Deposit in that they are liquid securities which are traded in secondary markets. The maximum term to maturity of any NCD shall be 6 months. The CFO shall establish a list of eligible domestic commercial banks, thrifts and state licensed foreign banks (Yankee Certificates of Deposit) which will be eligible for investment.

**1.7 Certificates of Deposit**

Certificates of Deposit are deposits by the CFO in commercial banks or savings and loan associations within the State of California and pass the same ratings criteria as outlined under the above mentioned section "Negotiable Certificates of Deposit." Local institutions shall receive preference for deposits up to \$250,000 if competitive rates are offered. These investments are non-negotiable. The maximum term to maturity shall not exceed 375 days and shall be insured by the FDIC.

**1.8 Repurchase agreements**

GCHP may invest in repurchase agreements with banks and dealers of primary dealer status recognized by the Federal Reserve with which GCHP has entered into a repurchase contract which specifies terms and conditions of repurchase agreements. The maturity of repurchase agreements shall not exceed 90 days. The market value of securities used as collateral for repurchase agreements shall be



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monitored daily by the Chief Investment Officer and will not be allowed to fall below 102% valued quarterly of the value of the repurchase agreement.

In order to conform with provisions of the Federal Bankruptcy Code which provide for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be certificates of deposit, commercial paper, eligible bankers' acceptances, or securities that are direct obligations of, or that are fully guaranteed as to principal and interest by the United States or any agency of the United States. Furthermore, this collateral shall not exceed five years to maturity.

There shall be a \$75 million dollar limitation in repurchase agreements entered into with any one institution.

**1.9 Ineligible Investments**

Investments not described above as authorized investments are ineligible for purchase. The policy specifically prohibits the investment of any funds in common stock, financial futures, options, inverse floaters, •range notes, or mortgage-derived, interest-only strips. Government Code Section 53601.6 also prevents the investment in any security that could result in zero interest accrual if held to maturity. The limitation in this Section does not apply to investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 that are authorized pursuant to Government Code Section 53601 (I).

**2. INVESTMENTS REFERENCE SCHEDULE:**

Authorized Investment	Govt. Code	Maximum Percentage	Maximum Maturity	Minimum Quality*	Other Constraints
U.S Treasury Obligations	53601(b)	No Limit	5 Years	None	Notes, bonds, bills
U.S. Agency Obligations	53601(f)	No Limit	5 Years	None	Federal agency or U.S. government sponsored enterprise obligations, participations, or other instruments
City of Thousand Oaks Bonds	53601(a)	No Limit	5 Years	None	
State Obligations (CA and others)	53601(c) and (d)	No Limit	5 Years	Underlying A, A-1	<ul style="list-style-type: none"> <li>Registered state warrants, treasury notes or bonds of California</li> <li>Registered treasury notes or bonds from any of the other 49 states</li> </ul>
California Local Agency Bonds	53601(e)	No Limit	5 Years	Underlying A, A-1	Bonds, notes, warrants or other evidence of indebtedness of any local agency within California

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Authorized Investment	Govt. Code	Maximum Percentage	Maximum Maturity	Minimum Quality*	Other Constraints
Corporate Medium Term Notes	53601(k)	<ul style="list-style-type: none"> <li>• 30% of portfolio</li> <li>• 5% single issuer</li> </ul>	5 Years	A	Issued by <ul style="list-style-type: none"> <li>• Domestic corporations or</li> <li>• Depository institutions licensed by the United States of any state and operating in the United States</li> </ul>
Negotiable Certificates of Deposit	53601(l)	<ul style="list-style-type: none"> <li>• 10% of portfolio</li> <li>• 5% single issuer</li> </ul>	5 Years	A	<ul style="list-style-type: none"> <li>• Issued by nationally or state-chartered banks; savings or federal associations; state of federal credit unions; or federally licensed or state licensed branches of foreign banks. And</li> <li>• Per 53638 deposits may not exceed bank shareholder equity; total net worth of depository savings or federal association; unimpaired capital and surplus of a credit union; unimpaired capital and surplus of industrial loan companies</li> </ul>
Supranationals	53601(q)	<ul style="list-style-type: none"> <li>• 15% of portfolio</li> <li>• 5% single issuer</li> </ul>	5 Years	AAA	U.S. dollar denominated senior unsecured unsubordinated obligations issued by or unconditionally guaranteed by: <ul style="list-style-type: none"> <li>• International Bank for Reconstruction and Development</li> <li>• International Finance Corporation</li> <li>• Inter-American Development Bank</li> </ul>
Bankers' Acceptances	53601(g)	<ul style="list-style-type: none"> <li>• 40% of portfolio</li> <li>• 5% single issuer</li> </ul>	180 Days	A-1	
Commercial Paper	53601(h)	<ul style="list-style-type: none"> <li>• 25% of portfolio</li> <li>• 5% of the outstanding commercial paper from a single issuer</li> </ul>	270 Days	A-1	<ul style="list-style-type: none"> <li>• Corporation must be organized and operating within the United States; have assets in excess of \$500 million; and have at least an A rating on its long term debt, if any; or</li> <li>• Corporation must be organized within the United States as a special purpose corporation, trust, or limited liability company; have program wide credit enhancements including, but not limited to over collateralization, letters of credit or a surety bond.</li> </ul>

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Authorized Investment	Govt. Code	Maximum Percentage	Maximum Maturity	Minimum Quality*	Other Constraints
Repurchase Agreements	53601(j)	No Limit	30 Days	N/A	<ul style="list-style-type: none"> <li>Subject to a Master Repurchase Agreement with a Primary Dealer approved by City Council;</li> <li>Comply with Government Code 53601(j)</li> </ul>
Bank Deposits – Collateralized or FDIC Insured	53630 et seq.	No Limit	5 Years	Satisfactory rating from national bank rating service from CRA review	<ul style="list-style-type: none"> <li>Amounts up to \$250,000 per institution are insured by the FDIC</li> <li>Amounts over the insurance limit must be placed with financial institutions participating in the California Local Agency Security Program, providing for collateralization of public funds</li> <li>Per 53638 deposits may not exceed bank shareholder equity; total net worth of depository savings or federal association; unimpaired capital and surplus of a credit union; unimpaired capital and surplus of industrial loan companies</li> <li>Treasurer may waive collateral for the portion of day deposits insured pursuant to federal law</li> <li>The use of private sector entities authorized by 53601.8 to assist in the placement of deposits are NOT permitted</li> </ul>
Local Agency Investment Fund (“LAIF”)	16429.1 et seq.	As permitted by LAIF	N/A	N/A	
County Pooled Investment Funds	53684	<ul style="list-style-type: none"> <li>20% of portfolio</li> </ul>	N/A	None	
Joint Powers Authority Pool	53601(p)	<ul style="list-style-type: none"> <li>15% of portfolio</li> <li>10% from single pool or maximum allowed by JPA whichever is less</li> </ul>	N/A	None	<p>JPA must be:</p> <ul style="list-style-type: none"> <li>Organized pursuant to Section 6509.7;</li> <li>Invest in securities in 53601 subdivisions (a) to (o); and</li> <li>Retain investment advisor register or exempt from advisor register or exempt from registration with the SEC, with at least 5 years experience, and has assets under management in excess of \$500 million.</li> </ul>



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Department:	Effective Date:
CEO Approved:	Revised:

Authorized Investment	Govt. Code	Maximum Percentage	Maximum Maturity	Minimum Quality*	Other Constraints
Money Market Funds	53601(l)	<ul style="list-style-type: none"> <li>15% of portfolio</li> </ul>	N/A	Fund must either have the highest ranking by not less than 2 NRSROs	Retain an investment adviser registered or exempt from registered or exempt from registration with the SEC with 5 years' experience managing money market funds in excess of \$500 million
Mutual Funds	53601(l)	<ul style="list-style-type: none"> <li>15% of portfolio</li> <li>5% from single mutual fund company</li> </ul>	N/A	Fund must either have the highest ranking by not less than 2 NRSROs	<ul style="list-style-type: none"> <li>Fund must invest in securities that comply with the investment restrictions of 53601(a) through (k) and (n) through (o); and</li> <li>Retain an investment adviser registered or exempt from registration with the SEC with 5 years' experience managing money market funds in excess of \$500 million.</li> </ul>