Gold Coast Health Plan℠
A Public Entity

www.goldcoasthealthplan.org

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

2240 E. Gonzales, Suite 230, Oxnard, CA 93036
Thursday, February 7, 2013
1:30 p.m.

AGENDA

CALL TO ORDER / ROLL CALL

PUBLIC COMMENT / CORRESPONDENCE

1. **APPROVE MINUTES**
   a. November 1, 2012 Regular Meeting Minutes
   b. January 9, 2013 Special Meeting Minutes

2. **ACCEPT AND FILE ITEMS**
   a. CEO Update
   b. December Financials

3. **APPROVAL ITEMS**
   a. FY 2012-13 Financial Audit Contract

4. **INFORMATIONAL ITEMS**
   a. Financial Forecast Update
   b. State Budget Update
   c. Healthy Families Transition to Medi-Cal
   d. Medical Management System Replacement

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, 2220 E. GONZALES ROAD, SUITE 200, OXNARD, CA.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT TRACI AT 805/981-5340. REASONABLE ADVANCE NOTIFICATION OF THE NEED FOR ACCOMMODATION PRIOR TO THE MEETING (48 HOURS ADVANCE NOTICE IS PREFERABLE) WILL ENABLE US TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING

Ventura County Medi-Cal Managed Care Commission (VCMMCC) dba Gold Coast Health Plan
Special Executive Finance Committee Meeting Agenda *(continued)*
2240 E. Gonzalez, Room 230, Oxnard, CA
February 7, 2013 at 1:30 p.m.

e. InterGovernmental Transfer (IGT)
f. Incurred But Not Paid (IBNP) Presentation

CLOSED SESSION

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

Announcement from Closed Session, if any.

COMMENTS FROM COMMITTEE MEMBERS

ADJOURNMENT

Unless otherwise determined, the next regular meeting of the Executive / Finance Committee Meeting will be held on March 7, 2013 at 3:00 p.m. at 2240 E. Gonzales Road, Suite 230, Oxnard CA 93036

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, 2220 E. GONZALES ROAD, SUITE 200, OXNARD, CA.

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Ventura County Medi-Cal Managed Care Commission (VCMMCC) dba Gold Coast Health Plan (GCHP) Executive / Finance Committee Meeting Minutes
November 1, 2012
(Not official until approved)

CALL TO ORDER

Chair Gonzalez called the meeting to order at 3:07 p.m. in Suite 280 at the Ventura County Public Health Building located at 2240 E. Gonzalez Road, Oxnard, CA 93036.

ROLL CALL

COMMITTEE MEMBERS PRESENT
Anil Chawla, Clinicas del Camino Real, Inc.
David Glyer, Private Hospitals / Healthcare System
Robert Gonzalez, Ventura County Medical Health System
Roberto Juarez, Clinicas del Camino Real, Inc.
Catherine Rodriguez, Ventura County Medical Health System

STAFF IN ATTENDANCE
Michael Engelhard, CEO
Sonia DeMarta, Interim CFO
Nancy Kierstyn Schreiner, Legal Counsel
Traci R. McGinley, Clerk of the Board
Guillermo Gonzalez, Government Affairs Director
Cassie Undlin, Interim COO

PUBLIC COMMENTS

None.

1. APPROVE MINUTES

a. September 20, 2012 Special Meeting Minutes

Committee Member Glyer moved to approve the September 20, 2012 Special Meeting Minutes. Committee Member Chawla seconded. The motion carried, with Committee Member Juarez abstaining. **Approved 4-0.**

b. October 4, 2012 Regular Meeting Minutes

Committee Member Glyer moved to approve the October 4, 2012 Regular Meeting Minutes. Committee Member Chawla seconded. The motion carried. **Approved 5-0.**

2. CONSENT ITEM

a. Extension of Tatum Contract

Chair Gonzalez requested that the item be pulled for discussion.

CEO Engelhard explained that this would extend Debbie Rieger's contract through the end of November. Staff is down to a few finalists and believes they are in the final stages of interviewing candidates for the IT Director, but has not yet extended an offer. Debbie Rieger has done a good job managing ACS, handling GCHP's IT and reporting needs. To not approve her at this critical juncture would leave a major hole inside the organization, in both the organization as a whole and in meeting the Corrective Action Plan (CAP).

Further discussion was held regarding the cost of the contract, the role Debbie Rieger has played and the IT Director position. It was noted that she has worked on the Specialty Contract, reporting capabilities, Milliman, Verisk HEDIS, Ad Hoc reporting, IKA ACS communication / mapping.

Committee Member Juarez moved to approve the extension of the Tatum Contract for IT Consultant Debbie Rieger to November 30, 2012. Committee Member Glyer seconded. The motion carried. **Approved 5-0.**

3. CEO UPDATE

CEO Engelhard reviewed his written report.

Discussion was held regarding the large financial impact proper aid code designation of members could have on the Plan, especially LTC aid codes.

4. APPROVAL ITEMS

a. Consideration of 2013 Meeting Schedule

Discussion was held regarding possible meeting dates. Committee Members stressed their concern about the lag of financials to the Committee Meetings. It was determined that CEO Engelhard would review the time it takes to get financials to the Committee to see when meetings might be scheduled.

5. ACCEPT AND FILE ITEMS

a. September Financials

Interim CFO DeMarta noted that the reports are draft, before audit adjustments, and that the September figures were prepared with the new methodology for the IBNR. There are several audit adjustments that will need to be made back to June, an additional $8 million, for a total of $15 million adjustment for the IBNR.

A question was asked regarding the Accrued Premium Reduction - AB97 10% rate cuts. Staff believes that the accrual related to the LTC cuts will be able to partially offset the IBNR since those cuts will be repaid by the state.

There was discussion regarding claims inventory, claims processing and claims process trending.

Chair Gonzalez noted that it does not appear logical that the Plan has received only 5/6 of the claims expected as Providers would be contacting GCHP if 1/6 of their revenue was missing.

Chair Gonzalez stated that it will get fixed, but an important piece is how GCHP explains this to others.

Mark Abernathy, BRG, stated that it is not uncommon to have a lag of 12 months on claims, as some are paid, adjusted and repaid. Medical Claims Expense on a monthly basis is just under $20 million. Few dollars paid any in the most current month of operations (October for the data presented at this meeting).

Committee Members noted that there had been issues with trying to send Members to out of area providers as they were not willing to see them due to unpaid claims. Interim COO Undlin reported that UCLA would not provide approvals regardless; UCLA and GCHP had gone through and reviewed the issues. Committee Member Chawla noted that they had experience with City of Hope, USC and UCLA.

CEO Engelhard stressed that GCHP may not find everything that went wrong. However, the costs going forward should be more in line with expectations. That will take time to work through the IBNR model.

Chair Gonzalez suggested having a presentation around IBNR, including some education. CEO Engelhard responded that a presentation would be provided to the Board.

Interim CFO DeMarta reported that GCHP continues to incur interest expenses above budget. Committee Member Chawla asked if the high level of interest expense was due to ACS. CEO Engelhard responded that at this time GCHP has not been able to determine how much is due to the way the system was set up versus ACS not handling claims properly. Further discussion was held regarding the interest expenses and claims.

Interim CFO DeMarta reviewed the Income Statement Comparison regarding General and Administrative Expenses.

CEO Engelhard noted that GCHP received a report from BRG showing that the Plan has Members in LTC facilities that it may not have budgeted for because it did not have them in the right aid categories. Staff needs to ensure that member aid codes are accurate so the Plan can get properly reimbursed for them.

Interim CFO DeMarta reviewed the Cash Flow statement with the remaining cash of approximately $20 million.

Committee Member Chawla moved to approve and file the September Financials. Committee Member Rodriguez seconded. The motion carried. **Approved 5-0.**

ADJOURN TO CLOSED SESSION – GC § 54956.9
Conference with Legal Counsel-Anticipated Litigation Pursuant to Government Code Section 54956.9 (1 Case)

The Committee adjourned to Closed Session at 5:09 p.m.

RETURN TO OPEN SESSION

The Regular Meeting reconvened at 5:45 p.m. Legal Counsel Kierstyn Schreiner noted that there was no announcement.

COMMITTEE MEMBER COMMENTS

Committee Member Juarez acknowledged Sonia DeMarta for stepping forward and agreeing to assist Gold Coast Health Plan in any way possible during the last several months. He also noted that the Commission has had the best financials since its inception.

CEO Engelhard stated that he feels fortunate that the Plan will have both Sonia DeMarta and Michelle Raleigh as its financial leaders.

ADJOURNMENT

The meeting adjourned at 5:47 p.m.

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

January 9, 2013

(Not official until approved)

Traci R. McGinley, Clerk of the Board, noted that **Roberto S. Juarez**, Clinicas del Camino Real, Inc. was the only voting member of the Executive / Finance Committee present. Therefore, due to a lack of quorum, the Ventura County Medi-Cal Managed Care Commission Special Meeting of the Executive / Finance Committee Meeting scheduled to begin at 2:30 p.m. was cancelled.

GOLD COAST HEALTH PLAN
SUMMARY FINANCIAL RESULTS

SUMMARY INCOME STATEMENT
THROUGH DECEMBER 31, 2012
Rolling Monthly Actual Trend

Description	Audited FY 2011-12	FY 2012-13 JUL	AUG	SEP	OCT	NOV	DEC	YTD
Member Months	1,258,189	105,753	99,264	100,203	99,217	100,088	101,299	605,824
Revenue	**304,635,932**	**23,806,175**	**24,430,512**	**24,988,448**	**25,449,011**	**25,438,394**	**25,676,263**	**149,788,804**
pmpm	*242.12*	*225.11*	*246.12*	*249.38*	*256.50*	*254.16*	*253.47*	*247.25*
Health Care Costs	**287,353,672**	**21,181,745**	**28,173,162**	**22,293,643**	**24,466,891**	**22,432,967**	**22,068,065**	**140,616,473**
pmpm	*228.39*	*200.29*	*283.82*	*222.48*	*246.60*	*224.13*	*217.85*	*232.11*
% of Revenue	94.3%	89.0%	115.3% (A)	89.2%	96.1%	88.2%	85.9%	93.9%
Admin Exp	**18,891,320**	**1,587,586**	**1,683,028**	**1,706,253**	**1,968,888**	**2,065,315**	**2,001,876**	**11,012,946**
pmpm	*15.01*	*15.01*	*16.96*	*17.03*	*19.84*	*20.63*	*19.76*	*18.18*
% of Revenue	6.2%	6.7%	6.9%	6.8%	7.7%	8.1%	7.8%	7.4%
Net Income	**(1,609,063)**	**1,036,844**	**(5,425,678)**	**988,552**	**(986,767)**	**940,112**	**1,606,322**	**(1,840,615)**
pmpm	*(1.28)*	*9.80*	*(54.66)*	*9.87*	*(9.95)*	*9.39*	*15.86*	*(3.04)*
% of Revenue	-0.5%	4.4%	-22.2%	4.0%	-3.9%	3.7%	6.3%	-1.2%
100% TNE	16,769,368	14,771,512	17,167,762	16,693,841	16,827,932	16,500,637	16,308,936	16,308,936
% TNE Required	36%	36%	36%	36%	36%	36%	52%	52%
Required TNE	6,036,972	5,317,744	6,180,394	6,009,783	6,058,056	5,940,229	8,480,647	8,480,647
GCHP TNE	**(6,031,881)**	**(4,995,037)**	**(10,420,715)**	**(9,432,163)**	**(10,418,930)**	**(9,478,818)**	**(5,672,496)**	**(5,672,496)**

Note:
(A) August Health Care Costs include $7M IBNR addition.

Financial Statement Overview

FOR THE MONTH ENDED DECEMBER 31, 2012

Key Drivers of Income Statement:

- **Health Care Costs** – the Plan processed $2.7M in claims adjustments which also contributed to a lower IBNP.
- **Administrative Expenses** - have decreased due to lower general office, legal, & claims interest payments which has been partially offset by increases in salary (for new hires), mailings/postage, & consulting (e.g., Tatum, BRG, Milliman).

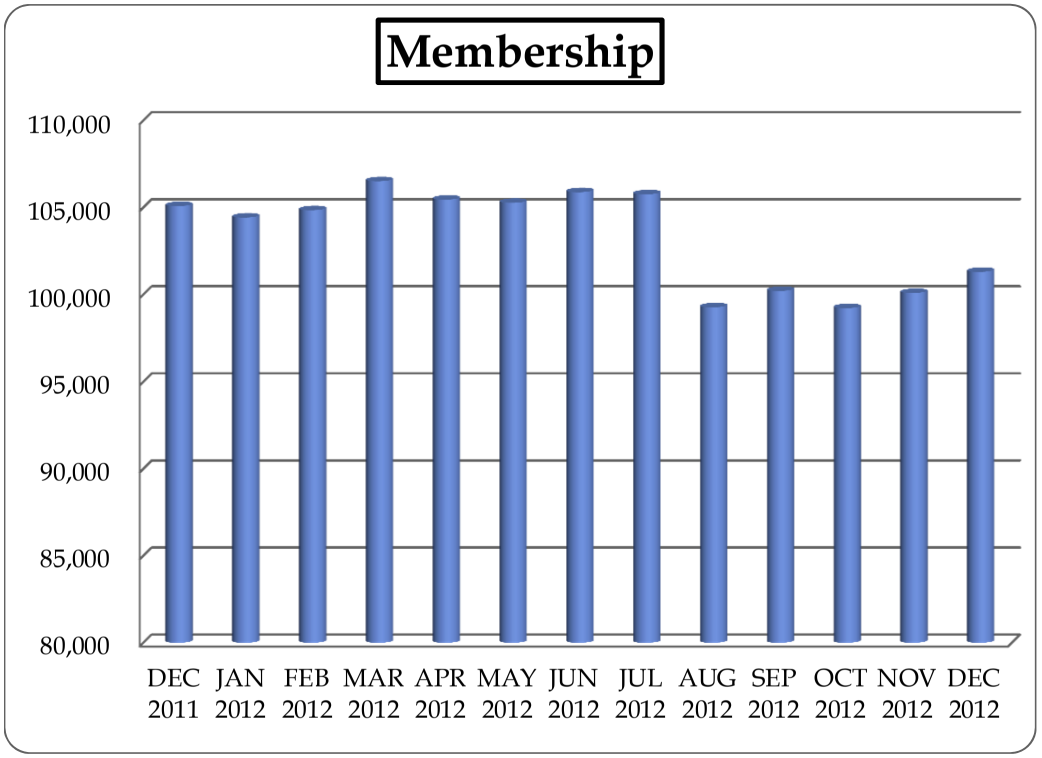
Gold Coast Health Plan

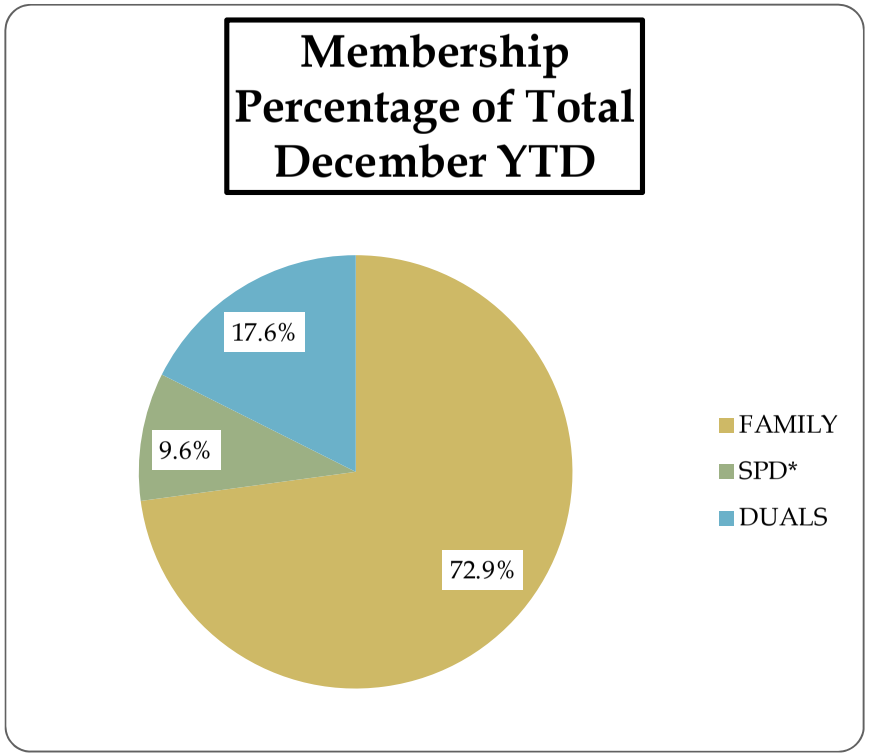
Enrollment Dashboard

For The Month Ended December 31, 2012

AID CATEGORY	FY 2011- 2012						FY 2012 - 2013							
	Q1	Q2	Q3	Q4	Total YTD	(% of total)	Jul'12	Aug'12	Sep'12	Oct'12	Nov'12	Dec'12	Dec'12 YTD	(% of total)
FAMILY	229,938	233,321	233,148	233,985	930,392	73.9%	78,219	72,581	73,550	72,554	73,275	73,806	443,986	72.9%
SPD*	27,446	27,726	28,017	28,207	111,396	8.9%	9,422	8,765	8,903	9,030	8,997	9,677	54,794	9.6%
DUALS	53,159	54,256	54,595	54,391	216,401	17.2%	18,112	17,918	17,750	17,633	17,816	17,816	107,045	17.6%
Total	310,543	315,303	315,760	316,583	**1,258,189**	**100.0%**	105,753	99,264	100,203	99,217	100,088	101,299	605,825	100.0%

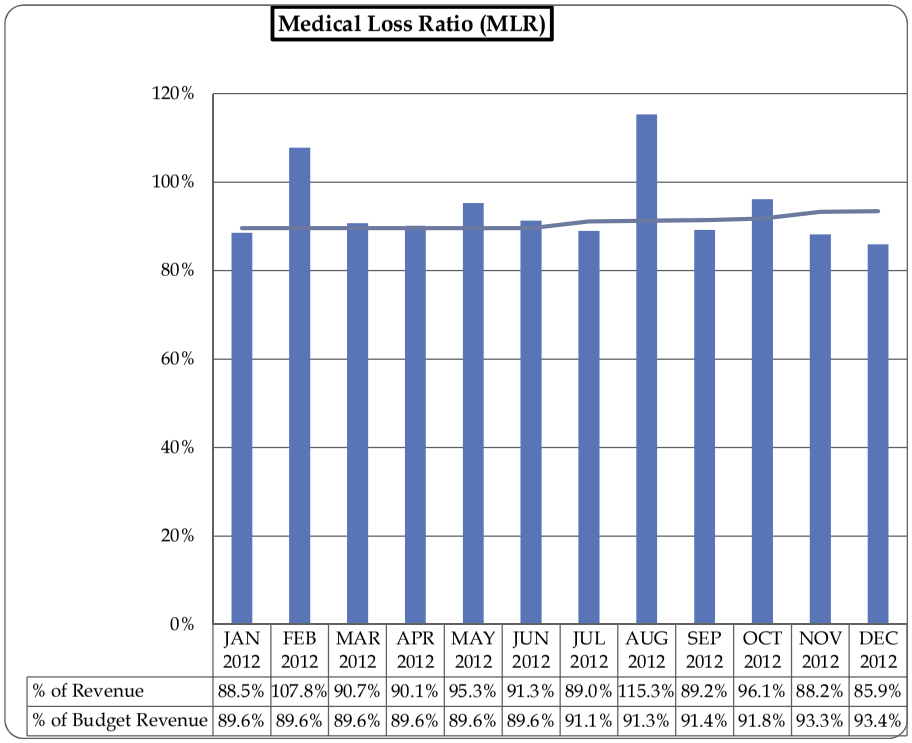
* SPD = Seniors and Persons with Disabilities



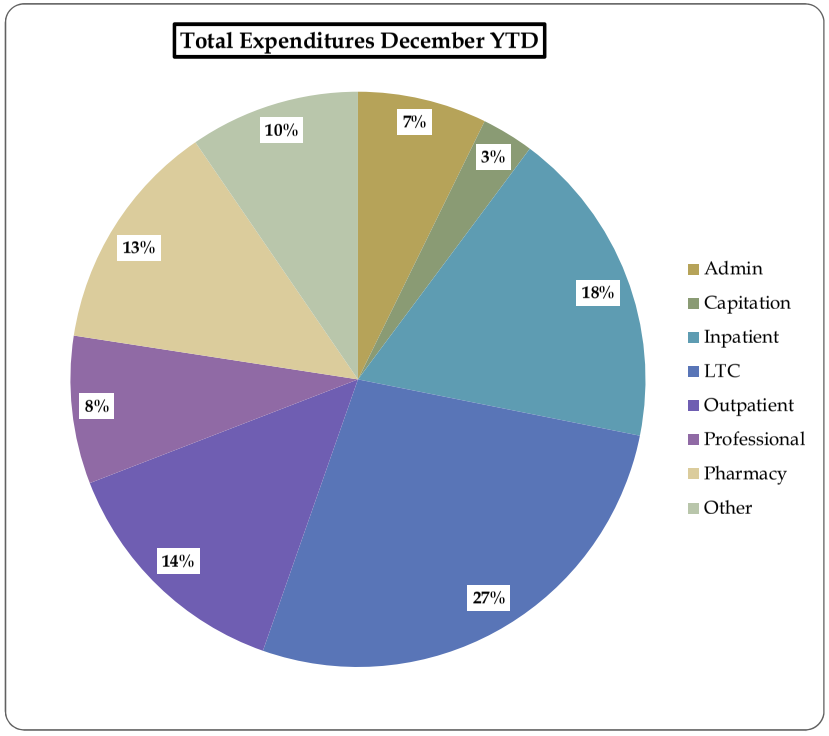


Gold Coast Health Plan

Medical Cost Trend Through December 31, 2012

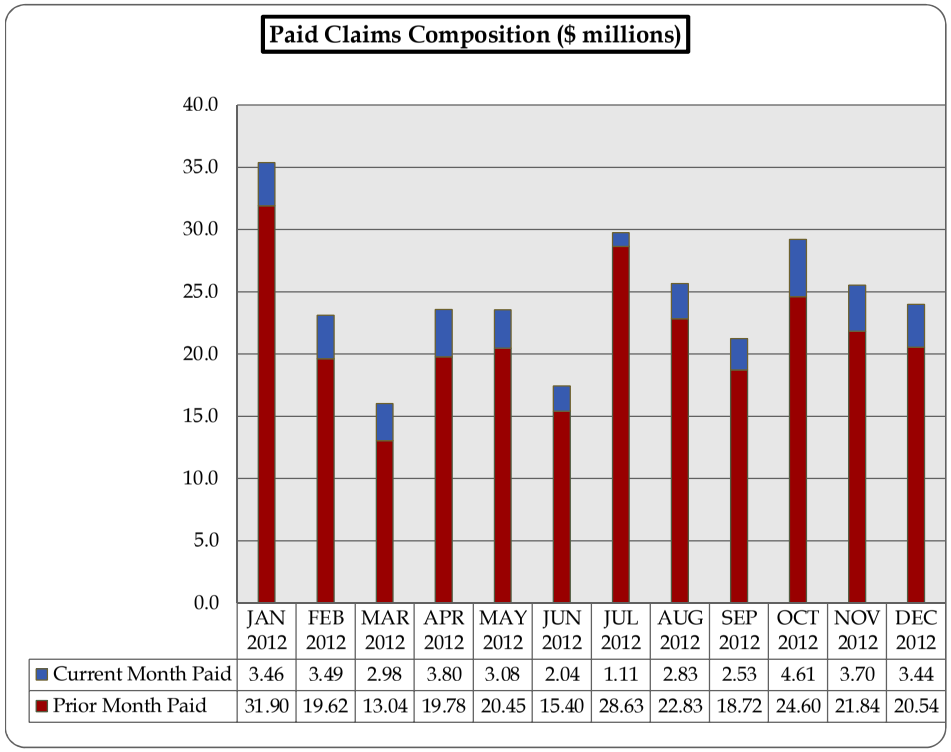


	JAN 2012	FEB 2012	MAR 2012	APR 2012	MAY 2012	JUN 2012	JUL 2012	AUG 2012	SEP 2012	OCT 2012	NOV 2012	DEC 2012
% of Revenue	88.5%	107.8%	90.7%	90.1%	95.3%	91.3%	89.0%	115.3%	89.2%	96.1%	88.2%	85.9%
% of Budget Revenue	89.6%	89.6%	89.6%	89.6%	89.6%	89.6%	91.1%	91.3%	91.4%	91.8%	93.3%	93.4%

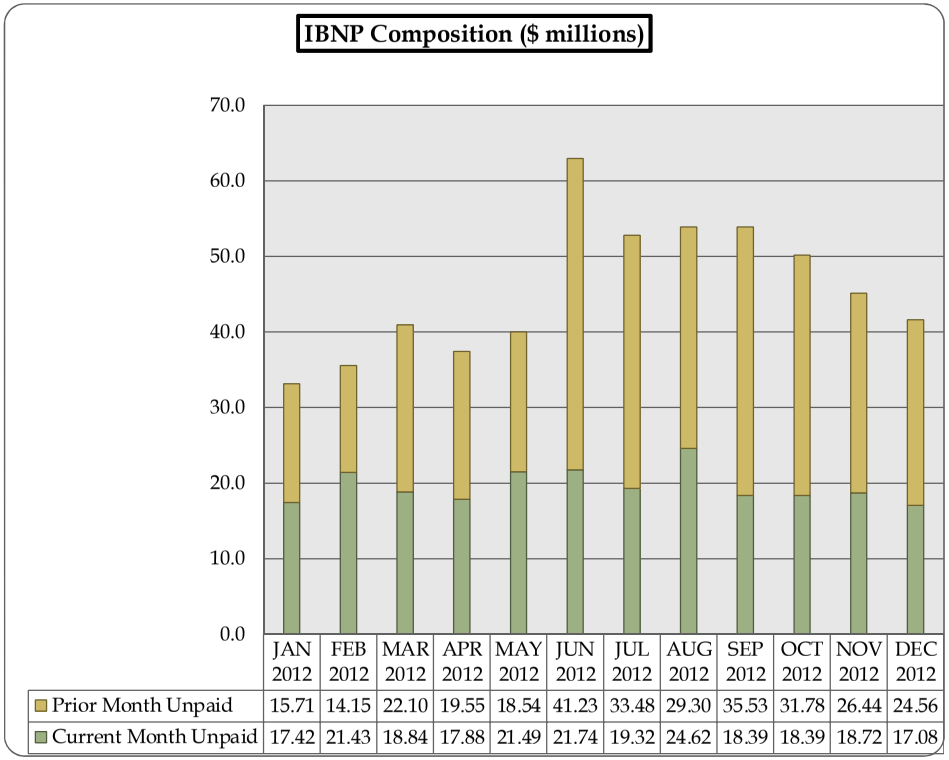


Gold Coast Health Plan

Medical Cost Trend Through December 31, 2012



	JAN 2012	FEB 2012	MAR 2012	APR 2012	MAY 2012	JUN 2012	JUL 2012	AUG 2012	SEP 2012	OCT 2012	NOV 2012	DEC 2012
Current Month Paid	3.46	3.49	2.98	3.80	3.08	2.04	1.11	2.83	2.53	4.61	3.70	3.44
Prior Month Paid	31.90	19.62	13.04	19.78	20.45	15.40	28.63	22.83	18.72	24.60	21.84	20.54



	JAN 2012	FEB 2012	MAR 2012	APR 2012	MAY 2012	JUN 2012	JUL 2012	AUG 2012	SEP 2012	OCT 2012	NOV 2012	DEC 2012
Prior Month Unpaid	15.71	14.15	22.10	19.55	18.54	41.23	33.48	29.30	35.53	31.78	26.44	24.56
Current Month Unpaid	17.42	21.43	18.84	17.88	21.49	21.74	19.32	24.62	18.39	18.39	18.72	17.08

Note:

1. Paid Claims Composition chart- per adjusted medical claims payment lag schedule and pharmacy reports.
2. IBNP Composition chart- reflects updated medical cost reserve calculation (e.g., calculation of current month incurred claims less current month paid, plus prior month liability less prior paid in current month). Total re ties to the IBNR and Claims Payable balance on the Balance Sheet.

Gold Coast Health Plan

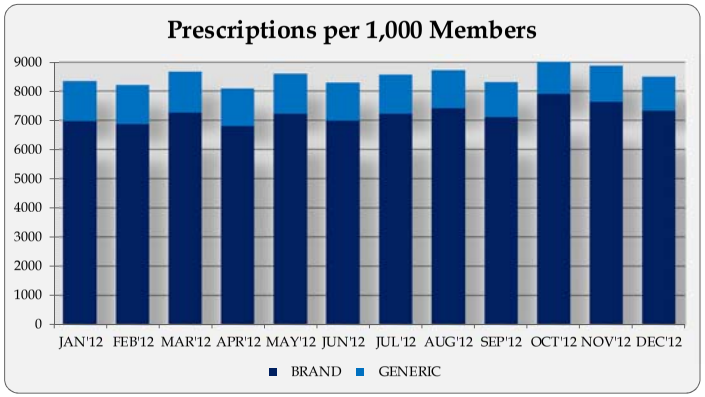
Script Care Plan Utilization and Cost Trend

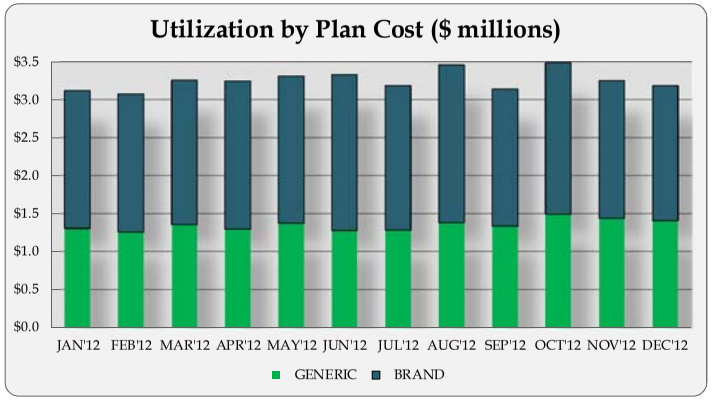
For The Month Ended December 31, 2012

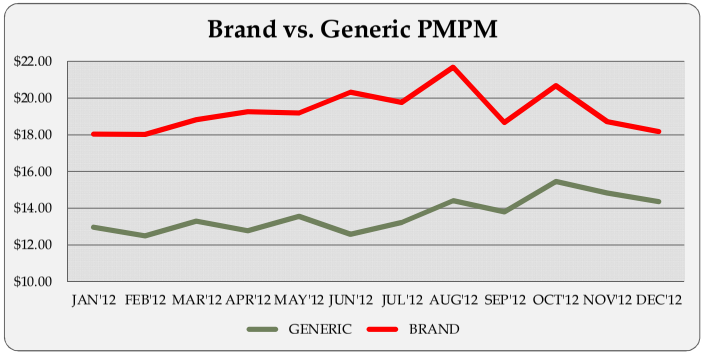
	JAN'12	FEB'12	MAR'12	APR'12	MAY'12	JUN'12	JUL'12	AUG'12	SEP'12	OCT'12	NOV'12	DEC'12
Membership	100,636	100,768	101,439	101,272	101,041	101,207	96,540	95,797	96,669	96,447	96,907	97,745
Utilization	23,775	23,926	24,981	23,349	24,216	23,089	22,167	22,373	22,638	24,071	23,659	23,378
% (enrollment)	***23.6%***	***23.7%***	***24.6%***	***23.1%***	***24.0%***	***22.8%***	***23.0%***	***23.4%***	***23.4%***	***25.0%***	***24.4%***	***23.9%***
Number Of Claims Paid												
BRAND	11,421	11,267	11,903	10,888	11,617	11,052	10,757	10,499	9,743	10,685	10,013	9,596
GENERIC	58,588	57,714	61,435	57,443	60,861	58,950	58,183	59,204	57,199	63,537	61,625	59,720
Total	70,009	68,981	73,338	68,331	72,478	70,002	68,940	69,703	66,942	74,222	71,638	69,316
BRAND % of all claims	**16.3%**	**16.3%**	**16.2%**	**15.9%**	**16.0%**	**15.8%**	**15.6%**	**15.1%**	**14.6%**	**14.4%**	**14.0%**	**13.8%**
GENERIC % all claims	**83.7%**	**83.7%**	**83.8%**	**84.1%**	**84.0%**	**84.2%**	**84.4%**	**84.9%**	**85.4%**	**85.6%**	**86.0%**	**86.2%**
Plan Cost												
BRAND	1,815,536	1,816,430	1,908,982	1,951,084	1,939,649	2,056,168	1,908,700	2,077,303	1,804,984	1,994,454	1,813,487	1,776,242
GENERIC	1,304,658	1,259,202	1,348,636	1,293,842	1,370,173	1,273,925	1,277,492	1,380,952	1,333,405	1,491,109	1,437,940	1,404,164
Total	$ 3,120,194	$3,075,632	$ 3,257,618	$ 3,244,925	$ 3,309,822	$ 3,330,093	$ 3,186,191	$ 3,458,255	$3,138,389	$ 3,485,563	$3,251,427	$ 3,180,407
Brand pmpm	*$18.04*	*$18.03*	*$18.82*	*$19.27*	*$19.20*	*$20.32*	*$19.77*	*$21.68*	*$18.67*	*$20.68*	*$18.71*	*$18.17*
Generic pmpm	*$12.96*	*$12.50*	*$13.30*	*$12.78*	*$13.56*	*$12.59*	*$13.23*	*$14.42*	*$13.79*	*$15.46*	*$14.84*	*$14.37*
Total pmpm	*$31.00*	*$30.52*	*$32.11*	*$32.04*	*$32.76*	*$32.90*	*$33.00*	*$36.10*	*$32.47*	*$36.14*	*$33.55*	*$32.54*
BRAND % total cost	**58.2%**	**59.1%**	**58.6%**	**60.1%**	**58.6%**	**61.7%**	**59.9%**	**60.1%**	**57.5%**	**57.2%**	**55.8%**	**55.8%**
GENERIC % total cost	**41.8%**	**40.9%**	**41.4%**	**39.9%**	**41.4%**	**38.3%**	**40.1%**	**39.9%**	**42.5%**	**42.8%**	**44.2%**	**44.2%**
avg. claim cost (Brand)	*$158.96*	*$161.22*	*$160.38*	*$179.20*	*$166.97*	*$186.04*	*$177.44*	*$197.86*	*$185.26*	*$186.66*	*$181.11*	*$185.10*
avg. claim cost (Generic)	*$22.27*	*$21.82*	*$21.95*	*$22.52*	*$22.51*	*$21.61*	*$21.96*	*$23.33*	*$23.31*	*$23.47*	*$23.33*	*$23.51*

Note:

The actual claims paid and cost obtained from Script Care, Ltd.







Gold Coast Health Plan

Comparative Balance Sheet

December 31, 2012

	12/31/12	11/30/12	6/30/12
ASSETS			
Current Assets			
Total Cash and Cash Equivalents	**$ 13,304,588**	**$ 36,352,153**	**$ 25,554,098**
Medi-Cal Receivable	25,430,325	-	28,534,938
Provider Receivable	3,848,142	3,709,193	6,539,541
Other Receivables	198,400	1,503,174	2,148,270
Total Accounts Receivable	**29,476,868**	**5,212,367**	**37,222,748**
Total Prepaid Accounts	1,077,780	1,082,002	185,797
Total Other Current Assets	205,810	1,172,982	375,000
Total Current Assets	**$ 44,065,045**	**$ 43,819,505**	**$ 63,337,644**
Total Fixed Assets	**160,278**	**163,831**	**176,028**
Total Assets	**$ 44,225,323**	**$ 43,983,336**	**$ 63,513,672**
LIABILITIES & FUND BALANCE			
Current Liabilities			
Incurred But Not Reported	$ 34,800,130	$ 36,644,957	$ 52,610,898
Claims Payable	6,834,979	8,512,814	10,357,609
Capitation Payable	917,620	907,950	633,276
Accrued Premium Reduction	2,579,492	2,779,176	1,914,157
Accounts Payable	1,762,278	2,018,804	845,045
Accrued ACS	-	-	200,000
Accrued Expenses	200,000	200,000	-
Accrued Premium Tax	604,458	37	602,900
Current Portion of Deferred Revenue	460,000	460,000	460,000
Accrued Payroll Expense	297,795	416,748	-
Current Portion Of Long Term Debt	291,667	333,333	500,000
Total Current Liabilities	**$ 48,747,819**	**$ 52,273,820**	**$ 68,123,886**
Long-Term Liabilities			
Other Long-term Liability	-	-	41,667
Deferred Revenue - Long Term Portion	1,150,000	1,188,333	1,380,000
Notes Payable	2,200,000	-	-
Total Long-Term Liabilities	**3,350,000**	**1,188,333**	**1,421,667**
Total Liabilities	**$ 52,097,819**	**$ 53,462,153**	**$ 69,545,553**
Beginning Fund Balance	(6,031,881)	(6,031,881)	(4,422,819)
Net Income Current Year	(1,840,615)	(3,446,936)	(1,609,062)
Total Fund Balance	**(7,872,496)**	**(9,478,817)**	**(6,031,881)**
Total Liabilities & Fund Balance	**$ 44,225,323**	**$ 43,983,336**	**$ 63,513,672**

Financial Statement Overview

FOR THE MONTH ENDED DECEMBER 31, 2012

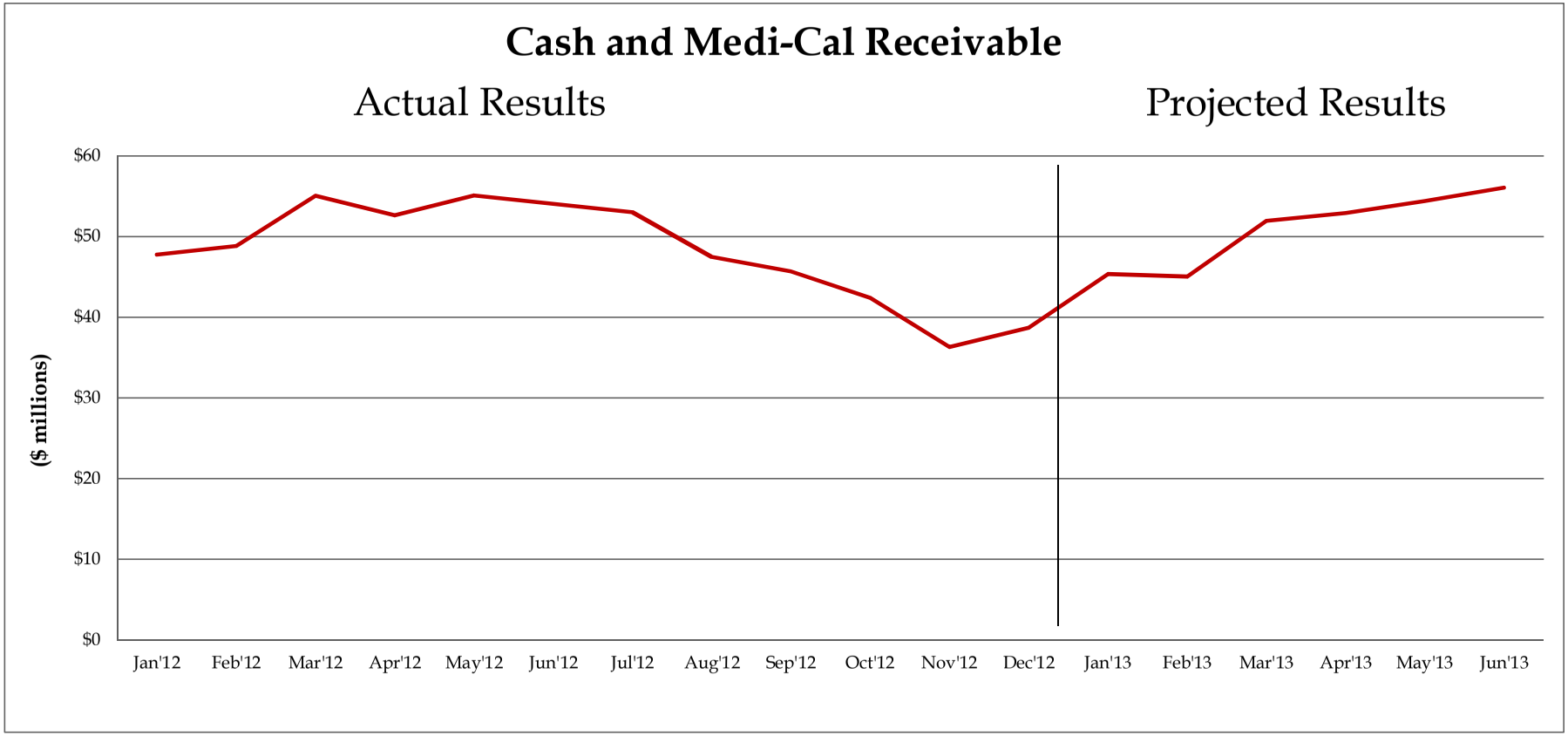
Key Driver of Balance Sheet:

- **Cash & Medi-Cal Receivable** – reflects draw of $2.2 million on line of credit.
- **Other Receivable** – reduction in December reflects the receipt of reinsurance recoveries.
- **Other Current Assets** – December reduction reflects a refund from the State for MCO taxes paid.
- **IBNP (Incurred But Not Paid = Incurred But Not Reported + Claims Payable)** – decreased due to continued acceleration and stabilizing of claims payments.
- **Accrued Premium Tax** - refund for MCO tax exceeded what was anticipated, resulting in liability to the State.
- **Accrued Payroll Expense** - transition to in-house payroll and benefits processing completed in December, reflecting normal operations.
- **Notes Payable** - as mentioned above, the Plan drew the $2.2 million on a line of credit with the County of Ventura.

Gold Coast Health Plan

Cash and Medi-Cal Receivable Trend

Actual 2012												Budget 2013					
Jan'12	Feb'12	Mar'12	Apr'12	May'12	Jun'12	Jul'12	Aug'12	Sep'12	Oct'12	Nov'12	Dec'12	Jan'13	Feb'13	Mar'13	Apr'13	May'13	Jun'13
$ 47.79	$ 48.85	$55.09	$ 52.67	$55.12	$54.08	$ 53.05	$47.51	$ 45.70	$42.41	$36.35	$ 38.73	$45.36	$ 45.04	$51.98	$52.94	$54.43	$ 56.07



Gold Coast Health Plan

Statement of Cash Flows

Month Ended December 31, 2012

	DEC'12
Cash Flow From Operating Activities	
Collected Premium	$ -
Miscellaneous Income	7,899
Paid Claims	
Medical & Hospital Expenses	(21,362,731)
Pharmacy	(1,843,831)
Capitation	(907,950)
Reinsurance of Claims	(667,195)
Reinsurance Recoveries	
Payment of Withhold / Risk Sharing Incentive	
Paid Administration	(2,248,058)
Repay Initial Net Liabilities	
MCO Taxes Expense	1,774,300
Net Cash Provided/ (Used) by Operating Activities	**(25,247,565)**
Cash Flow From Investing/Financing Activities	
Proceeds from Line of Credit	2,200,000
Repayments on Line of Credit	-
Net Acquisition of Property/Equipment	-
Net Cash Provided/(Used) by Investing/Financing	**2,200,000**
Net Cash Flow	**$ (23,047,565)**
Cash and Cash Equivalents (Beg. of Period)	36,352,153
Cash and Cash Equivalents (End of Period)	13,304,588
	$ (23,047,565)
Adjustment to Reconcile Net Income to Net Cash Flow	
Net (Loss) Income	1,606,322
Depreciation & Amortization	3,554
Decrease/(Increase) in Receivables	(24,264,500)
Decrease/(Increase) in Prepaids & Other Current Assets	971,395
(Decrease)/Increase in Payables	(575,163)
(Decrease)/Increase in Other Liabilities	(80,000)
Change in MCO Tax Liability	604,422
Changes in Claims and Capitation Payable	(1,668,765)
Changes in IBNR	(1,844,828)
	(25,247,565)
Net Cash Flow from Operating Activities	**$ (25,247,565)**

Gold Coast Health Plan

Statement of Cash Flows

Six Months Ended December 31, 2012

	DEC '12 YTD
Cash Flow From Operating Activities	
Collected Premium	$ 153,256,917
Miscellaneous Income	73,394
Paid Claims	
Medical & Hospital Expenses	(130,048,429)
Pharmacy	(19,670,021)
Capitation	(4,164,085)
Reinsurance of Claims	(1,617,125)
Reinsurance Recoveries	-
Payment of Withhold / Risk Sharing Incentive	-
Paid Administration	(12,274,675)
Repay Initial Net Liabilities	-
MCO Taxes Expense	-
Net Cash Provided/(Used) by Operating Activities	**(14,444,023)**
Cash Flow From Investing/Financing Activities	
Proceeds from Line of Credit	2,200,000
Repayments on Line of Credit	-
Net Acquisition of Property/Equipment	(5,487)
Net Cash Provided/(Used) by Investing/Financing	**2,194,513**
Net Cash Flow	**$ (12,249,510)**
Cash and Cash Equivalents (Beg. of Period)	25,554,098
Cash and Cash Equivalents (End of Period)	13,304,588
	$ (12,249,510)
Adjustment to Reconcile Net Income to Net Cash Flow	
Net Income/(Loss)	(1,840,615)
Depreciation & Amortization	21,238
Decrease/(Increase) in Receivables	7,745,881
Decrease/(Increase) in Prepaids & Other Current Assets	(722,793)
(Decrease)/Increase in Payables	1,880,363
(Decrease)/Increase in Other Liabilities	(480,000)
Change in MCO Tax Liability	1,558
Changes in Claims and Capitation Payable	(3,238,886)
Changes in IBNR	(17,810,768)
	(14,444,023)
Net Cash Flow from Operating Activities	**$ (14,444,023)**

GOLD COAST HEALTH PLAN
FINANCIAL INDICATORS

	12/31/12	11/30/12	6/30/12
Current Ratio	90.4%	83.8%	93.0%
Days Cash on Hand	17	45	30
Days Cash + State Capitation Receivable	48	45	64
Operating Margin	6.3%	3.7%	-0.5%
Medical Loss Ratio	85.9%	88.2%	94.3%

Gold Coast Health Plan℠
A Public Entity

APPENDIX

Gold Coast Health Plan
Income Statement Comparison
For The Period Ended December 31, 2012

	2012 Actual Monthly Trend			December 2012 Month-To-Date		Variance
	Sep	Oct	Nov	Actual	Budget	Fav/(Unfav)
Membership	96,669	96,447	96,907	97,745	96,495	1,250
Revenue:						
Premium	$ 23,459,154	$ 25,524,694	$ 25,519,637	$ 25,759,968	$ 25,733,880	$ 26,088
Reserve for Rate Reduction	894,648	(126,771)	(128,543)	(129,959)	(126,943)	(3,016)
MCO Premium Tax	584,793	(635)	(37)	21	(772)	793
Total Net Premium	**24,938,595**	**25,397,288**	**25,391,057**	**25,630,030**	**25,606,165**	**23,865**
Other Revenue:						
Interest Income	11,519	13,390	9,004	7,899	15,440	(7,541)
Miscellaneous Income	38,333	38,333	38,333	38,333	38,333	0
Total Other Revenue	49,853	51,724	47,337	46,233	**53,773**	(7,540)
Total Revenue	**24,988,448**	**25,449,011**	**25,438,394**	**25,676,263**	**25,659,938**	**16,325**
Medical Expenses:						
Capitation	620,832	755,447	907,950	917,020	945,701	28,681
Incurred Claims:						
Inpatient	4,249,910	4,592,634	4,542,801	4,093,335	4,479,419	386,084
LTC/SNF	6,291,550	6,933,988	6,858,363	6,228,689	6,932,642	703,953
Outpatient	2,561,831	2,750,021	2,735,387	2,458,657	2,835,129	376,472
Laboratory and Radiology	215,187	231,690	229,447	206,113	233,715	27,602
Emergency Room Facility Services	497,489	533,516	529,753	474,523	538,643	64,120
Physician Specialty Services	1,940,550	2,280,039	2,111,295	1,838,999	1,908,199	69,200
Pharmacy	3,138,389	3,485,563	3,251,427	3,180,407	3,133,998	(46,409)
Other Medical Professional	274,599	288,240	288,957	332,271	255,563	(76,708)
Other Medical Care Expenses	627	606	-	732	-	(732)
Other Fee For Service Expense	1,459,626	1,589,710	1,570,885	1,426,578	1,565,159	138,581
Transportation	284,846	308,025	306,198	275,536	303,736	28,200
Total Claims	20,914,605	22,994,031	22,424,513	20,515,839	22,186,204	1,670,365
Medical & Care Management Expense	534,999	556,393	587,293	560,329	599,938	39,609
Reinsurance	223,207	225,239	224,722	225,793	233,477	7,684
Claims Recoveries	-	(64,218)	(1,711,511)	(150,917)	-	150,917
Sub-total	758,206	717,413	(899,496)	635,205	**833,415**	198,210
Total Cost of Health Care	**22,293,643**	**24,466,891**	**22,432,967**	**22,068,065**	**23,965,320**	**1,897,255**
Contribution Margin	**2,694,805**	**982,120**	**3,005,427**	**3,608,198**	**1,694,618**	**1,913,580**
General & Administrative Expenses:						
Salaries and Wages	268,413	388,828	323,624	354,451	307,499	(46,952)
Payroll Taxes and Benefits	64,735	62,808	72,886	88,331	108,017	19,686
Total Travel and Training	11,156	6,690	5,784	2,996	4,893	1,897
Outside Service - ACS	942,882	890,492	1,052,244	916,305	929,597	13,292
Outside Service - RGS	-	245	-	-	0	-
Outside Services - Other	109,202	104,166	17,311	44,810	24,564	(20,246)
Accounting & Actuarial Services	9,818	85,290	44,311	37,529	5,000	(32,529)
Legal Expense	42,522	12,196	67,921	41,114	32,350	(8,764)
Insurance	10,766	10,792	11,846	9,245	10,792	1,547
Lease Expense - Office	11,869	18,289	15,879	15,977	16,630	653
Consulting Services Expense	112,076	191,975	330,613	379,747	357,897	(21,850)
Translation Services	819	2,812	590	4,101	765	(3,336)
Advertising and Promotion Expense	-	3,150	-	2,645	2,500	(145)
General Office Expenses	56,656	84,636	78,657	48,327	44,926	(3,401)
Depreciation & Amortization Expense	6,958	3,554	3,561	3,554	3,741	187
Printing Expense	1,727	2,538	1,670	1,276	1,871	595
Shipping & Postage Expense	230	21	606	21,825	475	(21,350)
Interest Exp	56,424	100,407	37,812	29,643	5,700	(23,943)
Total G & A Expenses	**1,706,253**	**1,968,888**	**2,065,315**	**2,001,876**	**1,857,217**	**(144,659)**
Net Income / (Loss)	**$ 988,552**	**$ (986,767)**	**$ 940,112**	**$ 1,606,322**	**$ (162,599)**	**$ 1,768,921**

Gold Coast Health Plan
PMPM Income Statement Comparison
For The Period Ended December 31, 2012

	2012 Actual Monthly Trend			Nov'12 Month-To-Date		Variance
	Sep	Oct	Nov	Actual	Budget	Fav/(Unfav)
Members (Member/Months)	96,669	96,447	96,907	97,745	96,495	1,250
Revenue:						
Premium	240.00	261.14	261.08	263.54	266.69	(3.14)
Reserve for Rate Reduction	9.15	(1.30)	(1.32)	(1.33)	(1.32)	(0.01)
MCO Premium Tax	5.98	(0.01)	(0.00)	0.00	(0.01)	0.01
Total Net Premium	**255.14**	**259.83**	**259.77**	**262.21**	**265.36**	**(3.15)**
Other Revenue:						
Interest Income	0.12	0.14	0.09	0.08	0.16	(0.08)
Miscellaneous Income	0.39	0.39	0.39	0.39	0.40	(0.01)
Total Other Revenue	**0.51**	**0.53**	**0.48**	**0.47**	**0.53**	**(0.06)**
Total Revenue	**255.65**	**260.36**	**260.25**	**262.69**	**265.92**	**(3.23)**
Medical Expenses:						
Capitation	6.35	7.73	9.29	9.38	9.80	(0.42)
Incurred Claims:						
Inpatient	43.48	46.99	46.48	41.88	46.42	(4.54)
LTC/SNF	64.37	70.94	70.17	63.72	71.84	(8.12)
Outpatient	26.21	28.13	27.98	25.15	29.38	(4.23)
Laboratory and Radiology	2.20	2.37	2.35	2.11	2.42	(0.31)
Emergency Room Facility Services	5.09	5.46	5.42	4.85	5.58	(0.73)
Physician Specialty Services	19.85	23.33	21.60	18.81	19.78	(0.96)
Pharmacy	32.11	35.66	33.26	32.54	32.48	0.06
Other Medical Professional	2.81	2.95	2.96	3.40	2.65	0.75
Other Medical Care Expenses	0.01	0.01	-	0.01	-	0.01
Other Fee For Service Expense	14.93	16.26	16.07	14.59	16.22	(1.63)
Transportation FFS	2.91	3.15	3.13	2.82	3.15	(0.33)
Total Claims	213.97	235.25	229.42	209.89	229.92	(20.03)
Medical & Care Management	5.47	5.69	6.01	5.73	6.22	(0.48)
Reinsurance	2.28	2.30	2.30	2.31	2.42	(0.11)
Claims Recoveries	-	(0.66)	(17.51)	(1.54)	-	(1.54)
Sub-total	7.76	7.34	(9.20)	6.50	8.23	(1.74)
Total Cost of Health Care	230.62	253.68	231.49	225.77	248.36	(22.59)
Contribution Margin	27.88	10.18	31.01	36.91	**17.56**	**19.35**
Administrative Expenses						
Salaries and Wages	2.75	3.98	3.31	3.63	3.19	0.44
Payroll Taxes and Benefits	0.66	0.64	0.75	0.90	1.12	(0.22)
Total Travel and Training	0.11	0.07	0.06	0.03	0.05	(0.02)
Outside Service - ACS	9.65	9.11	10.77	9.37	9.63	(0.26)
Outside Services - Other	1.12	1.07	0.18	0.46	0.25	0.20
Accounting & Actuarial Services	0.10	0.87	0.45	0.38	0.05	0.33
Legal Expense	0.44	0.12	0.69	0.42	0.34	0.09
Insurance	0.11	0.11	0.12	0.09	0.11	(0.02)
Lease Expense -Office	0.12	0.19	0.16	0.16	0.17	(0.01)
Consulting Services Expense	1.15	1.96	3.38	3.89	3.71	0.18
Translation Services	0.01	0.03	0.01	0.04	0.01	0.03
Advertising and Promotion Expense	-	0.03	-	0.03	0.03	0.00
General Office Expenses	0.58	0.87	0.80	0.49	0.47	0.03
Depreciation & Amortization Expense	0.07	0.04	0.04	0.04	0.04	(0.00)
Printing Expense	0.02	0.03	0.02	0.01	0.02	(0.01)
Shipping & Postage Expense	0.00	0.00	0.01	0.22	0.00	0.22
Interest Exp	0.58	1.03	0.39	0.30	0.06	0.24
Total Administrative Expenses	**17.46**	**20.14**	**21.13**	**20.48**	**19.25**	**1.23**
Net Income / (Loss)	**10.11**	**(10.10)**	**9.62**	**16.43**	**(1.69)**	**18.12**

Gold Coast Health Plan
Income Statement Comparison
For The Six Months Ended December 31, 2012

	Dec'12 Year-To-Date		Variance
	Actual	Budget	Fav/(Unfav)
Membership	580,105	578,419	1,686
Revenue:			
Premium	$ 150,152,305	$ 150,336,484	$ (184,179)
Reserve for Rate Reduction	(665,337)	(660,702)	(4,634)
MCO Premium Tax	(1,558)	(3,086)	1,528
Total Net Premium	**149,485,410**	**149,672,695**	**(187,285)**
Other Revenue:			
Interest Income	73,394	87,369	(13,975)
Miscellaneous Income	230,000	230,000	(0)
Total Other Revenue	303,394	**317,369**	(13,975)
Total Revenue	**149,788,804**	**149,990,064**	**(201,261)**
Medical Expenses:			
Capitation	4,447,828	4,514,035	66,207
Incurred Claims:			
Inpatient	27,204,449	27,526,215	321,766
LTC/SNF	41,271,134	42,049,585	778,452
Outpatient	16,341,614	16,817,137	475,522
Laboratory and Radiology	1,372,309	1,404,133	31,824
Emergency Room Facility Services	3,164,852	3,237,735	72,882
Physician Specialty Services	12,603,769	12,469,476	(134,292)
Pharmacy	19,700,232	19,535,662	(164,570)
Other Medical Professional	1,793,022	1,682,861	(110,161)
Other Medical Care Expenses	4,311	-	(4,311)
Other Fee For Service Expense	9,435,805	9,571,982	136,177
Transportation	1,830,109	1,855,792	25,683
Total Claims	134,721,606	136,150,578	1,428,972
Medical & Care Management Expense	3,296,895	3,335,215	38,319
Reinsurance	1,348,893	28,955	(1,319,938)
Claims Recoveries	(3,198,751)	-	3,198,751
Sub-total	1,447,038	3,364,170	1,917,132
Total Cost of Health Care	**140,616,473**	**144,028,784**	**3,412,311**
Contribution Margin	**9,172,331**	**5,961,281**	**3,211,050**
General & Administrative Expenses:			
Salaries and Wages	1,955,200	1,945,825	(9,375)
Payroll Taxes and Benefits	552,980	528,889	(24,091)
Total Travel and Training	35,074	32,282	(2,792)
Outside Service - ACS	5,522,963	5,421,917	(101,046)
Outside Service - RGS	23,674	23,674	0
Outside Services - Other	296,837	278,774	(18,063)
Accounting & Actuarial Services	195,067	133,228	(61,839)
Legal Expense	181,821	137,486	(44,335)
Insurance	49,497	49,990	493
Lease Expense - Office	85,752	87,156	1,404
Consulting Services Expense	1,261,457	1,306,624	45,167
Translation Services	9,427	6,265	(3,162)
Advertising and Promotion Expense	9,295	9,150	(145)
General Office Expenses	403,373	364,917	(38,456)
Depreciation & Amortization Expense	21,238	21,498	260
Printing Expense	32,135	40,523	8,388
Shipping & Postage Expense	38,789	19,567	(19,222)
Interest Exp	338,366	281,676	(56,690)
Total G & A Expenses	**11,012,946**	**10,689,441**	**(323,505)**
Net Income / (Loss)	**$ (1,840,615)**	**$ (4,728,160)**	**$ 3,534,555**

AGENDA ITEM 3a

To: Gold Coast Health Plan Executive Finance Committee

From: Michelle Raleigh, Chief Financial Officer

Date: February 7, 2013

RE: FY 2012-13 Financial Audit Contract

SUMMARY:
Staff is proposing to utilize McGladrey LLP (McGladrey) to perform the Plan's FY 2012-13 financial audit.

BACKGROUND / DISCUSSION:
The Plan's contract with DHCS requires an annual audit be performed on the Plan's financial statements. This also provides confidence to the community and the Commission that the Plan's financial condition is accurately represented. To meet these needs, the Plan hires a firm qualified to perform this annual financial audit.

In 2011, the Plan solicited a Request for Proposal (RFP) for auditing services and selected McGladrey after a thorough review and evaluation process. McGladrey has performed the financial audits for the Plan's first two years (i.e., year ending 06/30/11 and 06/30/12). During the course of these audits, McGladrey has gained an understanding of the Plan staff, operations, and finances.

Staff is recommending that the Plan use McGladrey for a third year. This recommendation is being made for several reasons, including:

- McGladrey has been working with the Plan since start-up and will be able to leverage relationships and experience, and
- The audit pre-work for the FY 2012-13 year will start in March, which makes issuing and scoring an RFP and finalizing a contract very difficult in that timeframe.

McGladrey has provided an updated engagement letter with a quote that matches previous fee projections. The Plan's Audit Committee Chair will need to sign the engagement letter, along with the Plan's CEO and CFO.

The Plan anticipates issuing an RFP and proceeding with a new procurement after the FY 2012-13 audit is complete.

FISCAL IMPACT:
McGladrey's quote to perform the FY 2012-13 financial audit is $97,000. The FY 2011-12 financial audit was $95,000.

RECOMMENDATION:
Staff proposes to utilize McGladrey for the FY 2012-13 audit and seeks the Committee's recommendation.

Financial Forecast – Update as of 2/7/13

Table below provides a status update of the Plan's progress towards implementing initiatives reflected in the Financial Forecast provided to the State of 12/11/12. Overall, results expected to be more favorable than forecast.

Areas	Number of Initiatives	Status Update
Correct coding of members	2	• Both initiatives (i.e., correct coding of LTC and Medicare members) are underway and on track • Strategies being developed to ensure ongoing conversions
Collecting and processing overpayments, coordinating benefit payments, enhancing claims payment edits, and collecting from reinsurance vendor	8	• Half of the initiatives have been sent to the vendor for recovery processing, the other half are being analyzed and quantified • Strategies being developed to identify future claims processing issues and implement changes quickly
Provider re-contracting	4	• Non-emergent medical transportation full-risk contract implemented on schedule (2/1/13) • Additional provider re-contracting efforts began week of 2/4/13
Enhanced utilization and case management	3	• Strategies being defined and implemented • Reports being created to monitor progress • Additional information to be provided at next Commission meeting
Managing administrative budget & TNE requirements	2	• Defining process to monitor budget monthly in coordination with all departments • Working with the County to determine approval and timing of additional funding

GCHP Financial Forecast Status Update
Results through: December 31, 2012

This document provides a status update to Gold Coast Health Plan's (GCHP or Plan) financial forecast provided the Department of Health Care Services (DHCS) on December 11, 2012. The financial forecast was provided in response to the Corrective Action Plan (CAP) Amendment and projects revenue and expenses through 6/30/14. This status update compares actual financial results to the financial forecast and highlights major differences.

This update compares actual activities to those estimated in the financial forecast for both November and December of 2012 (the financial forecast included actual results through October, 2012). These two months are summarized in tables below.

November 2012

	Highlights of Major Differences between Financial Forecast and Actual Financial Results			
Financial Statement Category	**A. Financial Forecast**	**B. Actual**	**C. Difference (A-B)**	**Comments**
Revenue	$25.7M	$25.4M	($0.2M)	Differences due to: • CBAS members below forecast • membership mix
Health Care Costs	$24.1M	$22.4M	$1.7M	Differences due to: • Reinsurance recoveries of $1.3M received in November (vs. expected in January) • Lower reserve estimates*
Administrative Costs	$1.8M	$2.1M	($0.3M)	Differences due to higher expenses in: • consulting services • ACS claims processing fees
Net Income	($0.2M)	$0.9M	$1.1M	

December 2012

	Highlights of Major Differences between Financial Forecast and Actual Financial Results			
Financial Statement Item	**A. Financial Forecast**	**B. Actual**	**C. Difference (A-B)**	**Comments**
Revenue	$25.7M	$25.7M	$0.0	N/A
Health Care Costs	$24.1M	$22.1M	$2.0	Differences due to lower reserve estimates*
Administrative Costs	$1.8M	$2.0M	($0.2M)	Differences due to: • Timing of new hires • Timing of vendor work
Net Income	($0.2M)	$1.6M	$1.8M	

* Note – reserve estimates are reviewed by State Monitor (BRG) each month.

Also important to note that as of the end of December, 2012:

- Line of Credit - Initial line of credit of $2.2 million that was expected in December 2012, was received in December.
- TNE – phase-in requirement has increased to 52% of the 100% level as of 12/31/12 per the State's TNE phase-in schedule (i.e., at $7,982,225 per Orange Blank submitted to State). The Plan's TNE at 12/31/12 was a negative $5,672,496, resulting in a deficit of $13,654,721. This deficit is smaller than expected in the financial forecast (i.e., $17,436,735) due to better than expected operating results in November and December.

EDELSTEIN GILBERT ROBSON & SMITH LLC

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

GOLD COAST HEALTH PLAN
CALIFORNIA STATE BUDGET UPDATE
By Don Gilbert and Trent Smith
January 18, 2013

The Legislature has returned from its holiday recess to begin the new session in earnest. As is customary, the year is beginning with the release of the Governor's proposed 2013-2014 State Budget.

With the passage of Proposition 30 – which raised both the state sales tax and income taxes on the wealthy – the state is facing the most manageable budget it has seen in years. In presenting his proposed budget, Governor Brown has claimed that for the first time in over a decade, the state is not facing an operating deficit, though California is still facing an outstanding "wall of debt" of nearly $30 billion. Furthermore, both the Department of Finance (DOF) and the Legislative Analyst's Office (LAO) have projected budget surpluses in future years.

Despite the optimistic forecast, Governor Brown has urged fiscal discipline and living within our means in his proposed budget. He is proposing to uphold the pledge he made while campaigning for Proposition 30 -- that additional revenues would be directed to education. At the same time, he is arguing that the state's welfare programs are already generous and progressive and has expressed his belief that the state cannot begin to restore funding to social welfare and healthcare programs cut in previous budgets. However, after years of cuts, it is likely that Democrats in the Legislature will want to do just that. We expect the Legislature to challenge the Governor on restoring cuts to health and welfare during the annual process to adopt a State Budget.

The Governor's budget applies the 10% provider cuts included in AB 97 from 2011 on Medi-Cal managed care plans prospectively. In fee-for-service, AB 97 provider cuts will be collected over the 24 months as part of providers' ongoing rates achieving a projected General Fund savings of $488.4 million. DHCS is prohibited from applying rate reductions retroactively on Medi-Cal managed care plans because the law requires "actuarially sound" rates. However, the Governor's budget attempts to achieve the equivalent of the retroactive payments on Medi-Cal managed care plans by imposing "efficiencies." DHCS has not defined what efficiencies they will impose, but we expect DHCS will determine what savings a retroactive provider cut would equal for Medi-Cal managed care plans and then use that same figure as the basis for an "efficiency" reduction on a dollar-for-dollar basis in future rates. The Governor's budget projects a $135 million in General Fund savings from the managed care efficiency proposal.

The Governor's plan to score savings from the AB 97 provider cuts in the upcoming budget year is contingent on the outcome of pending court cases. While a recent court

ruling went in favor of the state in allowing the 10% cuts, provider groups are planning appeals that will ultimately delay the final outcome and implementation of the cuts. There is a chance, depending on the court decisions and schedules, that the provider cuts will not be implemented in the coming budget year. However, it is always best to plan for the worst case scenario.

The Governor's budget also proposes permanently extending the Gross Premium Tax on managed care plans to generate $217.3 million in revenue. DHCS has stated that the new revenue would go towards Medi-Cal in the form of general rate increases needed to sustain the program. However, we are concerned that the new revenue would supplant existing Medi-Cal revenue, thereby allowing the state to book General Fund savings rather than augmenting the Medi-Cal program. A coordinated lobbying effort among the various Medi-Cal managed care plans will be needed to insure that the new revenue goes towards the program.

The budget also proposes extending the hospital quality assurance fee to generate $310 million. However, like the Grosse Premium Tax on managed care plans, it is uncertain if this revenue will be used to enhance the Medi-Cal program or supplant existing Medi-Cal funding to create General Fund savings.

Another noteworthy item in the budget proposal is that In Home Supportive Services (IHSS) is slated to receive $1.8 billion in General Fund dollars for 2013-14, a 4.9 percent increase.

Some changes to the Coordinated Care Initiative (CCI) were also outlined in the budget. Under the CCI, persons eligible for both Medicare and Medi-Cal (dual eligibles) will receive medical, behavioral health, long-term supports and services, and home and community-based services coordinated through a single health plan. The CCI will also enroll all dual eligibles in managed care plans for their Medi-Cal benefits. The budget changes the CCI implementation date to September 1, 2013, and provides more detail on the enrollment process in the designated counties. Specifically, enrollment in Los Angeles will be phased in over 18 months, while San Mateo County will be allowed to commence with their enrollment all at once. The remaining counties participating in the CCI, including Orange County, will proceed with enrollment over a twelve month period.

Health Care Reform and the implementation of the Affordable Care Act (ACA) will be a major focus of the Governor and Legislature in 2013. The Governor outlined two alternatives for Medicaid expansion that will be part of the ACA —a state-based approach or a county based approach. A state-based option would offer a standardized, statewide benefit package comparable to that available today in Medi-Cal,

but would exclude long-term care coverage and enroll the expansion population in the current Medi-Cal program.

A county-based expansion of Medicaid would build upon the existing Low Income Health Programs (LIHP). Counties would maintain their current responsibilities for indigent health care services. Under this option, counties would meet statewide eligibility requirements and a statewide minimum in health benefits consistent with benefits offered through Covered California. Counties could offer additional benefits, except for long-term care.

Why the two options? Statewide, counties annually receive approximately $3-4 billion in funding to care for the indigent. Many of these individuals will be eligible for Medi-Cal under the expanded program. Under an expansion of the state-based program, counties would be expected to give up approximately $1.4 billion in indigent care funding so the state could put that money into the Medi-Cal program. There is speculation that many counties have baulked at giving up that money to the state. Thus, the Governor put forth the county-based option, whereby the counties could keep funding, but also be responsible for the care of the newly eligible Medi-Cal population.

The county-based option poses some concerns for County Organized Health Systems (COHS). It is assumed that the counties already operating LIHP for the indigent could simply continue to operate the same system as a Medi-Cal program. However, in COHS counties the health plans are the only entities that are allowed to provide Medi-Cal services. It appears that under the county-based option essentially a two plan model could emerge. It is more likely that the state's expectation under the county-based option is that the counties would delegate the lives by contracting with a health plan in their area. In COHS counties it could mean the health plan would continue to contract with the state for most of the Medi-Cal services, while the county would contract with the COHS for the newly eligible population.

Obviously, there are still a lot of questions and details that need to be worked out regarding any county-based option to serve the newly eligible population. However, we are speculating that the county-based option is intended to drive the counties toward giving up $1.4 billion to the state to use towards the state Medi-Cal program. The state-based option seems like the easiest and most likely option, but some counties may be willing to go for the county option. If this is the case, the debate over the next several months could be very interesting.

Meanwhile, everyone is still awaiting the Governor to call a Special Session on health care reform. We are now told that the special session will be called by the end of January and that it will focus on ACA related matters, such as healthcare exchange

matters, that need to be resolved well in advance of January 1, 2014. Medi-Cal expansion matters would more likely be handled in the regular legislative session. However, all of the details regarding subject matter will be worked out with Legislative leadership in the coming weeks before the Special Session is called.

More details about Health Care Reform and the budget items outlined above will emerge as the Legislative Budget Committees begin hearings late in January and early in February. It is important to remember that what has been presented is the Governor's proposed budget and that the Legislature is free to adopt, reject, or amend any of the Governor's proposals. In addition, the Legislature can add new items to the budget. In this regard, many are waiting to see if the Legislature attempts to restore funding for health care and social service programs that have been cut drastically in the past several years. There will be much more to report in the coming weeks and months as we move toward the July 1 start of the new fiscal year.

To: Gold Coast Health Plan Executive / Finance Committee

From: Guillermo Gonzalez, Director of Government Relations

Date: February 7, 2013

Re: Government Affairs Update- Addendum

Summary:
This update is provided as an addendum to the Government Relations report that was included in the GCHP Commission packet for the January 28, 2013 meeting. This update is for informational purposes only, no recommendation is made and no action is requested.

Healthy Families Program (HFP) Funding Shortfall
On January 29th the Managed Risk Medical Insurance Board (MRMIB), the agency charged with administering the Healthy Families Program (HFP), reported that HFP is facing a budget deficit of $100 million. Some health plans have reported that HFP has stopped making payments to them for HFP services. DHCS has assured GCHP that all services to children who are enrolled in Medi-Cal will be paid by DHCS.

Phase 1a Transition of HFP-enrolled children to Medi-Cal
The first transition phase of HFP-enrolled children to Medi-Cal managed care began on January 1, 2013. Approximately 411,654 children statewide are in phase one of the transition to Medi-Cal managed care. Due to the large number of children involved in phase 1, DHCS has divided this phase into three sub-phases 1a-1c. According to DHCS there have been minimal reports of lapse in coverage or continuity of care in phase 1a. Phase one applies to children who are either in a managed care plan or whose provider is sub-contracted by a managed care plan.

County Based Expansion of Medicaid
In his proposed state budget released on January 10th, Governor Brown proposed a county based expansion of the Medi-Cal Program. Under this proposal counties would be given the option to administer or manage certain Medi-Cal populations but would exclude long-term care coverage under federal Medicaid expansion to begin in 2014. The California State Association of Counties (CSAC) indicates that it is too early to know what options counties will support or oppose. Staff will monitor this proposal closely and provide updates to the Commission as information becomes available.

CMA Appeal of Provider Rate Reductions
On January 28th, the California Medical Association (CMA) and other provider organizations filed a request for a re-hearing of the AB97 ten percent provider reimbursement rate reductions by the full bench of the Ninth Circuit Court of Appeals. The aim of the CMA

request is to reverse a previous decision by a three-judge panel of the Ninth Circuit Court to allow a ten percent rate cut for certain Medi-Cal providers.

Special Session Update: Introduced Medi-Cal Legislation
The Legislature went into in special session on Monday, January 28th to consider healthcare legislation relative to the federal Affordable Care Act (ACA) and Medicaid expansion. Special session bills become law within 90 days after passage by the Legislature and approval of the Governor. The following is a brief listing of introduced bills related to Medi-Cal managed care:

ABX1 1 and SBX1 1 Medi-Cal: eligibility - Would extend Medi-Cal eligibility to specified adults and would require that income eligibility be determined based on modified adjusted gross income (MAGI). These bills would prohibit the use of an asset or resources test for individuals whose financial eligibility for Medi-Cal is determined based on the application of MAGI. Beginning January 1, 2014 this legislation would add benefits, services, and coverage included in the essential health benefits package.

ABX1 2 and SBX 1 2 Health Care Coverage- Would prohibit health plans from imposing any preexisting condition upon any individual and from conditioning the issuance or offering of individual health benefit plans on any health status-related factor.

AB 209 Medi-Cal: managed care: quality and accessibility - Would require the department of health care services to hold quarterly public meetings to report on performance measures, quality and access standards, and to invite public comment. The bill would require the department to appoint an advisory committee for the purpose of making recommendations to the department and to the Legislature in order to improve quality and access in the delivery of Medi-Cal managed care services.

AB 2392 Medi-Cal: interpreter services – Would require DHCS to seek federal funding to establish a program to provide and reimburse for certified medical interpretation services to Medi-Cal beneficiaries who are limited English proficient (LEP).

AB 2472 Medi-Cal Managed Care –Would require DHCS to utilize FFS data in setting rates for an entity that has contracted with the department as a primary care case management organization in the same manner and for the same purposes as it used this data to establish rates for other specified managed care health care models.

SB 1529 Medi-Cal: providers: fraud – Would require a provider to be temporarily placed under payment suspension upon receipt of a credible allegation of fraud against a provider.

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Healthy Families Program Transition to Medi-Cal

February 7, 2013

Guillermo Gonzalez

Director, Government Relations

Overview

I. State Mandate

II. Transition Timeline

III. Expected Changes

IV. Continuity of Care

V. Member Notification & Outreach

State Mandate

- **Assembly Bill (AB) 1494**
- **Healthy Families Program (HFP) Transition to Medi-Cal Managed Care**

Transition Timeline

- **Four Phases Over A One Year Period**
- **From January to September**
- **Gold Coast Health Plan – Phase III**

  August 1, 2013

HFP Transition to Medi-Cal

- HFP Enrollment in Ventura County

►Anthem Blue Cross-EPO	43	0.2%
►Anthem Blue Cross-HMO	5, 876	29.0%
►Kaiser Permanente	3, 185	15.7%
►Ventura County Health Plan	11, 162	55.1%
Total	20,266	

Source: MRMIB- December 2012

Transitions By County

- Phase Ia- Approx. 411,654 children total in Phase Ia & Ib, Ic. January 1, 2013: Alameda, Riverside, San Bernardino, San Francisco, Santa Clara, Orange, San Mateo, and San Diego.

- Phase Ib- March 1, 2013: Contra Costa, Fresno, Kern, Kings, Madera, Tulare, Sacramento, San Diego (Health Net), Napa, Solano, Sonoma, Yolo, Monterey, Santa Cruz, Santa Barbara, and San Luis Obispo
- Phase Ic- April 1, 2013 children in a Health Net plan in the counties of: Kern, Los Angeles, Tulare, Sacramento, San Diego, San Joaquin, and Stanislaus

- Phase II- April 1, 2013. Approx. 261,060 children who are in a HFP subcontracted plan will transition to a Medi-Cal managed care plan.

- Phase III- August 1, 2013. Approx. 152,602 children not in a contracted or subcontracted Medi-Cal managed care plan will transition to a Medi-Cal managed care plan. GCHP is in Phase III.

- Phase IV- September 1, 2013. Approx. 42,753 children who reside in a county that does not Medi-Cal managed care will receive services on a fee-for-service basis.

Expected Changes

- Aid Codes
- Premiums/Family Incomes
- Eligibility Coordinated Through Ventura County Human Services Agency

Continuity of Care

- Network Adequacy
- Member Assistance
- Information

Member Notification & Outreach

- State Scheduled Mailing of Notices
- Communication & Outreach Effort to Members
- Member Assistance
- Information

Assistance & Service

- **HSA Enrollment Assistance** **1 805 385-9363**
- **GCHP Member Services** **1 888 301-1228**
- **TDD/TTY Line** **1 888 310-7347**
- **State HFP Member Line** **1 886 848-9166**

- **Websites: www.goldcoasthealthplan.org**

Gold Coast Health Plan's Mission

To Improve the Health of Our Members Through the Provision of the Best Possible Quality Care and Services

Contact GCHP
888-301-1228
www.goldcoasthealthplan.org

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Questions ?

AGENDA ITEM 4d

To: Gold Coast Health Plan Executive Finance Committee

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

Date: February 7, 2013

RE: GCHP Medical Management System Replacement

SUMMARY:
Currently, Gold Coast Health Plan (GCHP) utilizes ICMS as its Medical Management System (MMS) to coordinate authorization of medical services for our eligible member population. ACS, our managed services provider, has informed GCHP that the ICMS system is not ICD-10 compliant and will be sunset June 2013. Consequently, GCHP must select, install and implement a new ICD-10 compliant MMS by 10/1/2014, in accordance with the CMS mandated ICD-10 deadline. ACS has committed to continued support of ICMS until GCHP has implemented the replacement MMS solution.

BACKGROUND:
When GCHP was formed, the Plan entered into an agreement with ACS, a division of Xerox Corp., to provide the core systems, staff, operations, and application development support to process and administer membership, claims, and customer service. The original ACS proposal did not account for a MMS solution. GCHP entered into a subsequent agreement for ACS to provide a medical management system (titled "ICMS"). As part of this additional agreement, ACS would also provide nurses to GCHP as part of staffing the medical management function.

DISCUSSION
ACS does not plan to remediate ICMS for ICD-10 compliance and as such, has instructed GCHP to select a replacement MMS. ACS initially stated they would support ICMS through the end of June 2013, but has since extended support while GCHP implements the replacement system solution. Xerox conducted its own RFI / RFP process and has entered into a preferred partnership with CH Mack as a replacement solution to ICMS. However, Xerox has recommended that GCHP conduct its own selection process, and even if CH Mack is selected as the system, recommended that GCHP negotiate a separate licensing agreement.

GCHP intends to select and implement the replacement MMS by the end of calendar year 2013 in preparation for expected membership growth beginning January 2014, due to the ACA expansion. GCHP will follow an expedited RFI / RFP process for system selection

and has engaged an independent consultant with extensive experience in MMS selections, whose sole focus is to manage the selection process.

Between 1/1/13-3/31/13, we plan to identify, evaluate, and select a medical management system, including, but not limited to the following tasks:

- Survey of potential vendors using a rapid RFI process
- Secondary vendor screening (if needed)
- Create tailored requirements and scoring tools for finalist presentations
- Create key scenarios for final vendors to prepare for finalist presentations
- Coordinate and facilitate vendor presentations
- Conduct vendor references and site visits
- Create final system recommendation based on overall vendor scores

In early January, GCHP issued a MMS solicitation of interest to ten vendors, all of whom have active customers currently using their MMS solution. All ten vendors have expressed interest in participating in the rapid RFI/RFP process and we are in the process of executing non-disclosure agreements and submitting the RFI for completion.

As part of the RFI/RFP process, we will utilize key selection criteria, taking into consideration multiple factors, including:

- Business functionality / usability
- Cost
- Technology Platform (systems needs to grow with GCHP)
- Ability to meet aggressive project deadline (12/31/13)
- Vendor experience (solution expertise)

FISCAL IMPACT:
The cost of retaining the system selection consultant is approximately $20,000, whose work will be conducted over the course of 90 days. The cost to issue and evaluate the RFI / RFP will be absorbed by in-house staff. The cost of the new system will be brought to the Commission when more concrete information is available.

STAFF ACTION:
Staff will move forward with the RFI / RFP process for a medical management system replacement – target vendor selection and contract execution by 4/30/2013, and system implementation by 12/31/2013.

AGENDA ITEM 4e

To: Gold Coast Health Plan Executive Finance Committee

From: Michael Engelhard, Chief Executive Officer

Date: February 7, 2013

RE: Secure Additional Medi-Cal Funds Through an Intergovernmental Transfer (IGT)

SUMMARY:
Authorize and Direct the Commission Chairman and the Chief Executive Officer to Enter into the Necessary Agreements with the Ventura County Medical Center (VCMC) or other appropriate County agency and the California Department of Health Care Services (DHCS) to Secure Additional Medi-Cal Funds through an Intergovernmental Transfer (IGT)

BACKGROUND:
Inter-Governmental Transfers (IGTs) are a mechanism for Medi-Cal managed care plans, counties and certain types of public hospitals to work with the State of California in order to bring federal Medicaid matching dollars to the local level.

To accomplish an IGT, a County, or a taxing authority such as a district hospital, provides funds to the State Department of Health Care Services (DHCS). The federal government then matches those funds according to a set formula. The State uses these combined funds to increases the rates it pays to the local Medi-Cal managed care plan consistent with the Plan's actuarially determined payment rates. The funding entity recoups the original outlay of funds along some or the entire federal match to those funds.

DISCUSSION:
The proposed IGT would involve an initial transfer of funds from the funding entity to DHCS. The DHCS would then use these funds to leverage a federal match at the Federal Medical Assistance Percentages (FMAP) rate in effect during Fiscal Year 2011-12. Subsequently, Gold Coast Health Plan would receive an in increased capitation via a rate amendment to the Primary Agreement between Gold Coast Health Plan and DHCS. Gold Coast Health Plan would return the original funds to the funding entity. The federal match portion would remain for additional use. Subject to CMS and DHCS approval, these funds could be used to address GCHP's regulatory TNE deficit. Ensuring the financial viability and stability of GCHP is consistent with the State of California's desire to use

managed care as a means to increase access to care, establish coordinated systems of care and medical homes, and to control costs.

If, however, this use of the federal match funding is not approved by the DHCS or CMS, the funds could be used to provide safety-net supplemental payments to participating providers in the Gold Coast Health Plan Medi-Cal program to ensure continued access to care, or other enhancements to the Gold Coast Health Plan Medi-Cal program. The methodology for such distribution would be subject to the approval of the Gold Coast Health Plan Board of Directors.

Subject to DHCS and CMS approval, the implementation of the IGT involves the following three (3) agreements. GCHP would be party to the second and third agreements listed:

1. Agreement between the funding entity and DHCS for the transfer of funds from the funding entity to DHCS;
2. Agreement between Gold Coast Health Plan and the funding entity: This agreement includes the following:
    a. GCHP's obligation to make supplemental payments to the funding entity upon receipt of increased capitation payments resulting from the IGT between the funding entity and DHCS; and
    b. GCHP's obligation to utilize the remaining funds to provide services for individuals enrolled in the MCE Program or provide safety-net supplemental payments to participating providers in the GCHP Medi-Cal program to ensure continued access to care in that program.
3. Amendment to Primary Agreement: This amendment will consist of a rate amendment to account for the increased capitation payment resulting from the IGT between funding entity and DHCS.
4. DHCS has established templates for these agreements and does not allow revision except in specific areas noted on the templates. The revised agreements would require review and approval by County Counsel and our legal counsel.

FISCAL IMPACT:
The fiscal impact is not known at this time. The Plan is waiting for additional analysis from DHCS on the potential size of the IGT funds that would be available to GCHP.

Although the agreement term is one year, there is a potential for renewal in future years.

RECOMMENDATION:

1. Subject to review by legal counsel, authorize and direct the Chief Executive Officer to execute an agreement to implement an IGT among the funding entity, GCHP, and the State of California; and,
2. Subject to review by legal counsel, authorize and direct the Chairman of the Commission to Execute an Amendment to the Primary Agreement between the DHCS and Gold Coast Health Plan.

RATIONALE FOR RECOMMENDATION:

As proposed, the IGT could result in a significant increase in capital to Gold Coast Health Plan to address the Plan's existing TNE deficit.

If CMS disallows the use of IGT funds to address the TNE deficit, they may be used, in conjunction with the funding entity and other county organizations, to fund additional care or benefits for the Medi-Cal population in Ventura County. In this event, the actual use of the matched funds will need to be determined at a later date.

Gold Coast Health Plan℠
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Health Care Cost Reserves (IBNR Primer)

Presentation to the Executive/Finance Committee

2/7/13

www.goldcoasthealthplan.org

Gold Coast Health Plan℠
A Public Entity

Agenda

- ✓ Background
- ✓ Definitions
- ✓ Payment Lag
- ✓ Reserve Calculation Methods
- ✓ GCHP's Approved Method
- ✓ Closing Comments

Gold Coast Health Plan℠
A Public Entity

Background

- ✓ Reserves are an important driver of financial results since a high percentage of current month expenses are estimated
- ✓ Several adjustments were made to GCHP's reserves in initial months due to:
  - Low estimates of costs
  - Unsteady payment patterns

Definitions

Incurred But Not Reported or "IBNR": costs associated with a medical service that has been provided but for which the health plan has not received the claim.

Estimating IBNR is a critical element to understanding the financial condition of a managed care organization.

Definitions

Incurred but not paid or "IBNP": total health care claim reserve. IBNP is the sum total of all claim reserve pieces:

IBNP = IBNR + Claims Payable

- IBNR = "incurred but not reported", indicating claims that have not yet been reported
- Claims Payable = claims that have been reported, but not yet paid

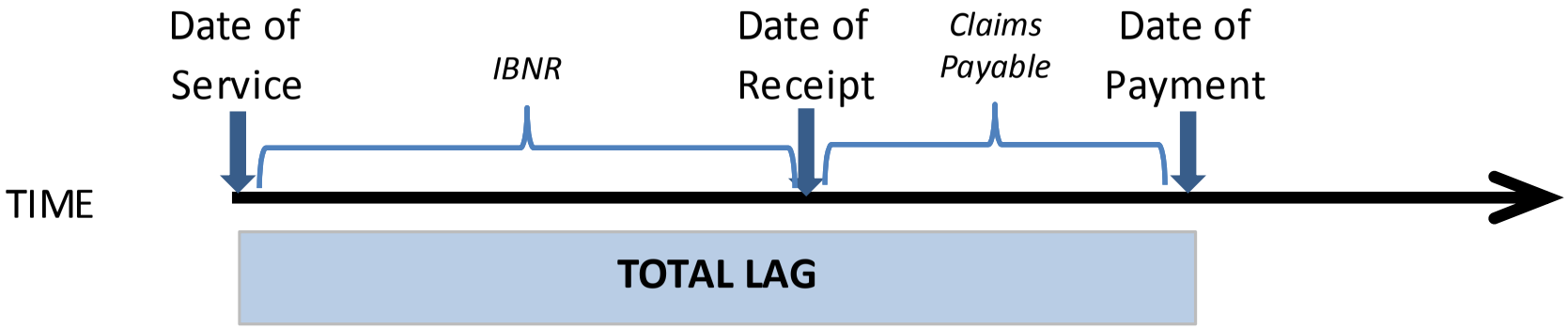
Definitions, Continued

Incurred Date: date on which services were rendered by a provider (i.e., date of service).

Lag: The time between the incurred date of a claim and the date on which a claim payment is made.

Refer to next page for graphical presentation.

Payment Lag



<u>Important Concept</u>: Different claim types or provider types can have varying lengths of lag. The lag to payment may be spread out over several months.

Reserve Calculation Methods

- Most methods rely on sufficient and stable historical data sorted by certain claims/provider types and varying populations.
- Actuaries review results from multiple methods and can estimate reserves using a hybrid of methodologies.
- Reserve estimates need to take into account many variables including but not limited to:
  - *rate of claims processing and reporting*
  - *high-cost or "shock" claims*

Reserve Calculation Methods

- Completion Factor Method: proportion of claims incurred in a given period and paid in that and any given succeeding period (i.e., ratio is the "completion factor").
  - Example: claims incurred in December are $200 and are 78% complete by the end of May, resulting in $56 that has not be paid
- PMPM Method: A per-member per-month (PMPM) estimate is calculated from historical data.
  - Example: claims paid in a particular month were $15 PMPM where historical average PMPM is $20, resulting in $5 that has not been paid

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GCHP's Approved Method

- Claims reserve based on hybrid approach:
  - Completion factors used for more complete months (usually over 70 or 80 percent complete).
  - PMPM estimates used for more incomplete months.
- Adjustments made to capture true cost of medical expenses (e.g., reinsurance recoveries, adjustments)
- Future enhancements to include separate analysis of:
  - high dollar claims
  - by claim/provider type
  - By population group

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Closing Comments

- Accumulation of more data will bring better predictability and accuracy to the calculation.
- Operational improvements in claims processing will smooth out payment patterns, adding to accuracy.
- Data mining and more sophisticated reporting will bring more granularity to the analysis.
- The Plan is constantly refining and improving the method. New staff with specific expertise will add credibility to the process.