

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

Executive Conference Room, 711 E. Daily Drive, Suite 106, Camarillo, CA  
**Thursday, November 6, 2014**  
**3:00 p.m.**

**AGENDA**

**CALL TO ORDER / ROLL CALL**

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

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

**1. APPROVE MINUTES**

a. [August 7, 2014 Regular Executive / Finance Meeting Minutes](#)

**2. APPROVAL ITEMS**

a. [2015 Executive Finance Meeting Calendar](#)

**3. ACCEPT AND FILE ITEMS**

a. [CEO Update](#)

b. [CFO Update - August 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 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**

**November 6, 2014 Special 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

**4. INFORMATIONAL ITEMS**

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

**COMMENTS FROM COMMITTEE MEMBERS**

**ADJOURNMENT**

Unless otherwise determined, the next regular meeting of the Executive / Finance Committee will be held on January 8, 2015 at 3:00 p.m. in the Executive Conference Room at 711 E. Daily Drive, Suite 106, Camarillo, CA 93010.

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

**August 7, 2014**

*(Not official until approved)*

**CALL TO ORDER**

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

**COMMITTEE MEMBERS PRESENT**

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

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

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

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

**ABSENT / EXCUSED**

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

**STAFF IN ATTENDANCE**

**Michael Engelhard**, CEO

**Michelle Raleigh**, CFO

**Robert Hernandez**, Legal Counsel

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

**Guillermo Gonzalez**, Government Affairs Director

**Steve Lalich**, Communications Director

**Allen Maithel**, Controller

**Al Reeves, MD**, CMO

**Melissa Scrymgeour**, Chief Information Officer

**Lyndon Turner**, Financial Analysis Director

**Ruth Watson**, COO

**PUBLIC COMMENTS**

None.

**1. APPROVE MINUTES**

**a. July 10, 2014 Regular Meeting Minutes**

Committee Member Glycer moved to approve the July 10, 2014 Regular Meeting Minutes.

Committee Member Alatorre seconded. The motion carried with the following vote:

AYE: Alatorre, Araujo, Glycer and Pawar.

NAY: None.

ABSTAIN: None.

ABSENT: Pupa.

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

### **a. CEO Update**

During the review of the written report discussion was held regarding the August enrollment figures which increased more than anticipated, nearly 40,000 since January, bringing membership to 160,000. Due to that increase there is immediate need to obtain additional staff in Health Services, most likely bringing GCHP staffing to 169 employees sooner than anticipated.

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

CEO Engelhard highlighted some of the PBM (Script Care) audit findings. GCHP has been inadvertently paying co-pays for dual eligibles and paying for members not yet meeting their share of cost requirement. This was incorrectly set up when the Plan went live in 2011. The Department of Health Services has been notified and the processing of both of these items will be corrected in October.

### **b. June Financials**

CFO Raleigh reviewed the June financials and end of fiscal year results. The State is changing their ACA 1202 Primary Care Physician payment methodology so that the additional funds received by the Plan will not be considered direct pass through funds to qualifying providers. Therefore, these funds are now shown as revenue and accounts for \$5.4 million of the variance. Due to new members and ACA 1205 the Plan is about \$10 million over budget.

Following a brief discussion, CFO Raleigh noted that the State's formula to calculate the minimum Tangible Net Equity (TNE) requirement is driven by healthcare costs. The TNE will be reviewed in detail at a future meeting and discussion will take place to determine the Plan's appropriate TNE level.

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

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

## **COMMENTS FROM COMMITTEE MEMBERS**

None.

## **ADJOURNMENT**

Meeting adjourned at 4:13 p.m.

# GCHP 2015 Meeting Schedule

Meetings begin at 3:00 p.m.

Proposed November 6, 2014



**Gold Coast Health Plan**  
A Public Entity

## Executive Finance Meeting (1<sup>st</sup> Thursday of the Month) \*

\*With exception of January and July due to Holidays

Holiday

Black - No Meeting Scheduled

JANUARY						
S	M	T	W	T	F	S
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NOVEMBER						
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DECEMBER						
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26	27	28	29	30	31	

**AGENDA ITEM 3a**

To: Gold Coast Health Plan Executive / Finance Committee

From: Ruth Watson, Interim Chief Executive Officer

Date: November 7, 2014

Re: CEO Update

**Pharmacy Processing Changes and State Efficiency Analyses**

At the last commission meeting, GCHP informed you of processing changes that were implemented October 1, 2014 and additional pharmacy efficiency analyses that the California Department of Health Care Services (DHCS) had conducted with the assistance of Mercer Government Human Services Consulting (Mercer). At this time, DHCS/Mercer has not yet provided the plan's specific analyses. As soon as these analyses are provided, GCHP will provide a summary of that detail as well as any impact expected.

**Membership**

Gold Coast Health Plan experienced minimal growth on the November Enrollment file, adding 1,042 members to the Plan. GCHP's membership as of November 1, 2014, is 168,640, which represents an increase of 48,128 members or 40% since January 1, 2014. The cumulative new membership since January 1st is summarized as follows:

- L1 (Low Income Health Plan) – 7,289
- M1 (Adult Expansion) – 24,060
- 7U (CalFresh Adults) – 3,254
- 7W (CalFresh Children) – 599
- 7S (Parents of 7Ws) – 14
- Traditional Medi-Cal – 12,466

November's growth was split fairly evenly between Members with Traditional aid codes (460) and M1 (491). Of note is the increase in the 7W category which had dropped to 296 in October and is now at 599.

	14-Jan	14-Feb	14-Mar	14-Apr	14-May	14-Jun	14-Jul	14-Aug	14-Sep	14-Oct	14-Nov
<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
<b>M1</b>	183	1,550	2,482	4,514	7,279	10,910	15,606	18,585	21,944	23,569	24,060
<b>7U</b>	0	0	1,741	3,584	3,680	3,515	3,453	3,400	3,368	3,312	3,254
<b>7W</b>	0	0	0	684	714	691	667	624	606	296	599
<b>7S</b>						3	4	4	5	11	14

## **AGENDA ITEM 3b**

To: Gold Coast Health Plan Executive / Finance Committee

From: Michelle Raleigh, Chief Financial Officer

Date: November 6, 2014

Re: September 2014 Financials

### **SUMMARY**

Staff is presenting the attached September 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 September 2014 financial package, including balance sheet, income statements and statements of cash flows. The Plan also reflected adjustments after closing FY 2013-14, since these will be made as part of the audit (and are reflected in the June 2014 period which flow through September 2014).

### **FISCAL IMPACT**

#### **Highlights of YTD financials include:**

On a year-to-date (YTD) basis, the Plan's net income was approximately \$9.3 million compared to \$4.7 million assumed in the budget. These operating results have contributed to a Tangible Net Equity (TNE) level of approximately \$49.1 million, which exceeds both the budget of \$37 million (by \$12.1 million) and the State minimum required TNE amount of \$22.6 million (by \$26.5 million).

Please note the Plan's TNE amounts noted in the financial package include the \$7.2 million in lines of credit with the County of Ventura. Also, as of the end of the September 2014, the Plan's TNE is:

- 217% of the minimum State-required TNE level and
- 185% of the minimum State-required TNE level, excluding the lines of credit of \$7.2 million

Note also that these TNE amounts include adjustments to FY 2013-14 results after closing the year at June 30, 2014. These adjustments were primarily identified by management and result



in a fund balance increase from \$30.4 to \$32.6 million as of June 30, 2014. The Plan has included these because they will be reflected as part of the FY 2013-14 audit.

### **Highlights of monthly financials include:**

Membership - September membership of 167,350 exceeded budget by 8,549 members. The majority of membership growth is in Adult Expansion (AE) category, where membership was 9,954 higher than budget. In the Adult / Family category, membership was 1,326 below budgeted estimates (possibly due to redeterminations). Current membership is 39% higher than at December 31, 2013 and 38% year-over-year.

Revenue – September net revenue is \$57.7 million, which exceeded the budgeted amount of \$47.6 million, by \$10.1 million. On a per-member-per-month (PMPM) basis, net revenue was \$344.78 PMPM which was \$44.84 PMPM better than budget of \$299.94 PMPM. The favorable results were driven by:

- Membership growth being greater than anticipated in total, with significantly more members than expected in higher capitation rate cells. This contributed to \$6.8 million of the positive variance.
- New revenue stream for the Hepatitis C drugs supplemental payment; which amounted to \$1.5 million for the last 3 periods (July through September).
- New draft FY2014-15 capitation rates were received from the State in October (which were applied to retroactively to July), amounting to \$1.8 million adjustments to revenue.

Health Care Costs – September health care costs were \$50.1 million or \$7.2 million more than budget. On a PMPM basis, September health care costs were \$299.66 PMPM versus a budgeted amount of \$270.34 PMPM. Increases in AE membership of 9,954 over budget accounted for approximately \$6.2 million of negative variance, and is largely responsible for negative variances in almost every service category, but is displaying a reasonable month-to-month trend reflecting the recent membership increases. The exception was again Pharmacy where costs were \$2.9 million below budget. Other specific contributors to September's budget variances include:

- Inpatient – Ongoing billing difficulties at provider prompted the Plan to add an additional \$2.6 million to reserves.
- LTC / SNF – The Plan continues to hold reserves related to AB1629 rate increases. An amount of \$0.1 million was added in anticipation of new AB1629 rates effective August 1, 2014. September LTC costs also included a higher than normal recognition of costs related to prior months. The added number of days billed for July and prior months exceeded the yearly average for trailing months by 30%, and added approximately \$0.5 million to LTC expense.

- Pharmacy – The increase in utilization among the new AE population has not achieved the rate as expected in the budget, contributing a positive variance of \$5.3 million. These saving have been partially offset to due increases in other costs such as Solvaldi, resulting in a net favorable variance of \$2.9 million.

Additional reserves were added across categories of service, as a continuation of the additions made in August at the recommendation of the Plan’s actuaries. This contributed to the negative variances in nearly every category, representing another \$1.4 million in added expense.

As disclosed in prior months, the current financials continue to reflect a targeted 85% MLR for overall medical expenses specific to the AE population. The expenses for this new population are still uncertain and are currently less than 85% medical loss ratio (MLR) on a calendar year-to-date basis. The Plan has included the difference in its IBNP calculation. Note that for the AE population:

- Medical expenses continue to be estimated from State rate packages (which reflect a 91% MLR) and will be evaluated as claims data is received, and
- Pharmacy expenses have been less than budget.

Administrative Expenses – For the month of September, overall operational costs were approximately \$264,000 lower than budgeted expenses. The following primary factors contributed to this lower than expected expense:

- Lower personnel expenses due to timing of new hires.
- Lower consulting services were due to delay in starting new projects that are in budget.
- Lower general office expense due to timing of purchases of equipment for anticipated new employees.
- Overall administrative expenses were lower, which was offset by higher legal expenses.

Cash + Medi-Cal Receivable - The total of Cash and Medi-Cal Premium Receivable balances of \$246.7 million was reported as of September 30, 2014. This total includes pass-through payments for MCO tax of \$11.1 million, Internal Governmental Transfer payments of \$24.0 million and Hospital Quality Assurance Fee anticipated payments of \$0.3 million. Excluding the impact of these pass-through amounts, the total of Cash and Medi-Cal Receivable balance as of September 30, 2014 was \$211.4 million, or \$73 million better than the budgeted level of \$137.4 million.

## **RECOMMENDATION**

Staff requests that the Executive / Finance Committee recommend approval of the September, 2014 financial statements to the Commission.

**CONCURRENCE**

N/A

**Attachment**

September 2014 Financial Package



**FINANCIAL PACKAGE**  
For the month ended September 30, 2014

**TABLE OF CONTENTS**

- Financial Overview
- Membership
- Income Statement
- Balance Sheet

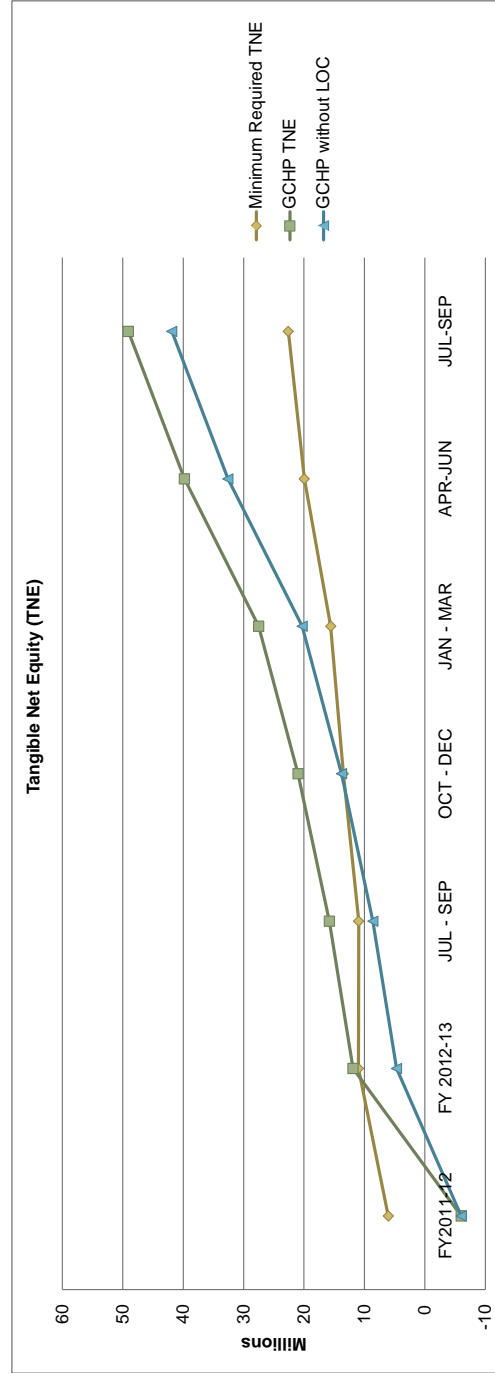
**APPENDIX**

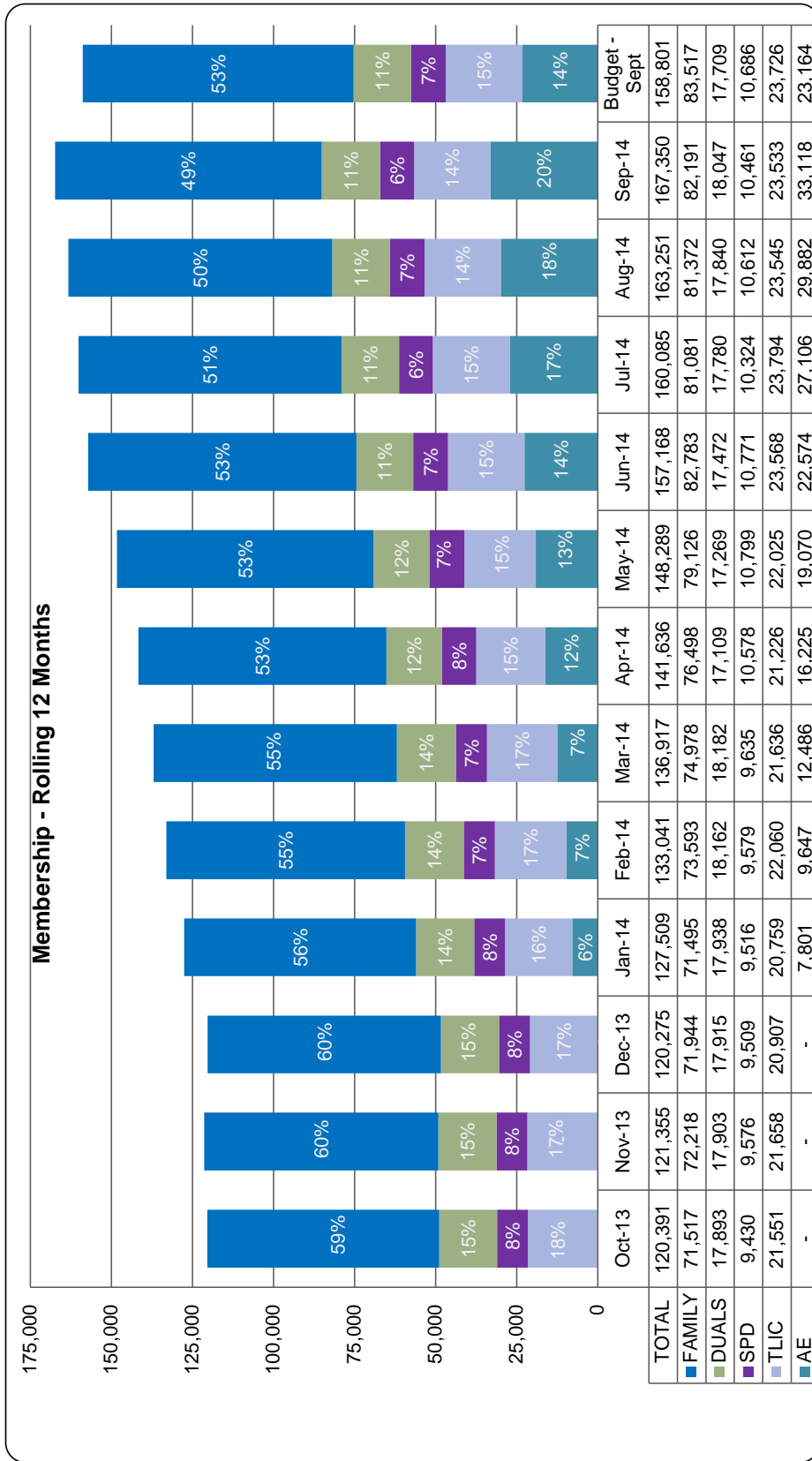
- Cash Trend Combined
- Paid Claims and IBNP Composition
- Monthly Cash Flow
- YTD Cash Flow
- YTD Income Statement
- Total Expenditure Composition
- Pharmacy Cost & Utilization Trends

Financial Overview

Description	AUDITED*		UNAUDITED FY 2013-14 Actual					FY 2014-15**		Budget Comparison	
	FY2011-12	FY 2012-13	JUL - SEP	OCT - DEC	JAN - MAR	APR-JUN	JUL-SEP	Budget JUL-SEP	Variance Fav/(Unfav)	Variance Fav/(Unfav) %	
<b>Member Months</b>	1,258,189	1,223,895	347,079	362,021	397,467	447,093	490,686	475,349	15,337	3.2 %	
<b>Revenue</b> pmpm	304,635,932 242.12	315,119,611 257.47	81,988,709 236.22	84,070,456 232.23	112,028,121 281.86	145,908,523 326.35	158,761,380 323.55	142,297,062 299.35	16,464,318 24.20	11.6 % 8.1 %	
<b>Health Care Costs</b> pmpm	287,353,672 228.39	280,382,704 229.09	71,875,533 207.09	72,867,512 201.28	98,914,429 248.86	125,663,911 281.07	141,486,486 288.34	128,511,378 270.35	(12,975,108) (17.99)	(10.1)% (6.7)%	
<b>% of Revenue</b>	94.3%	89.0%	87.7%	86.7%	88.3%	86.1%	89.1%	90.3%	-1.2%	-1.3%	
<b>Admin Exp</b> pmpm	18,891,320 15.01	24,013,927 19.62	6,202,007 17.87	6,014,475 16.61	6,597,110 18.60	7,937,941 17.75	7,994,304 16.29	9,091,142 19.73	1,096,838 2.83	12.1 % 14.8 %	
<b>% of Revenue</b>	6.2%	7.6%	7.6%	7.2%	5.9%	5.4%	5.0%	6.4%	1.4%	21.2%	
<b>Net Income</b> pmpm	(1,609,063) (1.28)	10,722,980 8.76	3,911,169 11.27	5,188,469 14.33	6,516,582 16.40	12,306,671 27.53	9,280,590 18.91	4,694,542 9.88	4,586,048 9.04	97.7 % 91.5 %	
<b>% of Revenue</b>	-0.5%	3.4%	4.8%	6.2%	5.8%	8.4%	5.8%	3.3%	2.5%	77.2%	
100% TNE	16,769,368	16,138,440	16,112,437	16,056,217	18,539,458	19,964,221	22,600,707	21,799,390	801,317	3.7 %	
% TNE Required	36%	68%	68%	84%	84%	100%	100%	100%			
Minimum Required TNE	6,036,972	10,974,139	10,956,457	13,487,223	15,573,145	19,964,221	22,600,707	21,799,390	801,317	3.7 %	
<b>GCHP TNE</b>	(6,031,881)	11,891,099	15,802,268	20,990,738	27,507,320	39,813,991	49,094,581	37,039,771	12,054,809	32.5 %	
<b>TNE Excess / (Deficit)</b>	(12,068,853)	916,960	4,845,810	7,503,516	12,397,168	19,849,770	26,493,874	15,240,381	11,253,492	73.8 %	

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).  
 \*\* Includes FY2013-2014 pre-audit adjustments identified by management





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

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

**Income Statement Monthly Trend**

	FY2014-15 Monthly Trend			Current Month		
	FY2013-14	FY2014-15 Monthly Trend		SEPTEMBER 2014*		Variance
	JUN 2014*	JUL 2014*	AUG 2014*	Actual	Budget	Fav/(Unfav)
<b>Membership (includes retro members)</b>	157,168	160,085	163,251	167,350	158,801	8,549
<b>Revenue:</b>						
Premium	\$ 61,669,657	\$ 51,600,376	\$ 53,483,243	\$ 59,992,380	\$ 49,525,873	\$ 10,466,507
Reserve for Rate Reduction	2,096,754	-	-	-	-	-
MCO Premium Tax	(2,751,314)	(2,038,713)	(2,098,955)	(2,362,200)	(1,950,081)	(412,119)
<b>Total Net Premium</b>	<b>61,015,097</b>	<b>49,561,663</b>	<b>51,384,288</b>	<b>57,630,180</b>	<b>47,575,792</b>	<b>10,054,388</b>
<b>Other Revenue:</b>						
Interest Income	16,066	14,142	25,986	30,121	16,344	13,777
Miscellaneous Income	539,674	38,333	38,333	38,333	38,333	0
<b>Total Other Revenue</b>	<b>555,740</b>	<b>52,476</b>	<b>64,320</b>	<b>68,454</b>	<b>54,677</b>	<b>13,777</b>
<b>Total Revenue</b>	<b>61,570,837</b>	<b>49,614,139</b>	<b>51,448,608</b>	<b>57,698,634</b>	<b>47,630,468</b>	<b>10,068,165</b>
<b>Medical Expenses:</b>						
Capitation (PCP, Specialty, Kasier, NEMT & Vision)	2,438,071	2,547,502	2,665,459	2,796,518	2,659,496	(137,021)
<b>FFS Claims Expenses:</b>						
Inpatient	9,862,869	10,931,208	11,741,392	13,423,203	9,677,253	(3,745,950)
LTC/SNF	6,910,285	8,528,443	8,031,837	9,147,787	7,490,743	(1,657,044)
Outpatient	3,711,231	3,330,983	3,156,219	3,693,295	2,568,155	(1,125,140)
Laboratory and Radiology	800,113	861,924	1,083,721	1,191,252	728,123	(463,129)
<b>Physician ACA 1202</b>	<b>9,542,740</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Emergency Room	1,686,458	1,392,675	1,870,862	1,818,198	1,495,540	(322,658)
Physician Specialty	2,057,542	3,460,004	3,456,254	3,527,267	3,179,575	(347,692)
Primary Care Physician	-	1,816,595	2,958,535	3,230,565	2,434,667	(795,898)
Home & Community Based Services	-	1,191,776	1,398,107	1,729,152	834,407	(894,745)
Mental Health Services	298,328	192,419	592,375	670,802	736,422	65,620
Pharmacy	7,534,160	5,779,140	5,441,839	5,525,771	8,424,673	2,898,902
<b>Adult Expansion Reserve</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Medical Professional	251,042	280,403	328,398	340,253	259,428	(80,825)
Other Medical Care	387	-	-	331	-	(331)
Other Fee For Service	4,800,761	2,694,956	1,329,307	1,328,749	916,428	(412,321)
Transportation	142,371	151,798	338,849	379,458	296,406	(83,052)
<b>Total Claims</b>	<b>47,598,287</b>	<b>41,612,325</b>	<b>41,727,695</b>	<b>46,006,084</b>	<b>39,041,822</b>	<b>(6,964,262)</b>
Medical & Care Management Expense	1,363,457	938,131	1,062,453	1,024,517	1,035,759	11,242
Reinsurance	(934,004)	71,281	444,200	449,539	193,737	(255,802)
Claims Recoveries	(679,628)	64,416	204,936	(128,569)	-	128,569
Sub-total	(250,175)	1,073,828	1,711,588	1,345,487	1,229,496	(115,991)
<b>Total Cost of Health Care</b>	<b>49,786,183</b>	<b>45,233,656</b>	<b>46,104,742</b>	<b>50,148,088</b>	<b>42,930,814</b>	<b>(7,217,274)</b>
<b>Contribution Margin</b>	<b>11,784,654</b>	<b>4,380,483</b>	<b>5,343,866</b>	<b>7,550,545</b>	<b>4,699,654</b>	<b>2,850,891</b>
<b>General &amp; Administrative Expenses:</b>						
Salaries and Wages	592,779	677,265	625,238	690,867	817,837	126,970
Payroll Taxes and Benefits	152,969	217,432	157,153	192,767	211,222	18,455
Travel and Training	13,484	10,309	8,842	12,543	43,126	30,583
Outside Service - ACS	1,179,130	1,239,331	1,271,873	1,278,018	1,193,947	(84,071)
Outside Services - Other	103,733	93,663	102,727	123,714	167,083	43,369
Accounting & Actuarial Services	35,136	19,300	11,928	15,037	45,000	29,963
Legal	374,593	149,329	64,492	202,842	33,334	(169,508)
Insurance	11,914	23,885	22,707	7,186	14,583	7,397
Lease Expense - Office	92,081	63,318	63,318	63,588	64,354	766
Consulting Services	128,446	42,333	55,974	56,353	171,680	115,327
Translation Services	4,711	2,673	2,890	5,882	7,083	1,201
Advertising and Promotion	9,010	4,024	-	-	15,479	15,479
General Office	107,081	141,963	30,438	116,147	187,909	71,762
Depreciation & Amortization	15,133	13,916	15,158	16,534	23,140	6,606
Printing	6,227	1,576	7,947	26,864	33,065	6,201
Shipping & Postage	237	423	23,377	1,681	22,678	20,997
Interest	(49,375)	18,742	8,058	(7,319)	15,000	22,319
<b>Total G &amp; A Expenses</b>	<b>2,777,289</b>	<b>2,719,481</b>	<b>2,472,120</b>	<b>2,802,703</b>	<b>3,066,520</b>	<b>263,817</b>
<b>Net Income / (Loss)</b>	<b>\$ 9,007,365</b>	<b>\$ 1,661,002</b>	<b>\$ 2,871,746</b>	<b>\$ 4,747,842</b>	<b>\$ 1,633,134</b>	<b>\$ 3,114,708</b>
<b>Full time employees</b>				<b>139</b>	<b>159</b>	<b>20</b>

**PMPM Income Statement Comparison**

				SEPTEMBER 2014*		Variance
	JUN 2014	JUL 2014	AUG 2014	Actual	Budget	Fav/(Unfav)
<b>Membership (includes retro members)</b>	157,168	160,085	163,251	167,350	158,801	8,549
<b>Revenue:</b>						
Premium	392.38	322.33	334.09	358.48	311.87	46.61
Reserve for Rate Reduction	13.34	-	-	-	-	-
MCO Premium Tax	(17.51)	(12.74)	(13.11)	(14.12)	(12.28)	(1.84)
<b>Total Net Premium</b>	<b>388.22</b>	<b>309.60</b>	<b>320.98</b>	<b>344.37</b>	<b>299.59</b>	<b>44.78</b>
<b>Other Revenue:</b>						
Interest Income	0.10	0.09	0.16	0.18	0.10	0.08
Miscellaneous Income	3.43	0.24	0.24	0.23	0.24	(0.01)
<b>Total Other Revenue</b>	<b>3.54</b>	<b>0.33</b>	<b>0.40</b>	<b>0.41</b>	<b>0.54</b>	<b>(0.13)</b>
<b>Total Revenue</b>	<b>391.75</b>	<b>309.92</b>	<b>321.38</b>	<b>344.78</b>	<b>299.94</b>	<b>44.84</b>
<b>Medical Expenses:</b>						
Capitation (PCP, Specialty, Kasier, NEMT)	15.51	15.91	16.65	16.71	16.75	0.04
<b>FFS Claims Expenses:</b>						
Inpatient	62.75	68.28	73.34	80.21	60.94	(19.27)
LTC/SNF	43.97	53.27	50.17	54.66	47.17	(7.49)
Outpatient	23.61	20.81	19.72	22.07	16.17	(5.90)
Laboratory and Radiology	5.09	5.38	6.77	7.12	4.59	(2.53)
Physician ACA 1202	60.72	-	-	-	-	-
Emergency Room	10.73	8.70	11.69	10.86	9.42	(1.45)
Physician Specialty	13.09	21.61	21.59	21.08	20.02	(1.05)
Primary Care Physician	-	11.35	18.48	19.30	15.33	(3.97)
Home & Community Based Services	-	7.44	8.73	10.33	5.25	(5.08)
Applied Behavior Analysis Services	-	-	-	-	-	-
Mental Health Services	1.90	1.20	3.70	4.01	4.64	0.63
Pharmacy	47.94	36.10	33.99	33.02	53.05	20.03
<b>Adult Expansion Reserve</b>	<b>-</b>	<b>6.25</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Medical Professional	1.60	1.75	2.05	2.03	1.63	(0.40)
Other Medical Care	0.00	-	-	0.00	-	(0.00)
Other Fee For Service	30.55	16.83	8.30	7.94	5.77	(2.17)
Transportation	0.91	0.95	2.12	2.27	1.87	(0.40)
<b>Total Claims</b>	<b>302.85</b>	<b>259.94</b>	<b>260.66</b>	<b>274.91</b>	<b>245.85</b>	<b>(29.06)</b>
Medical & Care Management Expense	8.68	5.86	6.64	6.12	6.52	0.40
Reinsurance	(5.94)	0.45	2.77	2.69	1.22	(1.47)
Claims Recoveries	(4.32)	0.40	1.28	(0.77)	-	0.77
Sub-total	(1.59)	6.71	10.69	8.04	7.74	(0.30)
<b>Total Cost of Health Care</b>	<b>316.77</b>	<b>282.56</b>	<b>282.42</b>	<b>299.66</b>	<b>270.34</b>	<b>(29.32)</b>
<b>Contribution Margin</b>	<b>74.98</b>	<b>27.36</b>	<b>33.38</b>	<b>45.12</b>	<b>29.59</b>	<b>15.52</b>
<b>General &amp; Administrative Expenses:</b>						
Salaries and Wages	3.77	4.23	3.91	4.13	5.15	1.02
Payroll Taxes and Benefits	0.97	1.36	0.98	1.15	1.33	0.18
Travel and Training	0.09	0.06	0.06	0.07	0.27	0.20
Outside Service - ACS	7.50	7.74	7.94	7.64	7.52	(0.12)
Outside Services - Other	0.66	0.59	0.64	0.74	1.05	0.31
Accounting & Actuarial Services	0.22	0.12	0.07	0.09	0.28	0.19
Legal	2.38	0.93	0.40	1.21	0.21	(1.00)
Insurance	0.08	0.15	0.14	0.04	0.09	0.05
Lease Expense - Office	0.59	0.40	0.40	0.38	0.41	0.03
Consulting Services	0.82	0.26	0.35	0.34	1.08	0.74
Translation Services	0.03	0.02	0.02	0.04	0.04	0.01
Advertising and Promotion	0.06	0.03	-	-	0.10	0.10
General Office	0.68	0.89	0.19	0.69	1.18	0.49
Depreciation & Amortization	0.10	0.09	0.09	0.10	0.15	0.05
Printing	0.04	0.01	0.05	0.16	0.21	0.05
Shipping & Postage	0.00	0.00	0.15	0.01	0.14	0.13
Interest	(0.31)	0.12	0.05	(0.04)	0.09	0.14
<b>Total G &amp; A Expenses</b>	<b>17.67</b>	<b>16.99</b>	<b>15.44</b>	<b>16.75</b>	<b>19.31</b>	<b>2.56</b>
<b>Net Income / (Loss)</b>	<b>57.31</b>	<b>10.38</b>	<b>17.94</b>	<b>28.37</b>	<b>10.28</b>	<b>18.09</b>

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



**Comparative Balance Sheet**

	9/30/2014*	8/31/2014*	7/31/2014*	6/30/2014*
<b>ASSETS</b>				
<b>Current Assets</b>				
<b>Total Cash and Cash Equivalents</b>	<b>\$ 231,485,135</b>	<b>\$ 124,801,815</b>	<b>\$ 61,568,613</b>	<b>\$ 60,176,698</b>
Medi-Cal Receivable*	15,195,193	79,042,443	121,322,683	114,632,056
Provider Receivable	739,151	411,036	451,665	395,129
Other Receivables	171,752	173,540	534,822	1,821,475
<b>Total Accounts Receivable</b>	<b>16,106,096</b>	<b>79,627,019</b>	<b>122,309,171</b>	<b>116,848,660</b>
Total Prepaid Accounts	1,014,135	916,162	1,014,717	994,278
Total Other Current Assets	79,079	79,079	79,079	81,719
<b>Total Current Assets</b>	<b>248,684,446</b>	<b>205,424,076</b>	<b>184,971,579</b>	<b>178,101,355</b>
<b>Total Fixed Assets</b>	<b>1,138,882</b>	<b>1,162,985</b>	<b>1,173,456</b>	<b>1,163,269</b>
<b>Total Assets</b>	<b>\$ 249,823,328</b>	<b>\$ 206,587,061</b>	<b>\$ 186,145,035</b>	<b>\$ 179,264,625</b>
<b>LIABILITIES &amp; FUND BALANCE</b>				
<b>Current Liabilities</b>				
Incurring But Not Reported	\$ 137,733,151	\$ 120,657,083	\$ 105,577,791	\$ 92,710,021
Claims Payable	6,990,115	9,737,671	8,427,358	9,482,660
Capitation Payable	2,350,613	2,253,578	2,142,484	2,054,265
Physician ACA 1202 Payable	12,765,516	12,765,516	12,765,516	12,765,516
AB85 Payable	(74,330)	913,541	813,240	1,245,284
Accounts Payable	1,810,396	247,671	1,420,993	2,875,709
Accrued ACS	1,275,046	1,248,022	1,204,802	-
Accrued Expenses	25,073,746	707,446	788,292	748,120
Accrued Premium Tax	11,074,806	12,082,489	9,939,310	15,775,120
Accrued Interest Payable	49,694	47,215	44,662	42,062
Current Portion of Deferred Revenue	460,000	460,000	460,000	460,000
Accrued Payroll Expense	700,999	596,812	558,034	760,032
<b>Total Current Liabilities</b>	<b>200,209,752</b>	<b>161,717,043</b>	<b>144,142,481</b>	<b>138,918,788</b>
<b>Long-Term Liabilities</b>				
Other Long-term Liability-Deferred Rent	173,995	139,945	105,895	71,845
Deferred Revenue - Long Term Portion	345,000	383,333	421,667	460,000
Notes Payable	7,200,000	7,200,000	7,200,000	7,200,000
<b>Total Long-Term Liabilities</b>	<b>7,718,995</b>	<b>7,723,278</b>	<b>7,727,562</b>	<b>7,731,845</b>
<b>Total Liabilities</b>	<b>207,928,747</b>	<b>169,440,322</b>	<b>151,870,043</b>	<b>146,650,634</b>
Beginning Fund Balance	32,613,991	32,613,991	32,613,991	4,691,101
Net Income Current Year	9,280,590	4,532,748	1,661,002	27,922,890
<b>Total Fund Balance</b>	<b>41,894,581</b>	<b>37,146,739</b>	<b>34,274,993</b>	<b>32,613,991</b>
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$ 249,823,328</b>	<b>\$ 206,587,061</b>	<b>\$ 186,145,035</b>	<b>\$ 179,264,625</b>

<b>FINANCIAL INDICATORS</b>	<b>Excluding IGT &amp; HQAF</b>	<b>Including IGT &amp; HQAF</b>			
Current Ratio	1.28 : 1	1.24 : 1	1.27 : 1	1.28 : 1	1.28 : 1
Days Cash on Hand	117	131	77	39	34
Days Cash + State Capitation Rec	126	140	126	114	100
Days Cash + State Capitation Rec (less Tax Liab)	119	133	127	108	91

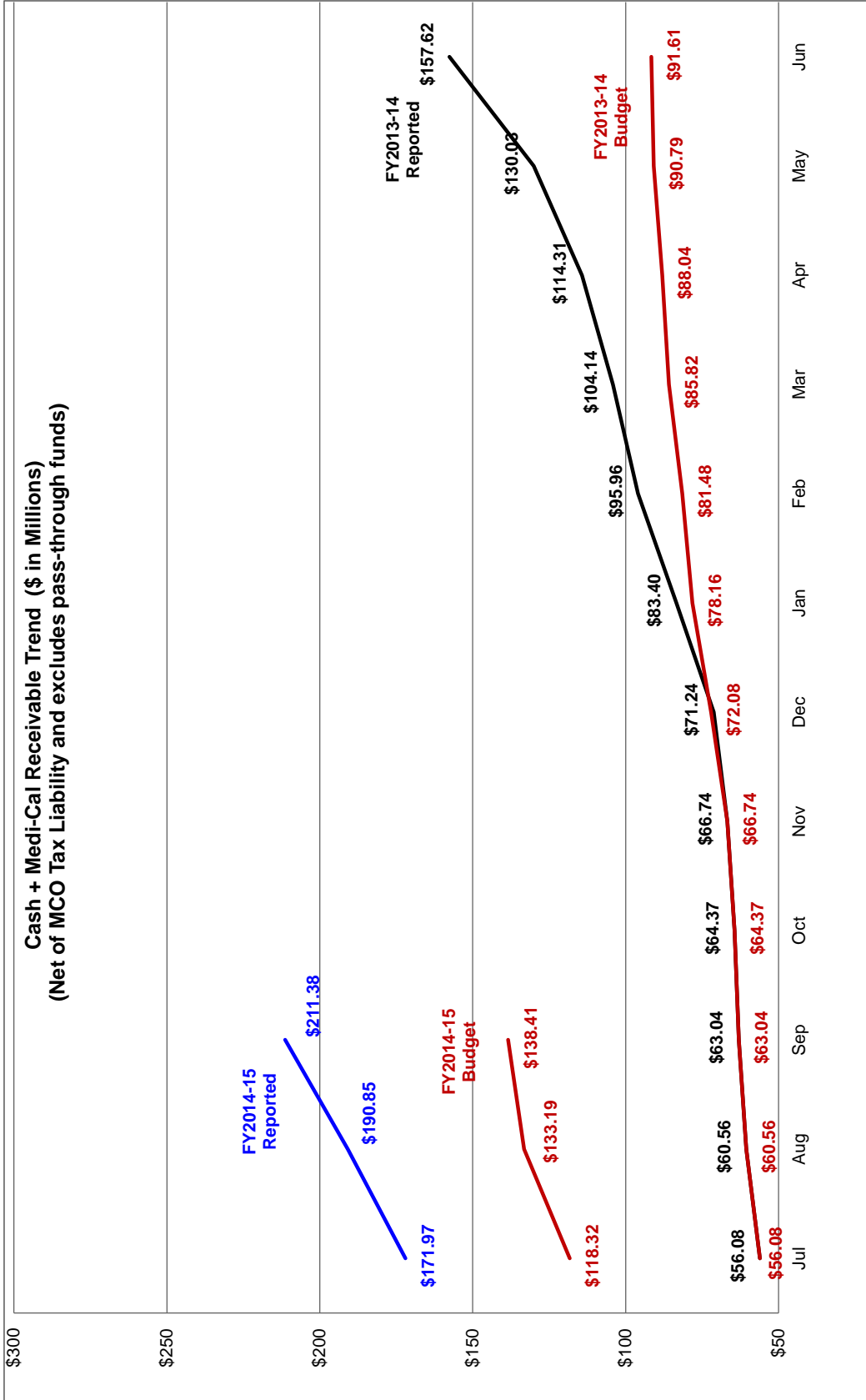
\*Includes FY2013-2014 pre-audit adjustments identified by management

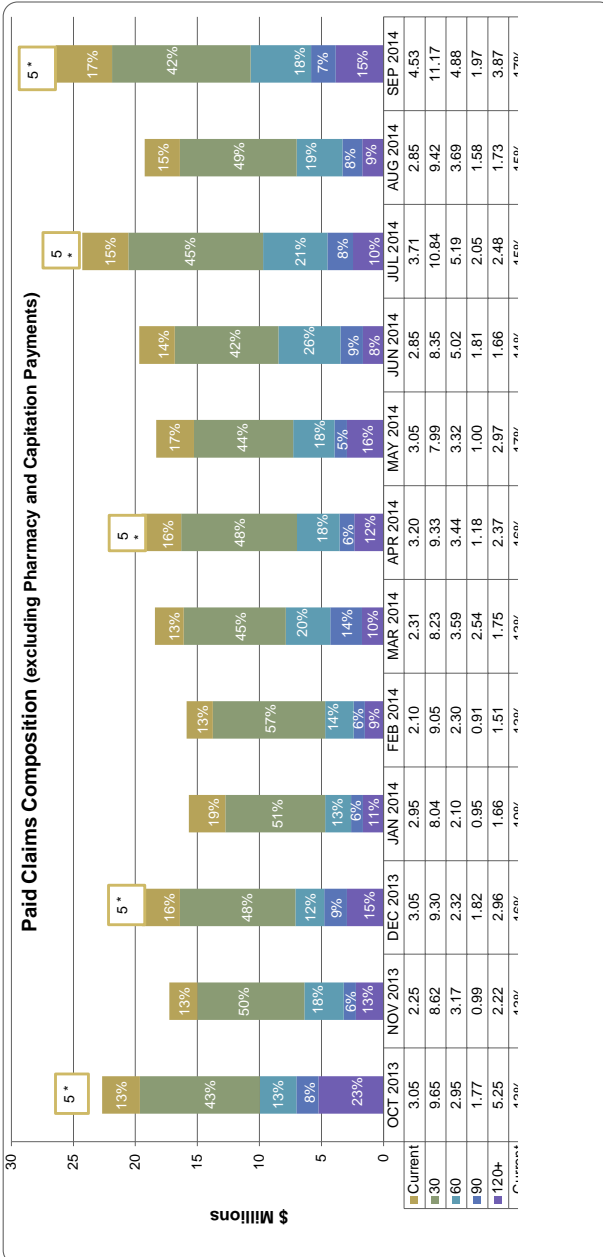


For the month ended September 30, 2014

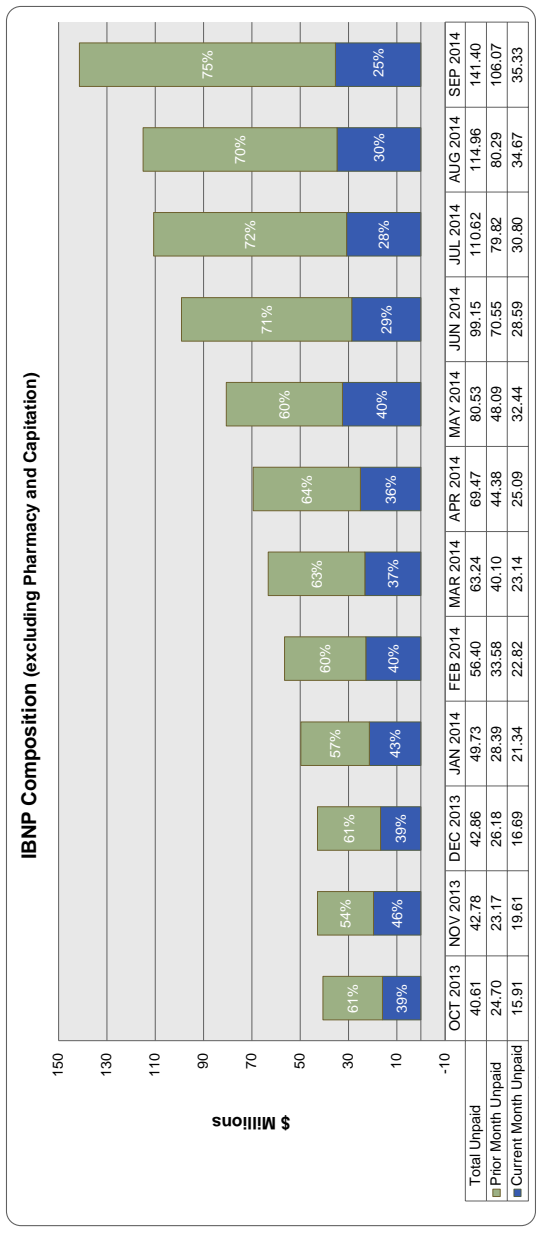
## **APPENDIX**

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





**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.



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

## Statement of Cash Flows - Monthly

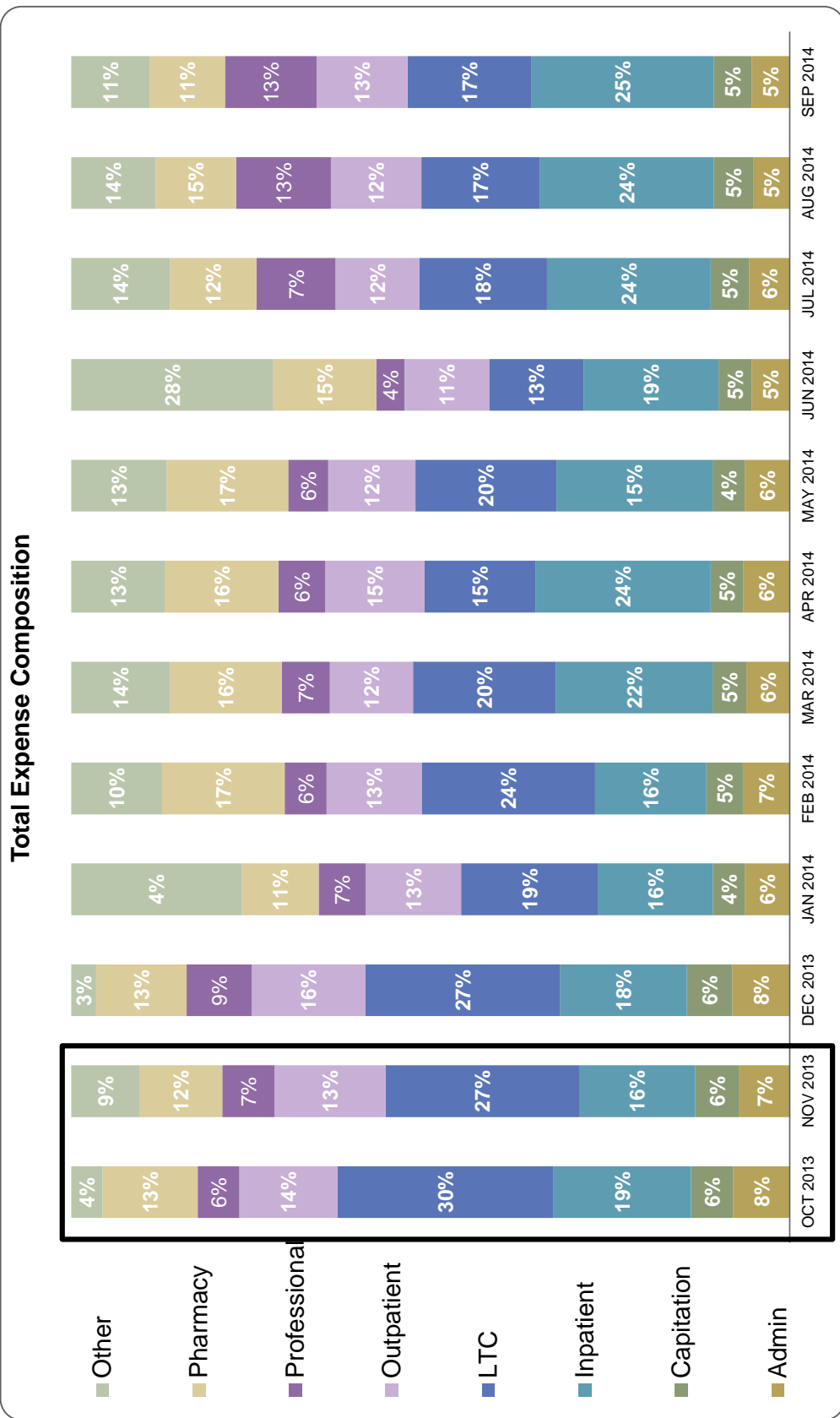
	SEP '14	AUG '14	JULY '14
<b>Cash Flow From Operating Activities</b>			
Collected Premium	\$ 122,309,818	\$ 94,832,281	\$ 45,212,063
Miscellaneous Income	30,121	25,986	14,142
State Pass Through Funds	27,751,370	1,882,392	717,413
<b>Paid Claims</b>			
Medical & Hospital Expenses	(26,782,919)	(19,339,369)	(23,318,973)
Pharmacy	(5,743,287)	(6,254,420)	(5,751,973)
Capitation	(2,543,846)	(2,557,362)	(2,464,945)
Reinsurance of Claims	(449,539)	(444,200)	(637,110)
State Pass Through Funds Distributed	(1,079,935)	(2,224,871)	-
Paid Administration	(2,790,272)	(2,668,390)	(4,432,355)
MCO Tax Received / (Paid)	(4,011,599)	-	(7,908,088)
<b>Net Cash Provided/ (Used) by Operating Activities</b>	<b>106,689,910</b>	<b>63,252,047</b>	<b>1,430,176</b>
<b>Cash Flow From Investing/Financing Activities</b>			
Proceeds from Line of Credit	-	-	-
Repayments on Line of Credit	-	-	-
Net Acquisition of Property/Equipment	(6,590)	(18,845)	(38,262)
<b>Net Cash Provided/(Used) by Investing/Financing</b>	<b>(6,590)</b>	<b>(18,845)</b>	<b>(38,262)</b>
<b>Net Cash Flow</b>	<b>\$ 106,683,320</b>	<b>\$ 63,233,203</b>	<b>\$ 1,391,914</b>
Cash and Cash Equivalents (Beg. of Period)	124,801,815	61,568,613	60,176,698
Cash and Cash Equivalents (End of Period)	231,485,135	124,801,815	61,568,613
	<b>\$ 106,683,320</b>	<b>\$ 63,233,203</b>	<b>\$ 1,391,914</b>
<b>Adjustment to Reconcile Net Income to Net Cash Flow</b>			
Net (Loss) Income	4,747,842	2,871,746	1,661,002
Depreciation & Amortization	30,692	29,316	28,075
Decrease/(Increase) in Receivables	63,520,923	42,682,152	(5,460,511)
Decrease/(Increase) in Prepaids & Other Current Assets	(97,973)	98,554	(17,799)
(Decrease)/Increase in Payables	25,074,845	(1,069,316)	(841,185)
(Decrease)/Increase in Other Liabilities	(4,284)	(4,284)	(4,284)
Change in MCO Tax Liability	(1,007,683)	2,143,179	(5,835,810)
Changes in Claims and Capitation Payable	(2,650,521)	1,421,408	(967,083)
Changes in IBNR	17,076,068	15,079,291	12,867,771
	106,689,910	63,252,047	1,430,176
<b>Net Cash Flow from Operating Activities</b>	<b>\$ 106,689,910</b>	<b>\$ 63,252,047</b>	<b>\$ 1,430,176</b>

**Income Statement**  
**For Month Ended September 30, 2014**

	September '14	Year-To-Date	Variance
	Actual	Budget	Fav/(Unfav)
<b>Membership (includes retro members)</b>	490,686	475,349	15,337
<b>Revenue</b>			
Premium	\$ 165,075,998	\$ 147,959,127	\$ 17,116,872
MCO Premium Tax	(6,499,867)	(5,825,891)	(673,977)
<b>Total Net Premium</b>	<b>158,576,131</b>	<b>142,133,236</b>	<b>16,442,895</b>
<b>Other Revenue:</b>			
Interest Income	70,249	48,827	21,423
Miscellaneous Income	115,000	114,999	1
<b>Total Other Revenue</b>	<b>185,249</b>	<b>163,826</b>	<b>21,424</b>
<b>Total Revenue</b>	<b>158,761,380</b>	<b>142,297,062</b>	<b>16,464,318</b>
<b>Medical Expenses:</b>			
Capitation (PCP, Specialty, Kaiser, NEMT & Vision)	8,009,479	7,949,131	(60,347)
<b>FFS Claims Expenses:</b>			
Inpatient	36,095,803	28,882,830	(7,212,974)
LTC/SNF	25,708,068	22,463,452	(3,244,616)
Outpatient	10,180,497	7,670,180	(2,510,317)
Laboratory and Radiology	3,136,897	2,164,955	(971,943)
Emergency Room	5,081,735	4,462,355	(619,380)
Physician Specialty	10,443,524	9,500,959	(942,565)
Primary Care Physician	8,005,694	7,256,078	(749,616)
Home & Community Based Services	4,319,035	2,502,436	(1,816,599)
Mental Health Services	1,455,596	2,202,459	746,863
Pharmacy	16,746,750	25,365,839	8,619,089
Other Medical Professional	949,054	773,859	(175,196)
Other Medical Care	331	-	(331)
Other Fee For Service	5,353,012	2,741,665	(2,611,347)
Transportation	870,105	882,690	12,585
Total Claims	129,346,104	116,869,757	(12,476,347)
Medical & Care Management Expense	3,025,101	3,112,564	87,463
Reinsurance	965,020	579,926	(385,094)
Claims Recoveries	140,783	-	(140,783)
Sub-total	4,130,904	3,692,491	(438,413)
<b>Total Cost of Health Care</b>	<b>141,486,486</b>	<b>128,511,378</b>	<b>(12,975,108)</b>
<b>Contribution Margin</b>	<b>17,274,894</b>	<b>13,785,684</b>	<b>3,489,211</b>
<b>General &amp; Administrative Expenses:</b>			
Salaries and Wages	1,993,369	2,427,843	434,474
Payroll Taxes and Benefits	567,351	619,342	51,990
Travel and Training	31,694	85,622	53,927
Outside Service - ACS	3,789,222	3,574,322	(214,900)
Outside Services - Other	320,103	410,278	90,175
Accounting & Actuarial Services	46,265	135,000	88,735
Legal	416,663	100,000	(316,663)
Insurance	53,778	43,750	(10,028)
Lease Expense - Office	190,223	193,062	2,839
Consulting Services	154,660	481,282	326,622
Translation Services	11,445	21,249	9,804
Advertising and Promotion	4,024	41,447	37,423
General Office	288,547	722,807	434,259
Depreciation & Amortization	45,608	59,171	13,563
Printing	36,387	75,605	39,218
Shipping & Postage	25,481	55,362	29,881
Interest	19,482	45,000	25,518
<b>Total G &amp; A Expenses</b>	<b>7,994,304</b>	<b>9,091,142</b>	<b>1,096,838</b>
<b>Net Income / (Loss)</b>	<b>\$ 9,280,590</b>	<b>\$ 4,694,542</b>	<b>\$ 4,586,048</b>

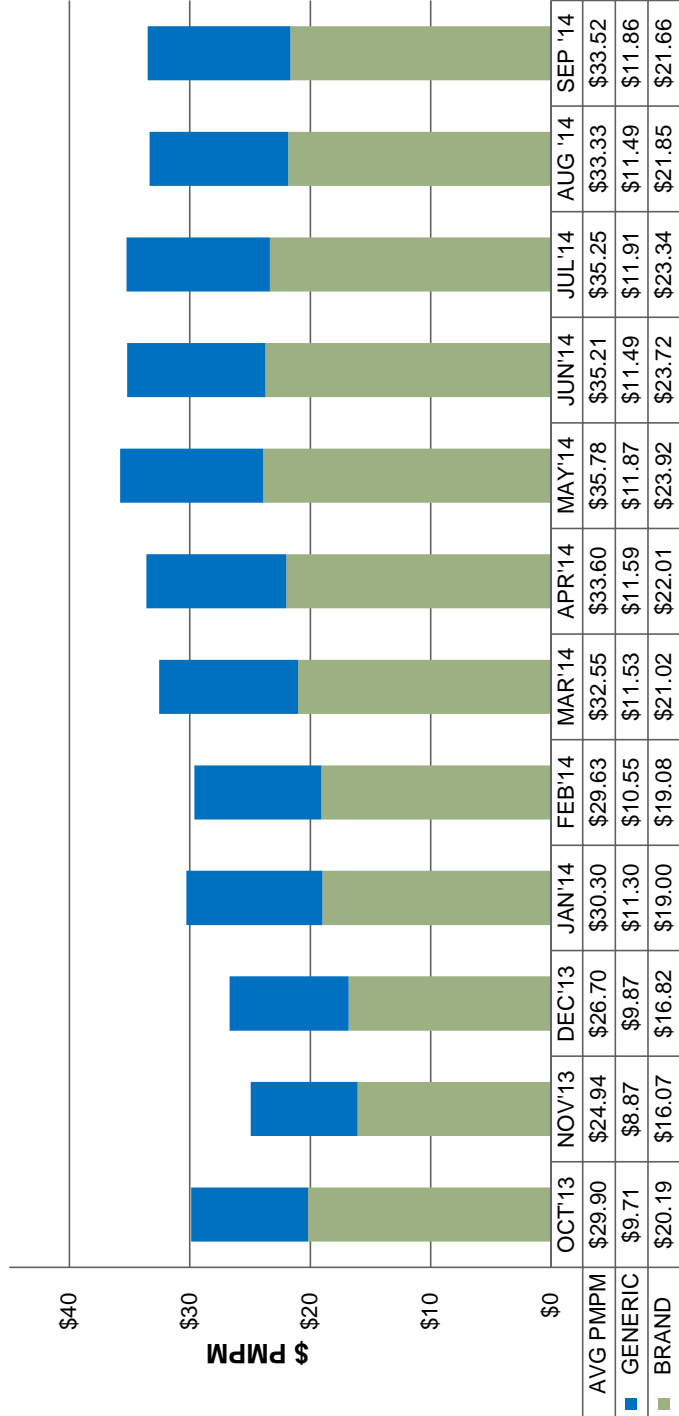
## Statement of Cash Flows - YTD

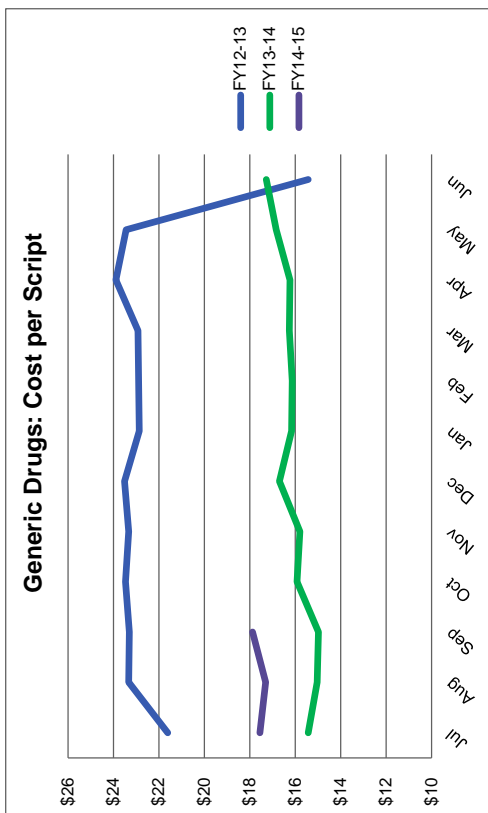
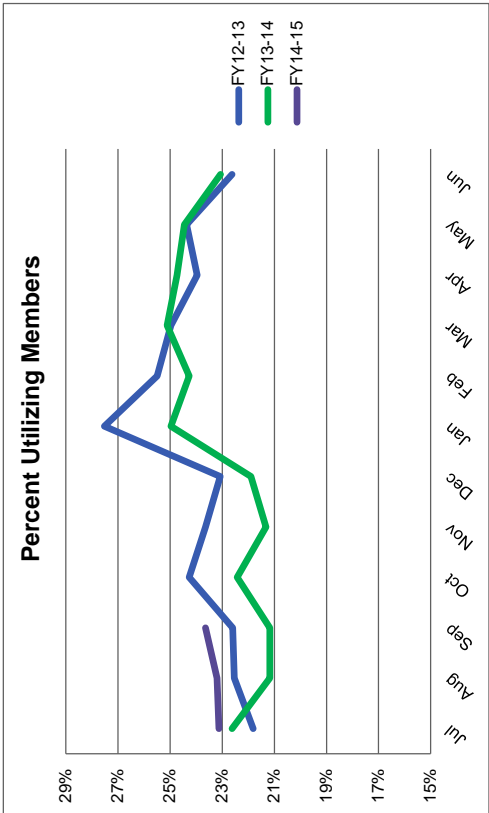
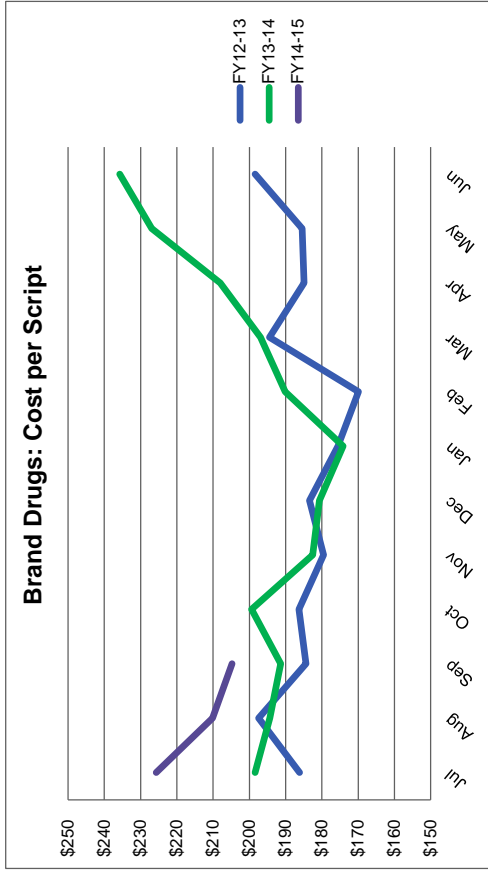
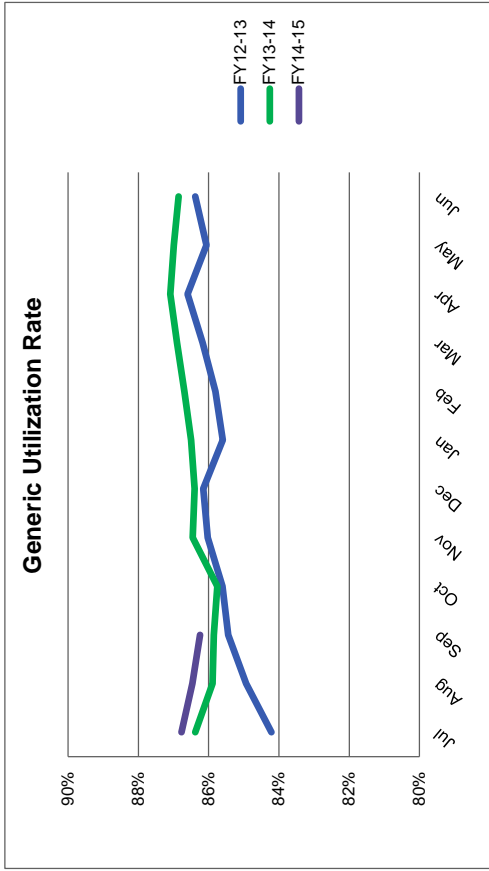
	<u>SEP 2014 YTD</u>
Cash Flow From Operating Activities	
Collected Premium	\$ 262,354,162
Miscellaneous Income	70,249
State Pass Through Funds	30,351,175
<u>Paid Claims</u>	
Medical & Hospital Expenses	(69,441,261)
Pharmacy	(17,749,681)
Capitation	(7,566,153)
Reinsurance of Claims	(1,530,849)
State Pass Through Funds Distributed	(3,304,807)
Payment of Withhold / Risk Sharing Incentive	-
Paid Administration	(9,891,017)
Repay Initial Net Liabilities	-
MCO Taxes Received / (Paid)	(11,919,687)
Net Cash Provided/(Used) by Operating Activities	<u>171,372,133</u>
Cash Flow From Investing/Financing Activities	
Proceeds from Line of Credit	-
Repayments on Line of Credit	-
Net Acquisition of Property/Equipment	(63,696)
Net Cash Provided/(Used) by Investing/Financing	<u>(63,696)</u>
<b>Net Cash Flow</b>	<b><u>\$ 171,308,437</u></b>
Cash and Cash Equivalents (Beg. of Period)	60,176,698
Cash and Cash Equivalents (End of Period)	231,485,135
	<b><u>\$ 171,308,437</u></b>
Adjustment to Reconcile Net Income to Net Cash Flow	
Net Income/(Loss)	9,280,590
Depreciation & Amortization	88,084
Decrease/(Increase) in Receivables	100,742,564
Decrease/(Increase) in Prepaids & Other Current Assets	(17,217)
(Decrease)/Increase in Payables	23,164,345
(Decrease)/Increase in Other Liabilities	(12,851)
Change in MCO Tax Liability	(4,700,314)
Changes in Claims and Capitation Payable	(2,196,197)
Changes in IBNR	45,023,130
	<u>171,372,133</u>
<b>Net Cash Flow from Operating Activities</b>	<b><u>\$ 171,372,133</u></b>





### Pharmacy Cost Trend







## **AGENDA ITEM 4a**

To: Gold Coast Health Plan Executive / Finance Committee

From: Michelle Raleigh, Chief Financial Officer

Date: November 6, 2014

Re: Final Update to Auditor's Recommendations  
(from FY 2012-13 Audit)

### **SUMMARY**

As part of the FY 2012-13 audit performed by McGladery LLP (McGladrey), recommendations were made as part of their report to the Executive/Finance Committee, as indicated in the following letters:

- Letter communicating deficiencies in internal controls in financial reporting
  1. Material Weaknesses (none)
  2. Significant Deficiencies
- Letter communicating comments, observations and suggestions

This quarterly status report provides the final update on the Plan's progress and reflects additional progress made since the July report.

To summarize, the Plan has completed many of the items suggested by the auditors and is continuing to improve process and monitoring related activities, especially as staff has been hired.

### **Attachments**

Update to Auditor's Recommendations – October 2014

## UPDATE TO AUDITOR'S RECOMMENDATION – October 2014 AUDITOR'S LETTER REGARDING CONTROLS

<b>McGladrey Recommendations</b>	<b>McGladrey Summary</b>	<b>GCHP Update April 2014</b>	<b>GCHP Update July 2014</b>	<b>GCHP Update October 2014</b>
Internal Audit function	Begin developing a department that can effectively execute the functions of an internal audit department to analyze, recommend and provide risk mitigation suggestions	As the Plan staffs appropriately, policies and controls will be finalized. At this time, GCHP will evaluate what types of internal and/or external resources should be dedicated to perform various internal audit functions.	No additional update from April.	IN PROCESS - No additional update from April.
Professional Services Provider Contracts	Revise Contracts to include specific language to clarify liability	GCHP has hired a permanent Chief Operations Officer and Director of Operations to manage the key professional services vendors, including ACS. The Plan concurs that contract language needs to be clarified regarding responsibility for processing run-out claims upon termination or expiration of the ACS contract. Currently, draft language has been proposed by ACS and is under review. These contracts are expected to be amended by June 30, 2014	ACS contract expected to be amended by August 31, 2014	IN PROCESS - ACS contract expected to be amended by December 31, 2014.

# Update to Auditor's Recommendation – October 2014

## AUDITOR'S LETTER REGARDING CONTROLS

<b>McGladrey Recognized Significant Deficiencies</b>	<b>Summary of McGladrey's Recommendations</b>	<b>GCHP Update April 2014</b>	<b>GCHP Update July 2014</b>	<b>GCHP Update October 2014</b>
<p>Claims Processing</p>	<p>1. Management should continue to perform audits on the procedures performed by third-party vendors who process claims information</p>	<p>GCHP audits the third-party vendors as follows:</p> <ul style="list-style-type: none"> <li>A. GCHP audits vendor ACS (A division of Xerox) by performing: <ul style="list-style-type: none"> <li>• A post-payment audit of all claims that were included in the 2% random sample audit that ACS performs on processed claims.</li> <li>• A pre-payment audit of all claims with a payable amount greater than \$25,000. In December 2013, GCHP updated the criteria to include all claims with a payable amount greater than \$10,000.</li> <li>• Focused audits, as needed, are done based on trends resulting from routine</li> </ul> </li> </ul>	<p>COMPLETED - Audits continue as described in April. Additionally, the Director of Operations reviews all claims with a payable amount greater than \$50,000 for approval prior to payment.</p> <p>Pharmacy claim audit draft completion date was provided in early July and expected to be finalized in September, 2014</p>	<p>COMPLETED – as described in July update.</p> <p>COMPLETED - The independent audit was delivered to the PBM and is currently being reviewed. A final auditor report will be issued after the PBM's review is complete.</p>

**AUDITOR'S LETTER REGARDING CONTROLS**

<b>McGladrey Recognized Significant Deficiencies</b>	<b>Summary of McGladrey's Recommendations</b>	<b>GCHP Update April 2014</b>	<b>GCHP Update July 2014</b>	<b>GCHP Update October 2014</b>
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<p>Claims Processing (continued)</p>		<p>audit results and adjustments                      B. GCHP audits the PMB vendor                      C. (ScriptCare,LTD) by performing:</p> <ul style="list-style-type: none"> <li>• Daily audits of all denied and 10% of approved prior authorizations from the prior day.</li> <li>• Monthly and Quarterly random audits of pharmacy claims to ensure proper formulary processing</li> </ul> <p>NOTE – Pharmacy claims processed by ScriptCare will be audited for contract performance by an independent vendor by June 30, 2014.</p>		
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**AUDITOR'S LETTER REGARDING CONTROLS**

<b>McGladrey Recognized Significant Deficiencies</b>	<b>Summary of McGladrey's Recommendations</b>	<b>GCHP Update April 2014</b>	<b>GCHP Update July 2014</b>	<b>GCHP Update October 2014</b>
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Claims Processing (continued)	<p>2. Consider performing an audit, similar to a Service Organization Controls (SOC1) report</p>	<p>GCHP acknowledges the need for a SOC1 report from ACS and has defined the process and timing. The SOC1 report is expected to be complete in the first half of FY 2014-15.</p>	<p>The SOC1 project is on schedule.</p>	<p>IN PROCESS - No change from April update.</p>
	<p>3. Review ongoing processing policies and controls by</p> <ul style="list-style-type: none"> <li>• Implementing formal review process of provider contracts / fee schedules</li> <li>• Continue to review process to ensure claim payment accuracy</li> </ul>	<p>GCHP's Director of Operations is working with ACS to:</p> <ul style="list-style-type: none"> <li>• Formulate a process to validate the accuracy of provider contract and fee schedules in GCHP's core system after they have been uploaded.</li> <li>• Review all activities related to the claims processing function (claims production, adjustments quality assurance, configuration, refunds, etc.) This is one of</li> </ul>	<p>COMPLETED - Processes continued to be reviewed / improved as described in April. Additionally, an Operations Support Manager is starting on 07/07/14, and he will have oversight of fee schedule accuracy.</p>	<p>COMPLETED – In addition to current activities, the Operations Support Manager will begin activities related to fee schedule validation and oversight. (The manager has been solely focused on the DHCS mandated Encounter Data Improvement Project (EDIP) since joining</p>

**AUDITOR'S LETTER REGARDING CONTROLS**

<b>McGladrey Recognized Significant Deficiencies</b>	<b>Summary of McGladrey's Recommendations</b>	<b>GCHP Update April 2014</b>	<b>GCHP Update July 2014</b>	<b>GCHP Update October 2014</b>
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Claims Processing (continued)	<p>4. Review ongoing processing policies and controls by:</p> <ul style="list-style-type: none"> <li>• Continuing to monitor IT change management policies</li> <li>• Continue to monitor ACS's policies and procedures regarding claims processing and IT controls</li> </ul>	<p>the topics covered during a standard meeting between ACS and GCHP staff.</p>	<p>COMPLETED - Processing policies and controls continue to be reviewed / refined as described in April.</p>	<p>GCHP in July. Once EDIP is complete and in production (estimate 1Q2015), priorities will shift to this project).</p>
	<p>The following processing policies and controls have been updated:</p> <ul style="list-style-type: none"> <li>• GCHP has implemented an internal change management policy for Plan-supported production systems. Production changes are tracked in the Connectwise helpdesk configuration changes. As GCHP introduces new systems into the production environment, they will fall under the GCHP</li> </ul>			<p>COMPLETED - as described in July update.</p>



**AUDITOR'S LETTER REGARDING CONTROLS**

<b>McGladrey Recognized Significant Deficiencies</b>	<b>Summary of McGladrey's Recommendations</b>	<b>GCHP Update April 2014</b>	<b>GCHP Update July 2014</b>	<b>GCHP Update October 2014</b>
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<p>Claims Processing (continued)</p>		<p>change management policy.</p> <ul style="list-style-type: none"> <li>Several controls were implemented in FY 2012-13 including review of ACS's process and increased auto-adjudication rate (i.e. auto adjudication increased from 33.78% to 60.44% between June 30, 2012 and June 30, 2013)</li> </ul> <p>Additionally, ACS follows a formal change management process to assure modification are reviewed by designated employees before entered into production. Production changes are tracked in a ticketing system called "Service Center". The Plan has obtained and reviewed ACS's policies for change management</p>		
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**AUDITOR'S LETTER REGARDING CONTROLS**

<b>McGladrey Recognized Significant Deficiencies</b>	<b>Summary of McGladrey's Recommendations</b>	<b>GCHP Update April 2014</b>	<b>GCHP Update July 2014</b>	<b>GCHP Update October 2014</b>
<p>Claims Processing (continued)</p>	<p>5. Monitor the incurred but not paid (IBNP) levels monthly and incorporate estimates of reinsurance recoveries.</p>	<p>GCHP calculated IBNP estimates monthly. The Plan is evaluating the recommendation to include estimates of reinsurance recoveries within the IBNP estimate. It should be noted that the current methodology conservatively states IBNP. Also, the Plan's financial statement will reflect reinsurance recoveries of high dollar claims once payments are received from reinsurance vendor. In addition, GCHP had their actuaries (Milliman) separately calculate the IBNP estimate at November 30, 2013 and GCHP's estimate was in the range of Milliman's estimate.</p>	<p>COMPLETED - GCHP has included estimates of reinsurance recoveries into the IBNP estimates for large claims over \$500,000 (starting October, 2013). GCHP staff is currently analyzing Milliman's IBNP estimate as of 04/30/14.</p>	<p>COMPLETED as described in July, 2014. Staff continues to study this issue and is developing a methodology to estimate reinsurance recoveries independent of reserve calculations. Implementation is likely to occur mid-year.</p>
<p>Claims Reserve</p>	<p>6. Evaluate need for premium deficiency reserves (PDR)</p>	<p>As GCHP updates financial projections, the Plan will continue to perform on-going</p>	<p>COMPLETED - the fiscal year 2014-15 budget has been approved by the</p>	<p>COMPLETED – as described in July update.</p>

**AUDITOR'S LETTER REGARDING CONTROLS**

<b>McGladrey Recognized Significant Deficiencies</b>	<b>Summary of McGladrey's Recommendations</b>	<b>GCHP Update April 2014</b>	<b>GCHP Update July 2014</b>	<b>GCHP Update October 2014</b>
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<p>Claims Reserve (continued)</p>		<p>evaluations regarding the need for a premium deficiency reserve (PDR). This will formally be evaluated prior to end of the fiscal year, as part of the next year's budget process</p>	<p>Commission and based on those projections and assumptions, a PDR is not necessary for FY 2014-15. This need for a PDR will continue to be evaluated as more information is obtained from the State / other sources.</p>	
<p>Segregation of Duties Accounting</p>	<p>7. Hire staff to achieve proper segregation of duties and perform monthly reconciliations</p>	<p>GCHP has hired a Controller and two highly qualified accountants which are allowing the Plan to implement appropriate segregation of duties and reconcile accounts monthly. The Plan is also in the process of adding a third accountant position. A Director of Finance Analysis position has been created and filled, and two additional positions providing analysis of health care expense are in the process of being filled.</p>	<p>In addition to staff mentioned in the April update, GCHP has hired a financial consultant who is developing a responsibilities matrix to ensure proper segregation of duties.</p>	<p>COMPLETED – as described in April update. Staff responsibilities will be re-evaluated during the year.</p>

**AUDITOR'S LETTER REGARDING CONTROLS**

<b>McGladrey Recognized Significant Deficiencies</b>	<b>Summary of McGladrey's Recommendations</b>	<b>GCHP Update April 2014</b>	<b>GCHP Update July 2014</b>	<b>GCHP Update October 2014</b>
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Segregation of Duties Accounting (continued)	8. Review Procedures to ensure proper peer review and documentation	As staff has been hired, additional documentation on procedures and peer review has improved. New procedures have been adopted and will continue to augment to support appropriate documentation of peer review.	The new financial consultant will also recommend areas in need of further documentation and/or peer review.	IN PROCESS - Staff peer review and documentation responsibilities will be re-evaluated during the year.
Segregation of Duties Payroll	9. Review super-users and limit as appropriate	After a thorough review of the payroll super-users, it was determined that all super-users are appropriate.	COMPLETED - No additional update from April.	COMPLETED - No additional update from April
	10. Monitor supervisory approvals of payroll change	In June 2013, a process was implemented by human resource staff to review all changes made at every payroll cycle.	COMPLETED - In June 2014, the review process has been revised to coordinate reviews between human resources and finance departments.	COMPLETED – as described in July update

**AUDITOR'S LETTER REGARDING CONTROLS**

<b>McGladrey Recognized Significant Deficiencies</b>	<b>Summary of McGladrey's Recommendations</b>	<b>GCHP Update April 2014</b>	<b>GCHP Update July 2014</b>	<b>GCHP Update October 2014</b>
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Segregation of Duties Payroll (continued)	11. Implement a process to review changes made by super-users	Currently, GCHP finance and human resource staff are updating processes to ensure peer review of all payroll changes, including those done by super-users.	COMPLETED - No additional update from April.	COMPLETED - No additional update from April
Segregation of Duties - IT	12. Implement and monitor a formal review procedure of user accounts with network access and Multiview access	As of May 1, 2013, GCHP has implemented a policy for User Access Requests to track approvals and authorization for permitting new hires and removing terminations from logical and physical access to information resources, and recommended the procedures be consistently followed to ensure access is granted or termed in a timely manner. User access requests are captured and tracked in the Connectwise ticketing system.	COMPLETED - No additional update from April	COMPLETED - No additional update from April.

**AUDITOR'S LETTER REGARDING CONTROLS**

<b>McGladrey Recognized Significant Deficiencies</b>	<b>Summary of McGladrey's Recommendations</b>	<b>GCHP Update April 2014</b>	<b>GCHP Update July 2014</b>	<b>GCHP Update October 2014</b>
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Segregation of Duties – IT (continued)	13. Continue to eliminate conflicting duties through IT controls and segregation of duties	<p>The Plan has performed the following regarding reducing conflicting duties:</p> <ul style="list-style-type: none"> <li>A network user account clean-up was done in January 2013 and again in July 2013 as part of the GCHP active directory reconfiguration. As part of standard operating procedures, when a GCHP network Windows account is disabled, access to Multiview and Go-to-my-PC is subsequently restricted as the user no longer has access to the GCHP network. Go-To-My-PC access will be replaced with a secure VPN remote access solution and was implemented which included an</li> </ul>	COMPLETED - No additional update from April.	COMPLETED - No additional update from April.
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**AUDITOR'S LETTER REGARDING CONTROLS**

<b>McGladrey Recognized Significant Deficiencies</b>	<b>Summary of McGladrey's Recommendations</b>	<b>GCHP Update April 2014</b>	<b>GCHP Update July 2014</b>	<b>GCHP Update October 2014</b>
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<p>Segregation of Duties – IT (continued)</p>		<p>annual review of remote user accounts</p> <ul style="list-style-type: none"> <li>When an employee resigns / is terminated, the employees' manager or human resources will complete and submit a user access form with all term details. This creates a ticket to the GCHP IT Helpdesk ticket system – Connectwise. The ticket is closed once user account access is terminated. In standard situation, human resources or management should submit term notices at least 5 days prior to employee leaving the Plan</li> </ul>		
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**AUDITOR'S LETTER REGARDING CONTROLS**

<b>McGladrey Recognized Significant Deficiencies</b>	<b>Summary of McGladrey's Recommendations</b>	<b>GCHP Update April 2014</b>	<b>GCHP Update July 2014</b>	<b>GCHP Update October 2014</b>

Accounts Receivable reconciliations and Allowances	14. Enhance reporting of provider accounts receivable	A review of provider receivable reports supplied by ACS Recoveries was completed. Standard, ongoing reports are utilized as part of the calculations of the provider receivable.	COMPLETED - ACS reports are delivered earlier and with improved regularity as compared with prior quarters.	COMPLETED - No additional update from July.
15. Review accounts monthly and assess collectability	Accounts are reviewed monthly and a formulaic allowance is applied to aged balances. On an ongoing basis, GCHP is reviewing the methodology to determine what additional enhancements are appropriate.	COMPLETED - Account balances have been significantly reduced through collection efforts, thereby reducing risk (April 2014 balance of 238,327 v. June 2013 balance of 1,161,379)		COMPLETED - No additional update from July.



## **AGENDA ITEM 4b**

To: Gold Coast Health Plan Executive / Finance Committee

From: Michelle Raleigh, Chief Financial Officer

Date: November 6, 2014

Re: DRAFT FY 2013-14 Audit Results

### **SUMMARY**

Staff is presenting the draft results of the FY 2013-14 (July 1, 2013-June 30, 2014) financial audit of Gold Coast Health Plan (Plan) for review by the Executive / Finance Committee.

### **BACKGROUND / DISCUSSION**

The Plan engaged McGladrey & Pullen, LLP (McGladrey) to perform a financial audit for the FY 2013-14 year. McGladrey had also performed financial audits for the Plan for the prior three fiscal years. Performing an annual audit is a requirement of the Plan's contract with the State of California's Department of Health Care Services (DHCS).

The primary purpose of the audit is for stakeholders to gain assurance that the Plan's financial statements are properly presented, are free of material misstatements and have been prepared in conformity with accounting principles generally accepted in the U.S.

Another purpose of the audit is to test and comment on the Plan's design, implementation and maintenance of a system of internal controls that have a relationship with financial reporting.

The FY 2013-14 audit is expected to be finalized no later than November 7, 2014. A one week extension was granted by DHCS to allow for peer review time for the McGladrey reviewing auditor.

### **FISCAL IMPACT**

For the FY 2013-14 audit, the following management adjustments will be made to the unaudited June 30, 2014 financial statements:

<b>Adjustment</b>	<b>Impact on Financial Statements</b>
Revenue Adjustments <ul style="list-style-type: none"> <li>• Final State Rates</li> <li>• MCO Tax</li> <li>• ACA 1202-change in methodology</li> <li>• Intergovernmental Transfer retained fee</li> </ul>	\$ 3,663,611 (796,612) 11,675,844 <u>501,341</u> \$ 15,044,184
A) Total Increase in Revenue	\$ 15,044,184
Health Care Expense Adjustments <ul style="list-style-type: none"> <li>• Adjusted IBNP</li> <li>• ACA 1202 Medical Expense – change in methodology</li> <li>• Additional Reinsurance recoveries</li> </ul>	\$ 3,457,244 9,542,740 <u>(362,994)</u> \$ 12,636,990
B) Total Increase in Health Care Expenses	\$ 12,636,990
C) Increase in Administrative Expense for legal	\$ 250,000
D) Increase in Net Income (A-B-C)	<u>\$ 2,157,194</u>

Additional adjustment items are presentation reclassifications, meaning the auditors recommend a different way to group the information on the financial statements. These items do not impact the ending financial position of the Plan.

The increase in net income also impacts the Plan's ending tangible net equity (TNE) position at June 30, 2014:

Unaudited TNE at June 30, 2014 :	\$37,656,797
Audit Adjustments:	<u>2,157,194</u>
Draft Audited TNE at June 30, 2014:	<u>\$39,813,991</u>

The audit is expected to be finalized no later than November 7, 2014. Therefore, these items are draft until the audit is complete. The audit reports are expected to include the financial adjustments noted above and in the attachment and also include recommendations for process and control improvements.

## **CONCURRENCE**

N/A

## **Attachments**

Results of Draft FY 2013-14 Audit Presentation



# Results of Draft FY 2013-14 Audit

Executive / Finance Committee

November 6, 2014

Michelle Raleigh, CFO

**DRAFT**

[www.goldcoasthealthplan.org](http://www.goldcoasthealthplan.org)





# Contents

- Background
- Documents for Committee
- Audit Findings
  - Highlights
  - Draft FY 2013-14 Financial Results
- Next Steps

**DRAFT**

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## Background

- McGladrey LLP (McGladrey) was retained to audit GCHP's financial statements for fiscal year ended 06/30/14 (which covers the period July 1, 2013 through June 30, 2014).
- Estimated completion date of the audit is the first week of November 2014, and will be submitted to the State once finalized.

**DRAFT**

# Highlights

- Certain adjustments were made to the unaudited June 30, 2014 financial results. The adjustments resulted in an overall increase to the Plan's net income by approximately \$2.15 million.

**DRAFT**

# Income Statement Reconciliation

	06/30/14 As Reported	Management Adjustments *	Reclassifications	06/30/14 Restated
A - Operating revenues	\$ 408,951,624	\$ 15,044,184	\$ 13,108,841	\$ 437,104,649
B - Medical expenses	356,684,395	12,636,990	(3,631,007)	365,690,378
C - Administrative expenses	26,501,533	250,000	16,571,324	43,322,857
D - Operating Income ( A-B-C)	25,765,696	2,157,194	168,524	28,091,414
E - Nonoperating Income (Expenses) - Net		-	(168,523)	(168,523)
F - Net Income (D-E)	\$ 25,765,696	\$ 2,157,194	\$ 1	\$ 27,922,891

\* Reference following slide for explanations.

**DRAFT**

# Adjustments Identified by Management

Revenue Adjustment:		
Finalization of FY 2013-14 Rates	\$	3,663,611
ACA 1202 - Change in methodology to recognize as revenue		11,675,844
MCO tax		(796,612)
Inter-governmental Transfer Admin Fee		501,341
	\$	<u>15,044,184</u>
Medical Expense Adjustment (related to timing issues):		
IBNP Adjustment	\$	3,457,244
ACA 1202 Medical Expense		9,542,740
Reinsurance Recoveries		(362,994)
	\$	<u>12,636,990</u>
Administrative expenses:		
Legal Reserve	\$	250,000

**DRAFT**



# Draft FY 2013-14 and Final FY 2012-13 Financial Results

The following pages reflect:

- Income Statement
- Balance Sheet
- Cash Flows
- Tangible Net Equity (TNE)

**DRAFT**

# Income Statement

	FY 2013-14	FY 2012-13	%
	%	%	%
	of Revenues	of Revenues	of Revenues
Operating Revenues:			
Capitation Revenues	\$ 437,104,649	\$ 319,147,345	
<b>Total operating revenues</b>	<b>437,104,649</b>	<b>319,147,345</b>	<b>100.0%</b>
Operating expenses:			
Medical expenses	365,690,378	277,645,025	87.0%
Administrative expenses *	43,322,857	30,442,366	9.5%
<b>Total operating expenses</b>	<b>409,013,235</b>	<b>308,087,391</b>	<b>96.5%</b>
<b>Operating income (loss)</b>	<b>28,091,414</b>	<b>11,059,954</b>	<b>3.5%</b>
Nonoperating revenues and expenses:			
Interest income	153,143	114,009	0.0%
Interest expense	(321,666)	(450,981)	-0.1%
<b>Total nonoperating revenues and expenses</b>	<b>(168,523)</b>	<b>(336,971)</b>	<b>-0.1%</b>
<b>Increase (decrease) in net position (deficit)</b>	<b>\$ 27,922,891</b>	<b>\$ 10,722,983</b>	<b>3.4%</b>

\* Excluding the impact of the Auditors Adjustment related to MCO Tax, administrative expenses would be \$26,064,079 or 6% of Revenues for FY 2013-14 and \$23,104,607 or 7.2% of Revenues for FY 2012-13

**DRAFT**

# Balance Sheet

	June 30, 2014	June 30, 2013
	<u>% of Assets</u>	<u>% of Assets</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 60,176,698	\$ 50,817,760
Capitation receivable	114,632,056	11,683,076
Provider receivables	395,129	1,161,379
Reinsurance and other receivables	1,821,475	300,398
Prepaid expenses and other assets	1,075,997	334,421
<b>Total current assets</b>	<b>178,101,355</b>	<b>64,297,034</b>
Capital Assets, net	1,163,269	230,914
<b>Total assets</b>	<b>\$ 179,264,624</b>	<b>\$ 64,527,948</b>
	<b>100.0%</b>	<b>100.0%</b>

**DRAFT**

# Balance Sheet, cont.

	June 30, 2014	June 30, 2013
	% of Total	% of Total
<b>Liabilities and Net Position (Deficit)</b>		
Current Liabilities		
Medical claims liability	\$ 116,203,480	\$ 39,649,779
Capitation payable	2,054,265	1,002,624
Accounts payable	2,875,709	1,751,421
Premium reserve	-	-
	64.8%	61.4%
	1.1%	1.6%
	1.6%	2.7%
	0.0%	0.0%
Accrued implementation cost and administrative services	-	-
	0.0%	0.0%
Implementation advance, current	460,000	460,000
	0.3%	0.7%
Accrued payroll	760,032	605,937
	0.4%	0.9%
Accrued premium tax and other	16,637,147	8,247,087
	9.3%	12.8%
<b>Total current liabilities</b>	<b>138,990,633</b>	<b>51,716,848</b>
	<b>77.5%</b>	<b>80.1%</b>
Implementation Advance, less current portion	460,000	920,000
	0.3%	1.4%
Line of credit	7,200,000	7,200,000
	4.0%	11.2%
<b>Total liabilities</b>	<b>146,650,633</b>	<b>59,836,848</b>
	<b>81.8%</b>	<b>92.7%</b>
Net Position (Deficit)		
Invested in capital assets, net of related debt	1,163,269	230,914
	0.6%	0.4%
Restricted - required tangible net equity	19,978,741	3,774,000
	11.1%	5.8%
Unrestricted net position (deficit)	11,471,981	686,186
	6.4%	1.1%
<b>Total net position (deficit)</b>	<b>32,613,991</b>	<b>4,691,100</b>
	<b>18.2%</b>	<b>7.3%</b>
<b>Total liabilities and net position (deficit)</b>	<b>\$ 179,264,624</b>	<b>\$ 64,527,948</b>
	<b>100.0%</b>	<b>100.0%</b>

**DRAFT**

# Cash Flow

For the Years Ended June 30, 2014 and 2013

Cash Flows From Operating Activities:

Capitation revenues received and other  
Reinsurance premiums paid  
Payments to providers and facilities  
Payments of premium tax  
Payments of administrative expenses

**Net cash provided by operating activities**

Cash Flows From Capital and Related Financing Activities:

Purchases of capital assets  
Proceeds from disposal of capital assets  
Interest payments  
Proceeds from line of credit

**Net cash used in capital and related financing activities**

Cash Flows From Investing Activities:

Interest income

**Net cash provided by investing activities**

**Net increase in cash and cash equivalents**

Cash and Cash Equivalents, beginning of year  
Cash and Cash Equivalents, end of year

	2014	2013
	\$ 337,192,169	\$ 336,287,564
	(3,537,842)	(2,737,697)
	(288,839,862)	(293,368,373)
	(8,821,418)	(604,579)
	(25,336,060)	(21,070,607)
	<b>10,656,987</b>	<b>18,506,308</b>
	(1,195,308)	(105,675)
	65,782	
	(321,666)	(450,981)
	-	7,200,000
	<b>(1,451,192)</b>	<b>6,643,344</b>
	153,143	114,010
	<b>153,143</b>	<b>114,010</b>
	<b>9,358,938</b>	<b>25,263,662</b>
	50,817,760	25,554,098
	<b>\$ 60,176,698</b>	<b>\$ 50,817,760</b>

**DRAFT**

# Tangible Net Equity (TNE)

	FY 2014	FY 2013
100% TNE	\$ 19,964,221	\$ 16,138,440
Minimum Required TNE *	\$ 19,964,221	\$ 10,974,140
GCHP TNE	\$ 39,813,993	\$ 11,891,100
TNE Excess (Deficit)	\$ 19,849,772	\$ 916,960
Actual TNE %	199.4%	108.4%

Note: TNE amount includes \$7.2 million Line of Credit (LOC) from Ventura County

\* Required TNE at June 30, 2014 and 2013 were 100% and 68%, respectively, of Total TNE

**DRAFT**

## Next Steps

- Audit will be finalized no later than November 7, 2014
- Plan will restate July, August, and September 2014 financials and provide to the State
- Auditor will present final audit results and be able to answer any questions during the November 24, 2014 Commission meeting
- GCHP staff will provide ongoing updates to Executive / Finance Committee regarding findings

**DRAFT**



## **AGENDA ITEM 4c**

To: Gold Coast Health Plan Executive / Finance Committee

From: Michelle Raleigh, CFO

Date: November 6, 2014

Re: Ventura County Lines of Credit

### **SUMMARY**

Gold Coast Health Plan (GCHP or Plan) has two subordinated lines of credit with the County of Ventura (County). The Plan has drawn the full amount of the lines, totaling \$7,200,000. The original loan agreements call for full repayment by December 31, 2014, subject to approval by the California Department of Health Care Services (DHCS). GCHP is currently in discussions with the County and DHCS to extend repayment to June 30, 2015 and is providing an update regarding the payback terms.

### **BACKGROUND / DISCUSSION**

A subordinated line of credit available through the County was put into place in May, 2011; prior to the commencement of operations. The purpose of the subordinated line of credit was to assist GCHP in meeting its Tangible Net Equity (TNE) requirements, if needed. By statute, debt is additive to TNE if it is subordinated (per Title 28 CCR 1300.76). The County recognized that the line of credit would be needed as a stand-by facility for anticipated gaps in TNE during the early stages of the Plan's operations.

At the recommendation of DHCS, the Plan drew the full \$2,200,000 on the line of credit in December 2012. GCHP executed a second line of credit in the amount of \$5,000,000 in April 2013 and drew the full amount the following month.

Repayment of the loans is not required until the Plan meets its minimum TNE requirement and the County / Plan obtains written approval by the DHCS to request repayment. DHCS has indicated that the Plan must achieve 150% of required TNE, excluding subordinated debt, before repayment can be authorized. GCHP surpassed this hurdle at the end of FY 2013-14.

The current proposal for repayment is that GCHP would first maintain 150% of required TNE (excluding subordinated debt) for three consecutive months (following the FY 2013-14 audit). Payments would be made in equal monthly installments, based on an appropriate amortization schedule, with the final payment due before June 30, 2015. Loan payments would be suspended in the event that the Plan failed to generate positive net income or fell



below the 150% of TNE threshold. If such an event were to occur, GCHP would suspend payment until the month following its achievement of the required threshold.

The repayment proposal is subject to DHCS approval. The Plan has informed DHCS of its intent to repay the lines of credit according to the above terms; however no time frame for approval has been communicated by DHCS personnel.

### **FISCAL IMPACT**

Interest expense on the debt is calculated based upon the monthly Ventura County Treasury Pool rate, which has averaged less than 0.5% per annum. Total interest through June 30, 2015 is estimated to be approximately \$12,000. It is not expected that monthly payments of approximately \$1,000,000 would have a significantly adverse effect on the Plan's cash flow.

### **CONCURRENCE**

N/A

### **Attachments**

None