



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

**PLEASE NOTE LOCATION OF MEETING**

County Hall of Administration  
800 S. Victoria Avenue  
Lower Plaza Assembly Room  
Ventura, CA 93009  
**Monday, January 27, 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. [Regular Meeting of November 18, 2013](#)

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, 1701 LOMBARD STREET, SUITE 100, OXNARD, CA.**

**IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT TRACI AT 805/889-6900. REASONABLE ADVANCE NOTIFICATION OF THE NEED FOR ACCOMMODATION PRIOR TO THE MEETING (48 HOURS ADVANCE NOTICE IS PREFERABLE) WILL ENABLE US TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING**

**Ventura County Medi-Cal Managed Care Commission (VCOMMCC) dba  
Gold Coast Health Plan January 27, 2014 Commission Meeting Agenda (continued)**

**PLACE: PLEASE NOTE LOCATION OF MEETING**

County Hall of Administration, 800 S. Victoria Avenue, Lower Plaza Assembly Room, Ventura, CA

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

**2. APPROVAL ITEMS**

- a. [Consumer Advisory Committee \(CAC\) Membership](#)
- b. [Provider Advisory Committee \(PAC\) Charter Policy and Procedure](#)
- c. [Ratification of Lease - 711 Daily Drive, Camarillo, CA](#)
- d. [Amended FY 2013-14 Budget](#)

**3. ACCEPT AND FILE ITEMS**

- a. [CEO Update](#)
- b. [October and November Financials](#)
- c. [Quality Improvement Annual Report](#)

**4. INFORMATIONAL ITEMS**

- a. [Health Services Update](#)
- b. [ACA Implementation Update](#)
- c. [Proposed 2014-15 State Budget Update](#)
- d. [Legislative Update \(Year-End\)](#)

**CLOSED SESSIONS**

**1. Closed Session Conference with Legal Counsel – Existing Litigation  
Pursuant to Government Code Section 54956.9**

- a. Fields v. Ventura County, et al. United States District Court, Central District, Case Number: CV-13-07357-FMO-RZ
- b. United States of America et al. ex re Donald Gordon, v. Gold Coast Health Plan, et al, United States District Court, Central District, Case Number: CV 11-5500-IFW (AJWx)
- c. Sziklai et al. v. Ventura County Medi-Cal Managed Care Commission et al; Ventura County Superior Court, Case Number 56-2012-00428086

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

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**Ventura County Medi-Cal Managed Care Commission (VCMCC) dba  
Gold Coast Health Plan January 27, 2014 Commission Meeting Agenda (continued)**

**PLACE: PLEASE NOTE LOCATION OF MEETING**

County Hall of Administration, 800 S. Victoria Avenue, Lower Plaza Assembly Room, Ventura, CA

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

- d. Cressena Hernandez v. Ventura County Medi-Cal Managed Care Commission et al, Ventura County Superior Court, Case Number 56-2012-00427535-CU-OE-VTA
2. **Conference with Legal Counsel-Anticipated Litigation Significant Exposure to Litigation Pursuant to Government Code Section 54956.9 . (One case)**
3. **Conference with Real Property Negotiators Pursuant to Government Code Section 54956.8**

**Agency Designated Representatives:** Nancy Kierstyn Schreiner, legal counsel, Michael Engelhard, CEO, Stacy Diaz, HR Director

- **Property Owners and Subject Real Property:**  
County of Ventura  
2220 E. Gonzales Road, Suite 200, Oxnard, CA  
**Under Negotiation:** Price and Term of Payment

Announcement from Closed Session, if any.

## **COMMENTS FROM COMMISSIONERS**

## **ADJOURNMENT**

Unless otherwise determined by the Commission, the next regular meeting of the Commission will be held on March 24, 2014 at 3:00 p.m. at 2240 E. Gonzales Road, Suite 200, Oxnard CA 93036

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

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

**November 18, 2013**

*(Not official until approved)*

**CALL TO ORDER**

Chair Gonzalez called the meeting to order at 3:10 p.m. in Suite 200 at the Ventura County Public Health Building located at 2240 E. Gonzales Road, Oxnard, CA 93036.

**ROLL CALL**

**COMMISSION MEMBERS IN ATTENDANCE**

**David Araujo, MD**, Ventura County Medical Center Family Medicine Residency Program  
**May Lee Berry**, Medi-Cal Beneficiary Advocate  
**Eileen Fisler**, Ventura County Health Care Agency  
**Peter Foy**, Ventura County Board of Supervisors  
**David Glycer**, Private Hospitals / Healthcare System  
**Robert Gonzalez, MD**, Ventura County Health Care Agency  
**Michelle Laba, MD**, Ventura County Medical Center Executive Committee

**EXCUSED / ABSENT COMMISSION MEMBERS**

**Lanyard Dial, MD**, Ventura County Medical Association  
**Laurie Eberst**, Private Hospitals / Healthcare System  
**Robert S. Juarez**, Clinicas del Camino Real, Inc.  
**Gagan Pawar, MD**, Clinicas del Camino Real, Inc.

**STAFF IN ATTENDANCE**

**Michael Engelhard**, CEO  
**Nancy Kierstyn Schreiner**, Legal Counsel  
**Michelle Raleigh**, CFO  
**Traci R. McGinley**, Clerk of the Board  
**Brandy Armenta**, Compliance Officer  
**Sherri Bennett, Director of Network Operations**  
**Charles Cho, MD**, Chief Medical Officer  
**Guillermo Gonzalez**, Government Relations Director  
**Lupe Gonzalez**, Manager of Health Education & Disease Management  
**Steven Lalich**, Communications Manager  
**Melissa Scrymgeour**, IT Director  
**Lyndon Turner**, Finance Manager  
**Ruth Watson**, COO  
**Nancy Wharfield, MD**, Medical Director Health Services  
**Stacy Diaz**, Human Resources Manager

The Pledge of Allegiance was recited.

Language Interpreting and Translating services provided by GCHP from Lourdes González Campbell and Associates.

## **PUBLIC COMMENT**

None.

### **1. APPROVE MINUTES**

#### **a. Regular Meeting of October 28, 2013**

Commissioner Foy moved to approve the Regular Meeting Minutes of October 28, 2013. Commissioner Glycer seconded. The motion carried. **Approved 7-0.**

### **2. APPROVAL ITEMS**

#### **a. Governmental Advocacy Services Contract Renewal**

Government Relations Director Gonzalez reviewed the written report.

Commissioner Foy moved to approve the contract renewal for Governmental Advocacy Services from Edelstein, Gilbert, Robson and Smith. Commissioner Berry seconded. The motion carried. **Approved 7-0.**

#### **b. DHCS Contract Amendment(s)**

CEO Engelhard reviewed the written report seeking approval to execute contract amendments from Department of Health Care Services (DHCS) should they arrive before the January Commission Meeting.

Commissioner Araujo moved to authorize the CEO to execute amendments to the GCHP contract with the California Department of Health Care Services. Commissioner Glycer seconded. The motion carried. **Approved 7-0.**

#### **c. Pharmacy Benefit Manager (PBM) Oversight Vendor Contract**

Network Operations Director Bennett reviewed the written report, the following items were highlighted. As part of the Consolidated Corrective Action Plan (CAP) received by the Plan from DHCS on September 18, 2013, GCHP was required to increase its delegated oversight review of its delegated contractors, including the Plan's Pharmacy Benefits Manager (PBM) operations. An RFP was issued and five qualified RFPs were received. After the RFPs were analyzed and evaluated, Pro-Pharma was determined to be the lowest cost responsive bidder.

The Commission questioned if this was the only way to handle delegated oversight. CEO Engelhard explained that at this time the Plan does not have experience internally to do this type of oversight.

Commissioner Foy moved to authorize the CEO to execute an agreement with the selected PBM oversight vendor Pro-Pharma, subject to review by legal counsel. Commissioner Laba seconded. The motion carried. **Approved 7-0.**

**d. FY 2012-13 Audited Financial Statements (presented by McGladrey)**

CFO Raleigh introduced Steve Draxler, a Partner of McGladrey LLP, and Gold Coast Health Plan's external financial auditor.

Steve Draxler reviewed the final audit report and noted that McGladrey agreed with GCHP's management's judgments and accounting estimates for the financial statements presented for the period ending June 30, 2013.

In response to a question from Chair Gonzalez, Steve Draxler confirmed that the results stated in the audited financial statements indicate that GCHP has made significant progress in the past year financially and operationally. For GCHP to have accomplished this level of improvement in just one year is "even more significant."

Commissioner Foy moved to accept the FY 2012-13 Audited Financial Statements. Commissioner Araujo seconded. The motion carried. **Approved 7-0.**

**3. ACCEPT AND FILE ITEMS**

**a. CEO Update**

CEO Engelhard reviewed the written report with the Commission. He highlighted the following items:

1. The State has advised GCHP that in a few months they will be scheduling another Medical Loss Ratio (MLR) review audit. The Plan is working with the State to determine the dates when the audit will commence.
2. The Plan is working to implement the new Medical Management System by the scheduled date of December 9, 2013. Commissioners acknowledged that there will always be problems when changing systems. IT Director Scrymgeour confirmed that there is a mitigation plan for possible issues that may arise.

**b. September Financials (Unaudited)**

CFO Raleigh reviewed the Financial Report and noted that the Executive / Finance Committee recommended approval of the September Financials.

Discussion was held regarding the anticipated increase in membership due to the Healthy Families program transition to Medi-Cal and the Medi-Cal Expansion in January, 2014. GCHP could have more than 130,000 Members within a few months as additional enrollees are expected upon the January 1, 2014 implementation of the federal Affordable Care Act.

In response to questions from Commissioner Araujo regarding the Lines of Credit (LOC) from Ventura County, CFO Raleigh noted that GCHP is accruing interest on the LOCs.

CEO Engelhard added that DHCS determines when GCHP may start paying on the LOCs. GCHP will need to be well above the minimum TNE requirements for a significant period of time in order to demonstrate sustained financial stability before the full LOCs can be repaid to the County.

Commissioner Foy moved to accept and file the CEO Update and Unaudited September Financials. Commissioner Glycer seconded. The motion carried. **Approved 7-0.**

#### **4. INFORMATIONAL ITEMS**

- a. **CMO and Health Services Update**
- b. **ACA Implementation Update**

Chair Gonzalez reminded the Commission that the information was provided in the packet for review. There were no objections therefore the Informational Items were not presented orally.

#### **COMMENTS FROM COMMISSIONERS**

Chair Gonzalez noted how different it is sitting on the Commission now versus one year ago and how far the Plan has come in that time.

#### **CLOSED SESSION**

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

#### **ADJOURN TO CLOSED SESSION**

The Commission adjourned to Closed Session at 4:20 p.m. regarding the following item:

- a. **Conference with Real Property Negotiators Pursuant to Government Code Section 54956.8**

**Agency Designated Representatives:** Nancy Kierstyn Schreiner, legal counsel, Michael Engelhard, CEO, Stacy Diaz, HR Manager  
Michael Slater, real estate agent of CBRE

**Property Owners and Subject Real Property:** 711 Building LLC, 711 Daily Drive, Camarillo, CA 93010

**Under Negotiation:** Price and Term of Payment

- b. **Conference with Legal Counsel – Existing Litigation Pursuant to Government Code Section 54956.9** Lucas v. Regional Government Services et al, VCSC Case No. 56-2013-00432444-CU-CE-VTA
- c. **Public Employee Performance Evaluation Pursuant to Government Code Section 54957** Title: Chief Executive Officer

## **RETURN TO OPEN SESSION**

The Regular Meeting reconvened at 5:35 p.m.

Legal Counsel Kierstyn Schreiner announced that due to the legal costs, the Commission authorized settlement of the Lucas matter in the amount of \$65,000.

## **ADJOURNMENT**

Meeting adjourned at 5:39 p.m.





## **AGENDA ITEM 2a**

To: Gold Coast Health Plan Commissioners  
From: Tami Lewis, Director of Operations  
Date: January 27, 2014  
Re: Consumer Advisory Committee – Beneficiary Member

### **SUMMARY:**

At the request of the Commission, a search was conducted by Member Services to locate a Gold Coast Health Plan (GCHP) beneficiary member to be seated on the Consumer Advisory Committee (CAC). This would create a Committee of 11 members, with one seat exclusively for a beneficiary member or the parent / guardian of a beneficiary member.

### **BACKGROUND / DISCUSSION:**

The Consumer Advisory Committee was established as a requirement of the Ventura County Medi-Cal Managed Care Commission (VCOMMCC) enabling ordinance, Department of Health Care Services (DHCS) and the Medi-Cal Managed Care Division. The Commission determined that the CAC would consist of two permanent seats; one for the Ventura County Health Care Agency and one for the Ventura County Human Services Agency. The other eight seats would represent the following populations: Foster Children, Medi-Cal Beneficiaries, Beneficiaries with Chronic Medical Conditions, Persons with Disabilities, Seniors, and Persons with Special Needs. These seats are a two-year term.

When the first two-year term ended in June 2013, a new Committee of ten was recruited and then seated. Terms were then staggered to avoid an entire new Committee every two years. The Commission approved an eleventh seat be created for a GCHP beneficiary member. This seat will be a one-year term this cycle.

Staff proposes the following applicant be approved for the listed seat and term:

#### **GCHP Beneficiary Member – One Year Term**

**Michelle Gerardi** currently is employed by the HSA Ventura, Veterans Services as a Client Intake office assistant. She has worked for HELP of Ojai in the Community Assistance Program as a Case Management Aid.

**RECOMMENDATION:**

Staff requests that the Commission appoint the Consumer Advisory Committee GCHP Beneficiary Member as described above.

**CONCURRENCE:**

N/A

**Attachments:**

None.



## **AGENDA ITEM 2b**

To: Gold Coast Health Plan Commissioners  
From: Sherri Tarpchinoff Bennett, Director, Network Operations  
Date: January 27, 2014  
RE: Provider Advisory Committee Charter Policy and Procedure

### **SUMMARY:**

The Ventura County Medi-Cal Managed Care Commission (VCMCC) enabling ordinance 4409 (April 2010) and the California Department of Health Care Services, Medi-Cal Managed Care Division, both require the establishment of a Provider Advisory Committee (PAC). The ordinance requires, at a minimum, that this committee meet quarterly and make recommendations, review policies and programs, explore issues and discuss how the plan may best fulfill its mission.

The Commission decided that the PAC would consist of ten members with one dedicated seat representing the Ventura County Health Care Agency (VCHCA). Each of the appointed members, with the exception of the designated VCHCA seat position, would serve a two-year term, have no term limits, and individuals could apply for re-appointment. The ten voting members would represent various professional disciplines and/or constituencies, which include: Allied Health Services, Community Clinics, Hospital, Long Term Care, Non-Physician Medical Practitioners, Nurses, Physician and Traditional / Safety Net.

### **BACKGROUND / DISCUSSION:**

The role of the Provider Advisory Committee is to consider and analyze situations of concern and bring its recommendations to the Commission for its consideration.

The Plan has not held a successful PAC meeting since February, 2013, due to an inability to accomplish quorum (the PAC is a ten member committee and is required to have at least six members present to hold a meeting). Three members have resigned their positions, leaving only seven active members. GCHP would like to actively recruit for committee members; however, the current Provider Advisory Committee Charter does not outline a process or procedure for this to occur.

The Plan has developed the attached "*Policy and Procedure (P&P), DRAFT Provider Advisory Committee Charter*", for the Commission's review and consideration. The P&P

clearly outlines the composition of and requirements of the PAC membership, as well as procedures for the recruitment, nomination, and assignment of PAC members.

**FISCAL IMPACT:**

There is no fiscal impact to the Plan.

**RECOMMENDATION:**

Approval of and authority to implement *“Policy and Procedure (P&P), Provider Advisory Committee Charter”*.

**CONCURRENCE:**

N/A

**Attachments:**

Policy and Procedure (P&P), DRAFT Provider Advisory Committee Charter



| Policies and Procedures                                    |                                  |
|--|----------------------------------|
| Title:<br>DRAFT- Provider<br>Advisory Committee<br>Charter | Policy Number:<br>XXXXXXXXXXXXXX |

**Purpose:**

The Ventura County Medi-Cal Managed Care Commission (VCMCCC) enabling ordinance 4409 (April 2010) and the California Department of Health Care Services, Medi-Cal Managed Care Division, both require the establishment of a Provider Advisory Committee (PAC). The ordinance requires, at a minimum, that this committee meet quarterly and make recommendations, review policies and programs, explore issues and discuss how the plan may best fulfill its mission.

**Policy:**

- A. The PAC will consider and analyze situations of concern and bring its recommendations to the Ventura County Medi-Cal Commission (VCMCCC) for consideration.
- B. For the purpose of this policy, PAC shall also be referred to as advisory committee.
- C. VCMCCC encourages provider involvement in the GCHP program.
- D. Advisory committee members shall recuse themselves from voting or from decisions where a conflict of interest may exist.
- E. The composition of the PAC shall reflect the diversity of the health care consumer and provider community. All advisory committee members shall have direct or indirect contact with GCHP Members.
- F. In accordance with ordinance (4409, April 2011) VCMCCC established the PAC. The PAC is comprised of ten (10) voting members, each seat representing a constituency that works with GCHP and its Members.
  - 1. One (1) of the ten (10) positions is a standing seat represented by the Ventura County Health Care Agency (VCHCA)
  - 2. The remaining nine (9) members shall serve alternating two year terms with no limits on the number of terms a representative may serve.
    - a. The two year term shall coincide with GCHP’s fiscal year (i.e. July 1<sup>st</sup> through June 30<sup>th</sup>).
  - 3. PAC may include, but is not limited to, individuals representing, or that represent the interest of:
    - a. Allied health services providers;
    - b. Community Clinics;
    - c. Hospitals;

| <b>Policies and Procedures</b> |                                  |
|--------------------------------|----------------------------------|
| Title:<br>DRAFT                | Policy Number:<br>XXXXXXXXXXXXXX |

- d. Long Term Care;
  - e. Home Health/Hospice;
  - f. Nurse
  - g. Physician:
  - h. Traditional/Safety Net;
  - i. VCHCA
- G. PAC shall conduct a nomination process to recruit potential candidates for the impending vacant seats in accordance with this policy.
- 1. The advisory committee shall conduct an annual recruitment and nomination process.
    - a. At the end of each fiscal year, approximately half of the seats' terms expire, alternating between five (5) vacancies one (1) year and five (5) vacancies the subsequent year.
  - 2. The advisory committee shall conduct a recruitment and nomination process if a seat is vacated mid-term.
    - a. Candidates that fill a vacated seat med-term shall complete the term for that specific seat, which will be less than a full two (2) year term.
- H. The Director of Network Operations shall act as chairperson for the PAC.
- I. To establish a nomination ad hoc subcommittee, PAC chairperson shall ask for three (3) to four (4) volunteers. PAC members who are being considered for reappointment, cannot participate in their respective nomination ad hoc subcommittee.
- 1. Each PAC nomination subcommittee shall:
    - a. Review, evaluate, and select a prospective candidate of each of the open seats, in accordance with "Procedure-Section E "of this policy.
    - b. Forward the prospective candidate(s) to the advisory committee for review and approval.
  - 2. Following approval from the advisory committee, the recommended candidate(s) shall be forwarded to the VCMMCC for review and approval.
- J. VCMMCC shall review and have final approval for all appointments, reappointments, to the advisory committee.
- K. Advisory committee members shall attend all regularly scheduled meetings, unless they have an excused absence. An absence shall be considered

| <b>Policies and Procedures</b> |                                  |
|--------------------------------|----------------------------------|
| Title:<br>DRAFT                | Policy Number:<br>XXXXXXXXXXXXXX |

excused if an advisory committee member provides notification of a absence to GCHP staff prior to the advisory committee meeting. GCHP staff shall inform the Chief Executive Officer, and Clerk of the Board of VCMMCC when:

1. An advisory committee member fails to attend two (2) consecutive regularly scheduled meetings
2. Advisory committee members' attendance shall be considered as a criterion upon reapplication.

**Procedure:**

A. PAC composition

1. The composition of the PAC shall reflect the cultural diversity and special needs of the GCHP membership.
2. Specific agency representatives shall serve on the advisory committee as standing members.
  - a. VCHCA shall have one seat designated.

B. PAC meeting frequency

1. PAC shall meet at least quarterly.
2. PAC shall adopt a yearly meeting schedule at the first regularly scheduled meeting during fourth quarter for the oncoming year.
3. Attendance by a simple majority of appointed members shall constitute a quorum.

C. PAC recruitment process

1. GCHP shall begin recruitment of potential candidates in January of each year.
2. GCHP shall include, but not be limited to, the following notification methods for impending vacancies:
  - a. Government Code Requirements for Brown Act Committees
  - b. Outreach to Provider communities
  - c. Placement of vacancy on the GCHP website
  - d. Advertisement of vacancies in GCHP monthly Provider Operations Bulletin
3. Advisory committee chairperson shall inquire of its membership whether there are interested candidates who wish to be considered as a chairperson for the upcoming year.

D. PAC nomination evaluation process

| <b>Policies and Procedures</b> |                                  |
|--------------------------------|----------------------------------|
| Title:<br><b>DRAFT</b>         | Policy Number:<br>XXXXXXXXXXXXXX |

1. Advisory committee chairperson shall request three (3) to four (4) members, who are not being considered for reappointment, to volunteer to service on the nominations ad hoc subcommittee.
  2. Prior to the PAC nomination ad hoc subcommittee meetings:
    - a. Ad hoc subcommittee members shall individually evaluate and score the application for each of the prospective candidates using the Applicant Evaluation Tool.
    - b. Ad hoc subcommittee members shall individually evaluate and select a chairperson.
    - c. At the discretion of the ad hoc subcommittee, GCHP may contact a prospective candidate’s references for additional information and background information.
  3. Ad hoc subcommittee shall convene to discuss and select a chairperson and a candidate for expiring seats by using the findings for the Applicant Evaluation Tool, the attendance record if relevant, and the prospective candidate’s references.
- E. PAC selection and approval process for prospective chairpersons and advisory committee candidates
1. Upon selection of a recommendation for chairperson and a slate of candidates, each Ad hoc subcommittee shall forward its recommendation to the PAC for review and approval.
  2. Following PAC approval, the proposed chairpersons and slates of candidates shall be submitted to the VCMMCC for review and final approval.
  3. Following VCMMCC approval of the PAC’s recommendation, the new PAC members shall be effective July 1.
  4. GCHP shall provide new PAC members with a new member orientation.

**Attachments:**

**References:**

**Revision History:**

| <b>Review Date</b> | <b>Revised Date</b> | <b>Approved By</b> |
|--------------------|---------------------|--------------------|
|                    |                     |                    |
|                    |                     |                    |



|                                |                                  |
|--------------------------------|----------------------------------|
| <b>Policies and Procedures</b> |                                  |
| Title:<br>DRAFT                | Policy Number:<br>XXXXXXXXXXXXXX |

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## **AGENDA ITEM 2c**

To: Gold Coast Health Plan Commissioners  
From: Michael Engelhard, Chief Executive Officer  
Date: January 27, 2014  
RE: Real Estate Lease Agreement Ratification

### **SUMMARY:**

Gold Coast Health Plan (Plan or GCHP) requires additional space and appropriate resources to meet the needs of an expanding Medi-Cal program. The current leased spaces are inadequate to house growing staff and do not provide adequate resources for member meetings, etc.

### **REQUESTED ACTION:**

Ratify the lease agreement signed by the CEO, with the assistance of legal counsel, between the Ventura County Medi-Cal Managed Care Commission, dba Gold Coast Health Plan, and 711 Building, LLC, a California limited liability company for the space located at 711 Daily Drive in Camarillo.

### **BACKGROUND / DISCUSSION:**

Gold Coast Health Plan currently occupies approximately 14,000 square feet of office space at two separate locations, housing nearly 1205 GCHP and Xerox employees. The Plan has run out of space to hire additional employees needed to service membership growth expected in the remainder of FY2013-14 and in FY2014-15. As of December 31, 2012, GCHP's enrollment was 101,299 members. The estimated enrollment for January 2014 is approximately 125,000, representing a 24% growth in enrollment. The impact of expanded Medi-Cal eligibility rules emanating from full implementation of the federal Affordable Care Act (ACA) is expected to add an additional 10,000-15,000 enrollees by the end of FY2014-15. This would result in the plan's workload increasing by 35%-40%. This will require additional staffing and other resources to meet this increase in workload.

In addition to increased workload resulting the Plan running out of work spaces for its employees, the current facilities do not have adequate parking, meeting space, confidential member orientation space and IT infrastructure to support the Plan's needs. Furthermore, all of the staff will now be located in one building. Tenant improvements and existing furniture systems were included in the lease. Lessor is making significant tenant improvements. Estimate occupancy is on or about April 1, 2014.

**Lease Summary:**

- Term: 10-year term with one, five-year extension period
- Rentable Space: Approximately 33,671 square feet
- Rental Rate: Approximately \$60,607.80 per month, plus net operating expenses. Base rent will be discounted by 50% during months 2 to 11 (inclusive) and 13 to 22 (inclusive) of the initial lease term.
- Rent escalation factor: 3% annually on each anniversary
- Net Operating Expenses were negotiated to acceptable terms including the elimination of many standard cost items
- Other significant terms/conditions: On a straight line basis rent expense will be \$64,354 per month for 10 years. The total lease obligations for ten years will be \$7,722,437.

**FISCAL IMPACT:**

On a monthly basis, rent expense will increase from \$29,280 per month to \$64,354 per month (cash impact will vary – e.g., lower in months with rent discount).

**One-time expenses for moving to new location:**

- Moving expenses are estimated to be \$62,650.
- Member notification expense \$75,000
- Capital outlays for additional furniture, cabling, signs, phone system, alarm and leasehold improvement is approximately \$682,000, where monthly amortized expense is estimated to be \$10,500.



## **AGENDA ITEM 2d**

To: Gold Coast Health Plan Commissioners  
From: Michelle Raleigh, Chief Financial Officer  
Date: January 27, 2014  
Re: Fiscal Year 2013–14 Budget Update

### **SUMMARY**

This document presents the updated FY 2013-14 budget for Gold Coast Health Plan (GCHP or Plan). The budget has been updated mid-year due to additional information being provided that has a significant impact on expected financial results.

### **BACKGROUND / DISCUSSION**

The original FY 2013-14 budget was presented using assumptions based on data available at the time of development. Since that time, GCHP has received additional information regarding membership and estimated revenues and health care costs arising from expansion of the Medi-Cal program and the addition of a mental health benefit (both part of the Affordable Care Act (ACA)).

In addition, further clarification regarding related contractual and regulatory obligations has been analyzed so that administrative expenses necessary to comply with these requirements have been updated.

Lastly, the budget has been updated to reflect estimated expenses related to the Plan move scheduled for early April.

To summarize, the following changes were made to the updated budget (refer to additional detail in the attached presentation):

- **Membership**

The primary membership growth is expected to come from the expansion of the Medi-Cal program under the ACA. Covered Lives are projected to average 125,812 resulting in 1,509,746 member months for FY 2013-14. Changes from the original budget include updating the projections based on more recent history and incorporating additional information regarding the Medi-Cal expansion. The Medi-Cal expansion, which began on January 1, 2014, is expected to grow from 7,800 to 14,000 by June 30, 2014 based on updated projections.

- **Revenue**

Capitation revenue has been budgeted using the updated FY 2013-14 draft rates, which reflect the most recent communication from the State. Revenue is budgeted at \$389.7 million based on projected member months of 1,509,746 resulting in a weighted average capitation rate of \$258.14 per member per month. A major change reflected in the updated budget was that new rates for the Medi-Cal expansion population have been provided and increased (more than doubled) since the original budget.

- **Health Care Expense**

The FY 2013-14 medical and pharmacy expenses were updated using actual cost over the Plan's most recent 12 months (ending November 30, 2013) and projected forward to 06/30/14. The updated budget includes incorporating anticipated growth in membership and recognition of higher costs assumed for the Medi-Cal expansion population, as indicated by State and their actuaries.

- **Administrative Expense**

The administrative budget starts with the base of actual expenditures incurred for the July-November portion of the current fiscal year, with projections through June 30, 2014 based on input from all departments. This includes a review of continued appropriateness of all expense items. The administrative expenses budget is \$26.7 million, and 4.8% greater than the original budgeted FY 2013-14 administrative expense. On a PMPM basis, costs increased by 2.9%, and represent 6.9% of revenue as compared to 7.4% in the original budget.

Increased costs were driven primarily by an increase in staffing levels required to meet membership growth, as well as an increase in reporting and compliance-related items. Additional expenses associated with the move to new offices are now included as well; these expenses had not been contemplated in the original version.

## **FINANCIAL IMPACT**

The total impact of the updates to the budget results in an annual net income of \$16.5 million as compared to the previously forecasted \$16.7 million. Although a significant increase in revenue is expected from the new population, a higher medical loss ratio is also expected.

The Plan is expected to finish the fiscal year with tangible net equity (TNE) at \$28.4 million (148.5% of required), as compared to \$23.9 million (151.0% of required) in the original budget. This TNE includes the \$7.2 million in lines of credit with the County of Ventura. Once the TNE is reduced by the \$7.2 million, the net TNE is expected to be approximately \$21.2 million (111% of required level).

**RECOMMENDATION**

Staff requests that the Commission votes to adopt the updated FY 2013-14 budget as submitted.

**CONCURRENCE**

N/A.

**Attachments**

FY 2013-14 Updated Budget



**Gold Coast**  
**Health Plan**<sup>SM</sup>  
A Public Entity



# Fiscal Year 2013-14 Budget Update

**Michelle Raleigh, CFO**  
**Commission Meeting**  
**January 27, 2014**

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# Introduction

- Gold Coast Health Plan's (GCHP or Plan) FY2013-14 (7/1/13-6/30/14) budget was approved by the Commission during the June 24, 2013 meeting
- Since that time, additional requirements have been clarified as the State budget was finalized and the Affordable Care Act (ACA) is being implemented, such as:
  - Medi-Cal Expansion
    - Membership estimates have been revised
    - Draft State rates have been received
  - Mental Health benefit expansion
    - Not part of the original budget, passed in budget trailer bill SB1X1 in late June
    - Draft State rates have been received for all affected membership
- In addition, the Plan received approval to move to a new location
- There continues to be pending items for this fiscal year, primarily final FY2013-14 State rates (including ACA1202 Physician rate increases)

# Introduction, cont.

With this additional information, GCHP has updated the FY2013-14 budget to reflect:

|                                     | Updated information reflects changes to the following: |         |                      |                         |
|-------------------------------------|--|---------|----------------------|-------------------------|
|                                     | Membership   | Revenue | Health Care Expenses | Administrative Expenses |
| Medi-Cal Expansion Population       | √  | √       | √                    | √                       |
| Enhanced Mental Health Benefit      |  | √       | √                    | √                       |
| Updated Draft FY2013-14 State Rates |  | √       | √                    | √                       |
| Updated Base Period*                | √  | √       | √                    | √                       |

\* Updated budget reflects the most recent Plan experience

# Highlights

- Growth in membership is driven by updated experience and Medi-Cal Expansion population estimate changes
- Increase in revenue and costs is driven by updated State rate packages
- Increase in total administrative expenses primarily due to new requirements and Plan move, with a reduction in administrative loss ratio (ALR)

|   | Budget<br>FY 2013-14 | Updated<br>Budget<br>FY 2013-14 | Change          |
|---|----------------------|---------------------------------|-----------------|
| (Amounts are stated in thousands, except %) |                      |                                 |                 |
| Average Monthly Enrollment                  | 123,547              | 125,812                         | 2,265           |
| Premium Revenue                             | \$ 347,755           | \$ 389,733                      | \$ 41,978       |
| Health Care Costs                           | \$ 305,485           | \$ 346,522                      | \$ 41,037       |
| Administrative Expense                      | \$ 25,526            | \$ 26,749                       | \$ 1,223        |
| <b>Net Income</b>                           | <b>\$ 16,744</b>     | <b>\$ 16,461</b>                | <b>\$ (283)</b> |

|                                 |          |          |         |
|---------------------------------|----------|----------|---------|
| Medical Lost Ratio (MLR)        | 87.8%    | 88.9%    | 1.1%    |
| Administrative Lost Ratio (ALR) | 7.3%     | 6.9%     | -0.5%   |
| Administrative Expense - PMPM   | \$ 17.22 | \$ 17.72 | \$ 0.50 |

# Membership

Overall GCHP membership has increased between prior budget and updated budget by an average 2,300 members, consisting of:

- Update of traditional membership based on more recent base period (through December) and trends (including TLIC membership)
- Phase-in of Medi-Cal Expansion members, starting with approximately 7,800 on 1/1/14 (i.e., primarily LIHP membership) and reaching approximately 14,000 by 6/30/14, updated budget reflects:
  - More members on day one to reflect actual LIHP membership that transitioned
  - More heavily front-loaded additional expansion members

|                 | <b>Est. 1/1/14 Membership</b> | <b>Est. 6/30/14 Membership</b> |
|-----------------|-------------------------------|--------------------------------|
| Original Budget | 6,800                         | 11,600                         |
| Revised Budget  | 7,800                         | 14,000                         |

# Membership, cont.

## Aid Category - Average Membership for FY 2013-14 (see Note 1)

|                             | Budget<br>FY 2013-14 | Updated Budget<br>FY 2013-14   |
|-----------------------------|----------------------|--------------------------------|
| Adult/Family                | 74,079               | 72,033                         |
| SPD                         | 9,413                | 9,498                          |
| Dual                        | 17,769               | 17,949                         |
| Sub-total                   | 101,260              | 99,480<br><i>(1,780)</i>       |
| TLIC (Healthy Families)     | 17,676               | 20,052                         |
| Medi-Cal Expansion (Note 2) | 4,611                | 6,280                          |
| <b>Averaged Members</b>     | <b>123,547</b>       | <b>125,812</b><br><i>2,265</i> |

*Changed from Original Budget*

*Changed from Original Budget*

**Note 1** - Member categories have been grouped to include as follows: Senior and persons with disabilities (SPD) includes Aged-Medi-Cal, Disabled-Medi-Cal, Long-term Care-Medi-Cal, and Breast and Cervical Cancer Treatment Plan (BCCTP). Dual (includes Aged-Dual, Disabled-Dual, and Long-term Care-Dual).

**Note 2** -Membership shown is averaged over 12 months; however, these populations phased-in starting 1/1/14.

# Revenue

Draft FY2012-13 State rates have been updated based on more recent information:

- Capitation rates continue to be clarified by the State
- Draft State capitation rates have been provided for the Medi-Cal Expansion population and the Mental Health benefit expansion
- Estimated Assembly Bill #97 (AB97) provider reductions have been reserved for FY 2013-14, updated budget reflects accruing these over the confirmed time period (from October)

Additional revenue items that have not be changed from initial budget include:

- Physician fee increase to Medicare levels under ACA Section 1202 have not been provided for FY2013-14 and therefore continue to not be reflected in the budget
- The following items are pending and would be pass through items: Hospital Quality Assurance Fees (HQAF or SB239), and/or Intergovernmental Transfer (IGT) funds

# Revenue, cont.

| Total Revenues in PMPM<br>(See Note 1)               | Budget<br>FY 2013-14 | Updated Budget<br>FY 2013-14 |
|--|----------------------|------------------------------|
| Adult/Family   | \$ 130.10            | \$ 134.93                    |
| SPD  | \$ 914.87            | \$ 893.11                    |
| Dual   | \$ 440.19            | \$ 450.35                    |
| <i>Averaged PMPM for Existing Categories</i>         | <i>\$ 257.46</i>     | <i>\$ 255.51</i>             |
| TLIC (Healthy Families)                              | \$ 77.90             | \$ 81.01                     |
| Medi-Cal Expansion (see Note 2)                      | \$ 349.99            | \$ 726.83                    |
| <i>Averaged PMPM - Aggregate</i>                     | <i>\$ 234.18</i>     | <i>\$ 258.14</i>             |
| <b>Total Revenues in \$</b><br>(stated in thousands) | <b>\$ 347,755</b>    | <b>\$ 389,733</b>            |

**Note 1** - Additional revenue to cover expanded mental health benefits have been reflected in rates above for all populations except Dual.

**Note 2** - Original budget rates for Medi-Cal expansion population were estimated from State budget (May revise), updated rates based on draft rate package provided by the State. Rates are expected to be adjusted after 6 months based on actual demographic mix.

# Health Care Costs

Medical and pharmacy expenses were updated from the prior budget as follows:

- Medi-Cal Expansion – health care costs were estimated based on State rate development
- Mental Health benefit expansion – health care costs were estimated based on State rate development
- Updated Base Period - actual costs were used over the most recent 12 month period through November 2013, reflecting results of initiatives
- Provider contracting updates:
  - For the LIHP & Medi-Cal Expansion populations, all providers will be reimbursed on a fee-for-service basis due to limited or no experience data for these members – once adequate experience is collected, capitation rates may be developed
  - Ongoing Plan-to-Plan contract with Kaiser for Health Family transition populations



# Health Care Costs, cont.

- Majority of increase is due to higher cost information provided for the Medi-Cal Expansion population (83% of total dollar increase) and the incorporation of the new Mental Health benefit (3% of total dollar increase)

|                               | Budget<br>FY 2013-14 | Updated Budget<br>FY 2013-14 |
|-------------------------------|----------------------|------------------------------|
| (in thousands)                |                      |                              |
| Capitation *                  | \$ 46,085            | \$ 19,145                    |
| Fee-for-service (FFS) Claims: |                      |                              |
| Inpatient                     | 122,899              | 149,523                      |
| Outpatient                    | 39,900               | 51,223                       |
| Professional                  | 27,262               | 29,886                       |
| Pharmacy                      | 38,901               | 56,883                       |
| Other **                      | 21,957               | 29,912                       |
| Care Management               | 8,482                | 9,950                        |
| Total FFS Claims              | 259,400              | 327,377                      |
| <b>Total</b>                  | <b>\$ 305,485</b>    | <b>\$ 346,522</b>            |

| Total Health Care Costs in PMPM | Budget FY 2013-14 | Updated Budget FY 2013-14 |
|---------------------------------|-------------------|---------------------------|
|                                 | \$ 206.05         | \$ 229.52                 |

\* Includes PCP, Specialty, Plan-to-Plan, Non-emergency transportation, and Vision Service Plan

\*\* Other claims include all other fee for service expenses, reinsurance and transportation expenses

# Administrative Expenses

Administrative expenses are estimated to increase by \$1.2 million from original budget due to:

- ACA Medi-Cal Expansion Population, Mental Health expanded benefit, and other contractual requirements (\$670K or 56% of increase), including:
  - Additional reporting & consulting (e.g., MLR, contract compliance, ICD10 conversion, health education, legal) - \$99K
  - Additional staff and temp help needed primarily to service membership growth - \$44K
  - Additional contractor fees due to increased membership (e.g., ACS, Beacon Health Strategies) - \$511K
  - Outreach activities - \$16K
- Plan move to new location - \$475K or 39% of increase
- Other refinements (e.g., consulting reductions, claims interest increases) - \$36K or 3% of increase

# Administrative Expenses, cont.

- ACS fees increase due to prior year billing adjustment and updates in membership
- Personnel expenses are lower primarily due to delayed hiring and lower cost benefits - this is offset by additional staffing needs
- Infrastructure costs have reduced primarily due to management of expenses
- Community and provider outreach program increases due to ACA

|   | Budget<br>FY 2013-14 | Updated<br>Budget<br>FY 2013-14<br>(PMPM) | Increase<br>(Decrease) | % Change     |
|---|----------------------|---|------------------------|--------------|
| ACS Management Fees                           | \$ 7.68              | \$ 7.83                                   | \$ 0.15                | 1.9%         |
| Personel expenses                             | 5.57                 | 5.49                                      | (0.08)                 | -1.4%        |
| Legal and professional services               | 1.87                 | 2.43                                      | 0.56                   | 30.0%        |
| Infrastructure expenses                       | 1.98                 | 1.82                                      | (0.16)                 | -7.9%        |
| Community and provider outreach               | 0.12                 | 0.15                                      | 0.03                   | 22.5%        |
| <b>Total</b>                                  | <b>\$ 17.22</b>      | <b>\$ 17.72</b>                           | <b>\$ 0.50</b>         | <b>2.9%</b>  |
| <b>ALR</b>                                    | <b>7.35%</b>         | <b>6.86%</b>                              | <b>-0.49%</b>          | <b>-6.6%</b> |
| <b>Total Admin Expenses in \$ (thousands)</b> | <b>\$ 25,526</b>     | <b>\$ 26,749</b>                          | <b>\$ 1,223</b>        | <b>4.8%</b>  |

# Staffing

Updated budget reflects additional staffing needed primarily due to the new population, expanded mental health benefit, and other contractual requirements:

- Nine additional non-medical staff added to enhance claims/encounter processing, policy and financial analysis, and contract compliance
- Ten additional medical staff to support ACA and compliance activities

|                   | Original Budget | Updated Budget |
|-------------------|-----------------|----------------|
| FTEs at 7/1/13    | 84              | 82             |
| Non-Medical Hires | 19              | 28             |
| Medical Hires*    | 20              | 30             |
| FTEs at 6/30/14   | 123             | 140            |

Health plan benchmarks range 1.3-2.0 staff per 1,000 members (GCHP will be at 1.11)

\* Categorized financially as part of medical costs, not administrative costs.

# Plan Move

- Ongoing monthly Plan expenses expected to increase by approximately \$40,000 due to relocation
- One-time expenses are approximately \$320,000
- Depreciation expense related to the below capitalized purchases will be approximately \$10,500 per month

## One-Time Expenses - Capitalized Purchases

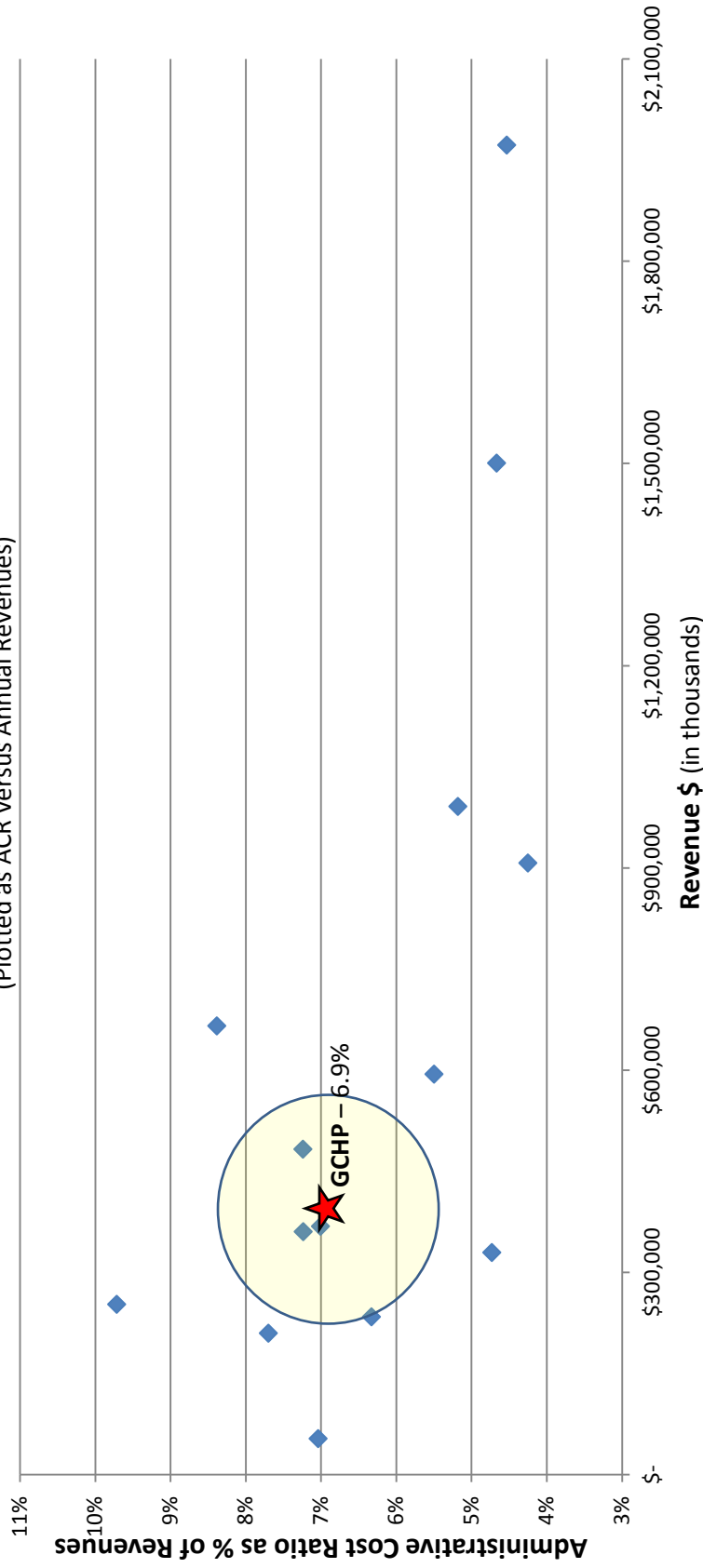
|                              |           |                       |
|------------------------------|-----------|-----------------------|
| New Furniture                | \$        | 225,000               |
| Signs                        |           | 10,000                |
| Phone System                 |           | 141,000               |
| Alarm/Badge System           |           | 80,000                |
| Leasehold Improvements       |           | 13,000                |
| Network Connection & Cabling |           | 213,000               |
| <b>Total</b>                 | <b>\$</b> | <b><u>682,000</u></b> |

# Administrative Expenses

GCHP administrative cost ratio is in line with other plans consistent with GCHP size

## Administrative Cost Ratio for Medi-Cal Plans in California

(Plotted as ACR versus Annual Revenues)



# Tangible Net Equity

As of 6/30/14,

- the Plan is projected to be at a TNE of \$28.4 million, which exceeds the TNE requirement of \$19.1 million (149% of requirement)
- the required TNE has increased due to updated health care cost information, primarily related to the new Medi-Cal Adult Expansion population
- the TNE includes \$7.2 million related to two lines of credit with the County of Ventura

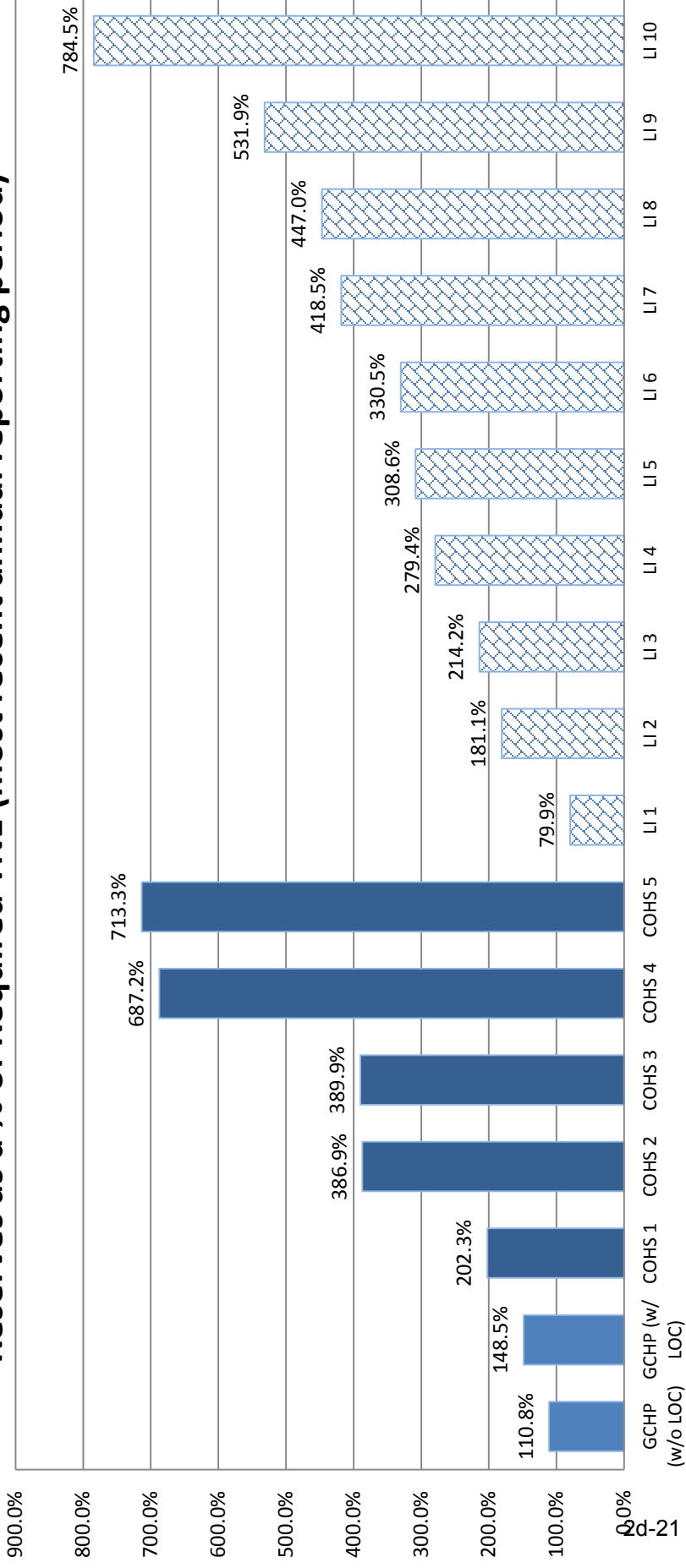
|   | Budget<br>FY 2012-13             | Updated<br>Budget<br>FY 2013-14 |
|---|----------------------------------|---------------------------------|
|   | (\$ amounts stated in thousands) |                                 |
| 100% TNE  | \$ 15,836                        | \$ 19,095                       |
| % TNE Required  | 100%                             | 100%                            |
| Required TNE  | \$ 15,836                        | \$ 19,095                       |
| <b>GCHP TNE</b>   | <b>\$ 23,914</b>                 | <b>\$ 28,352</b>                |
| TNE Excess  | \$ 8,077                         | \$ 9,257                        |
| GCHP TNE as a % of Required TNE   | <u>151.0%</u>                    | <u>148.5%</u>                   |
| Excluding the \$7.2 million in lines of credit from TNE, GCHP TNE would be: |                                  |                                 |
| GCHP TNE (without lines of credit)  | \$ 16,714                        | \$ 21,152                       |
| GCHP TNE as a % of Required TNE   | <u>105.5%</u>                    | <u>110.8%</u>                   |

# Tangible Net Equity, cont.

GCHP working with State and County to determine benchmark level of TNE and repayment of lines of credit

## Public Medicaid Plans in California

### Reserves as a % of Required TNE (most recent annual reporting period)





# Appendices

Income Statement

Balance Sheet

Cash and Liquidity

Cash Flow

A

B

C

D



# Appendix A – Income Statement

|                         | Budget<br>FY 2013-14 | Updated<br>Budget<br>FY 2013-14 |
|-------------------------|----------------------|---------------------------------|
| Member Months           | 1,483                | 1,510                           |
| (in thousands)          |                      |                                 |
| Revenues                | \$ 347,755           | \$ 389,733                      |
| Health Care Costs:      |                      |                                 |
| Capitation              | 46,085               | 19,145                          |
| Fee-for-service (FSS_   |                      |                                 |
| Inpatient               | 122,899              | 149,523                         |
| Outpatient              | 39,900               | 51,223                          |
| Professional            | 27,262               | 29,886                          |
| Pharmacy                | 38,901               | 56,883                          |
| Other                   | 19,618               | 30,183                          |
| Reinsurance             | 2,338                | (271)                           |
| Care management         | 8,482                | 9,950                           |
| Total FSS Claims        | <u>259,400</u>       | <u>327,377</u>                  |
| Total Health Care Costs | <u>305,485</u>       | <u>346,522</u>                  |
| Administrative Expenses | <u>25,526</u>        | <u>26,749</u>                   |
| Net Income              | <u>\$ 16,744</u>     | <u>\$ 16,461</u>                |

# Appendix B - Balance Sheet

|  | Budget<br>FY 2013-14 | Updated<br>Budget<br>FY 2013-14 |
|--|----------------------|---------------------------------|
|--|----------------------|---------------------------------|

## Assets

|                                 |                  |                   |
|---------------------------------|------------------|-------------------|
| Cash                            | \$ 46,998        | \$ 63,155         |
| Receivables                     | 31,687           | 40,435            |
| Prepaid expenses                | 948              | 898               |
| Total current assets            | <u>79,633</u>    | <u>104,488</u>    |
| Deposits                        | 132              | 434               |
| Computers (Net of Accum Deprec) | <u>1,629</u>     | <u>3,230</u>      |
| Total Assets                    | <u>\$ 81,394</u> | <u>\$ 108,153</u> |

# Appendix B - Balance Sheet, cont.

|                                     | Budget<br>FY 2013-14 | Updated<br>Budget<br>FY 2013-14 |
|-------------------------------------|----------------------|---------------------------------|
| (in thousands)                      |                      |                                 |
| <b>Liabilities and Fund Balance</b> |                      |                                 |
| Medical claims payable              | \$ 48,067            | \$ 63,540                       |
| Other payables                      | 1,836                | 2,819                           |
| Accrued expenses                    | 6,634                | 11,903                          |
| Current Portion of Deferred Revenue | 385                  | 920                             |
| Accrued Payroll Expense             | 558                  | 618                             |
| Total current liabilities           | 57,480               | 79,800                          |
| Subordinated Loan                   | 7,200                | 7,200                           |
| Total non-current liabilities       | 7,200                | 7,200                           |
| Total Liabilities                   | 64,680               | 87,000                          |
| Fund Balance                        | 16,714               | 21,152                          |
| Total Liabilities & Fund Balance    | \$ 81,394            | \$ 108,153                      |

# Appendix C - Cash & Liquidity

Only significant changes anticipated in updated budget related to Cash and Medi-Cal Receivable is the inclusion of the MCO Sales Tax of 3.9375%

|                     | Budget<br>FY 2013-14 | Updated<br>Budget<br>FY 2013-14 |
|---------------------|----------------------|---------------------------------|
|                     | (in thousands)       |                                 |
| Cash                | \$ 46,998            | \$ 63,155                       |
| Medi-Cal Receivable | 31,265               | 40,009                          |
|                     | <u>\$ 78,263</u>     | <u>\$ 103,163</u>               |

**Financial Indicators:**

|   |        |        |
|---|--------|--------|
| Current Ratio                           | 1.39:1 | 1.31:1 |
| Days Cash on Hand                       | 51     | 62     |
| Days Cash + State Capitation Receivable | 85     | 101    |



# Appendix D - Cash Flow

|  | Budget<br>FY 2013-14 | Updated<br>Budget<br>FY 2013-14 |
|--|----------------------|---------------------------------|
| (in thousands)                         |                      |                                 |
| Cash Flow from Operating Activities    |                      |                                 |
| Collected Premium                      | \$ 342,171           | \$ 376,670                      |
| Interest Income                        | 108                  | 136                             |
| Paid Claims                            | (290,654)            | (313,685)                       |
| Admin Expenses                         | (31,574)             | (35,198)                        |
| Provider Receivable                    | 1,072                | 735                             |
| MCO Tax Expense                        | (4)                  | (18,745)                        |
| Net cash provided (used) by Operations | <u>21,119</u>        | <u>9,914</u>                    |
| Cash Flow from Investing/Financing     |                      |                                 |
| Net Prop & Equip                       | (1,634)              | (2,316)                         |
| Proceeds from Subordinated Debt        | -                    | -                               |
| Debt Payments                          | (83)                 | 0                               |
| Net Cash Provided (Used) by Inv/Fin    | <u>(1,717)</u>       | <u>(2,316)</u>                  |
| Net Cash Flow                          | 19,402               | 7,598                           |
| Cash & Equip at Beg of Period          | 27,596               | 55,557                          |
| Cash & Equip at End of Period          | <u>\$ 46,998</u>     | <u>\$ 63,155</u>                |

### **AGENDA ITEM 3a**

To: Gold Coast Health Plan Commissioners  
From: Michael Engelhard, CEO  
Date: January 27, 2014  
Re: CEO Update

#### **STAFFING**

Gold Coast Health Plan (GCHP) is pleased to announce that Dr. Albert “Al” Reeves has been hired as the Plan’s new Chief Medical Officer, replacing Dr. Charlie Cho, who is retiring.

#### **DEPARTMENT OF HEALTH CARE SERVICES (DHCS) MEETINGS**

##### **DHCS / All-Plan Meeting & DHCS / CAHIO – December 17, 2013**

The CEO and Director of Government Relations attended two meetings on Tuesday December 17, 2013 in Sacramento with DHCS leadership and other health plan representatives. Key topics included:

1. Coordinated Care Initiative (CCI): GCHP is not involved in the State’s CCI at this time. The centerpiece of the CCI is the “Duals Pilot” where 8 counties will integrate funding and benefits for those who qualify for both Medicare and Medi-Cal. Phase I is a 3-year pilot that begins on April 1, 2014 and ends in 2017. It is unclear when Phases II and III would be implemented. GCHP / Ventura County will be involved in either Phases II or III if and when they occur. No dates for these phases have been announced at this time.
2. Encounter Data Improvement Project (EDIP): DHCS has started this project to improve data capture from the Medi-Cal Managed Care Plans (MCPs). Improved encounter data will be used for medical quality measurement, rate development, audits and investigations, and overall program monitoring. MCP encounter data will be measured on four characteristics: timeliness, completeness, accuracy and reasonableness.
3. Mental Health: the new benefit and SBIRT (Screening, Brief Intervention and Referral to Treatment) process are moving into managed care. The benefit begins on January 1, 2014. The new SBIRT tool / process goes into effect in the 1<sup>st</sup> quarter of 2014. Plans are working with local providers for network development and with county mental health departments regarding interfaces and referrals between the two programs / benefits.

4. Affordable Care Act (ACA) 1202 Physician Rate Bump: DHCS has submitted rates to CMS and the Department is waiting for approval. MCPs should expect to be paid in January 2014. Plans will be required to distribute money to registered providers for their qualifying encounters going back to January 2013. This program was enacted via the Affordable Care Act (ACA) for calendar years 2013 and 2014. MCPs have until February 1, 2014 to submit their plans on how they'll comply with the ACA 1202 program. DHCS indicated that payments to satisfy the requirements of the ACA 1202 funding for the period of January 2013-June 2013 will begin later in January 2014.
5. CalHEERS / Outreach: DHCS Director Douglas outlined various ways the Department is looking to get the word out about the new Medi-Cal eligibility requirements to increase enrollment into the program.
  - a. As of the meeting date, approximately 300,000-400,000 potentially eligible people have applied via CoveredCA.com.
  - b. The State is planning to mail a notification to CalFRESH beneficiaries. The estimates that there are 600,000 CalFRESH participants who would also be eligible for Medi-Cal. DHCS expects to mail notifications to potentially Medi-Cal eligible CalFRESH participants on February 3<sup>rd</sup>.
  - c. The State is looking to create another "Express Lane" for parents of Targeted Low Income Children (TLIC; previously Healthy Families) children who will be eligible for Medi-Cal. DCHS estimates that there are another 300,000 potential Medi-Cal beneficiaries in this population.
6. CBAS (Community-Based Adult Services): DHCS reminded the MCPs that the legal settlement that created the CBAS benefit expires in September 2014. The State, through the California Department of Aging, is initiating monthly meetings with a stakeholder workgroup concerning the future of the CBAS benefit.
7. 2014 Future Activities: DHCS Director Douglas outlined key areas of focus by the Department in 2014, including:
  - a. Quality Outcomes: aligning incentives at the delivery system level, measuring and rewarding, etc.
  - b. Health Home Options: this was passed in AB 361 and signed into law by the Governor.
  - c. CMS Innovation Grants: there will be more of these available in 2014.
  - d. Mental Health & Substance Use Disorder benefits: the Department will embark on putting measurements in place once the benefit has been implemented.
  - e. FQHCs: CPCA (California Primary Care Association) and CAPH (California Association of Public Hospitals) have been in discussions regarding payment reform for FQHCs.
  - f. 1115 Waiver: the State needs to start working on a new waiver in 2014. (Section 1115 of the Social Security Act gives the Secretary of Health and Human Services authority to approve experimental, pilot, or demonstration projects that



- promote the objectives of the Medicaid and CHIP programs. The purpose of these demonstrations, which give states additional flexibility to design and improve their programs, is to demonstrate and evaluate policy approaches such as: expanding eligibility to individuals who are not otherwise Medicaid or CHIP eligible, providing services not typically covered by Medicaid, and using innovative service delivery systems that improve care, increase efficiency, and reduce costs.) California's current waiver, the "Bridge to Reform", expires in 2015.
- g. CCS: The State plans to initiate discussions around policy changes to the California Children's Initiative program in 2014.

## **COMPLIANCE**

### Medical Review Audit CAP Update

On December 17, 2013 the Plan received a letter from DHCS confirming that many of the CAP responses submitted by GCHP in October 2013 in response to the September 18, 2013 Consolidated CAP were deemed in compliance and therefore were closed out.

Specifically,

- 43 items were closed
- 56 items (which is equivalent to 38 unduplicated signed Policies and Procedures) were approved by DHCS, pending fully executed copy including CEO signature.
- 20 items remain open for which DHCS requested additional documentation from the Plan
- The Plan submitted the corrective action response on January, 16, 2014.

### Financial CAP Update

The Plan continues to submit responses to DHCS relative to the financial corrective action plan and has received no additional requests from DHCS.

### Facility Site Review (FSR) CAP Update

On January 13, 2014 GCHP received an updated corrective action plan based on the Facility Site Review Audit conducted by DHCS in April of 2013 and the Plan's submission to the corrective action plan on October 24, 2013. The Plan has 30 days to respond to DHCS with additional information for items that remain open.

### MLR Audit Update

The Plan expects to receive the Medical Loss Ratio Evaluation (MLRE) data request from the State in January, 2014 with an onsite review to be conducted within the next two months.

### Other Compliance Activities

The Delegation Oversight staff has completed credentialing audits for the Plan's three delegated medical groups. Staff is in the process of drafting audit results and any deficiencies identified will be addressed with each group. A delegation oversight auditor R.N. has been

hired and will join the team on February 3, 2013. Staff is looking forward to upcoming audits that will be conducted this year for delegated contracts.

Compliance staff will be attending the quarterly Department of Justice Meetings held in Los Angeles on February 6, 2014. The fourth quarter of 2013 the Plan received 20 calls on the compliance / fraud hotline. Three cases were referred to DHCS audits and investigations. Two cases were referred to GCHP's internal Grievance and Appeals department. Ten cases were referred to customer service. Five cases were referred other agencies.

Ongoing HIPAA and Fraud Waste and Abuse training for staff are ongoing throughout the year.

The Plan signed and returned the DHCS contract amendment which included language on the ACA that included mental health and the low income health program transition on December 30, 2013. The contract amendment was not approved by CMS; DHCS will re-submit a revised contract amendment to CMS for approval and therefore DHCS will issue a new contract amendment to all Plans as soon as possible. However, all Plans, including GCHP, agreed to continue with the implementation of the Medi-Cal expansion as planned and will execute the revised contract amendment when it is received from DHCS.

## **HEALTH SERVICES**

### **MedHOK Medical Management System (MMS)**

On December 7, 2013, GCHP implemented MedHOK's 360 Care Medical Management System (MMS) to replace the previous MMS (ICMS) leased from Xerox.

In January 2013, GCHP made the decision to select and procure a new MMS as ICMS was not ICD-10 compliant and would be retired by the end of 2013. The Plan then conducted a 5-month RFI / RFP process to select the new system, ultimately choosing MedHOK's 360 Care system. With the procurement phase complete, the implementation project kicked off on July 8, 2013.

### **Implementation Overview**

In roughly 150 days, a core project team consisting of GCHP, MedHOK, and Xerox project resources worked diligently to gather requirements, establish data and network connections, map and load data, develop workflows, configure, test and train on the new system in preparation for go-live.

To ensure Health Services staff was well-prepared to begin using the new MMS at go-live, the project team developed a 6-week training plan for the entire team. Each nurse attended two weeks of training classes. Non-clinical staff was provided one week of training, and physician training was customized to focus on functionality specific to their role. Each staff member was then tasked with 30 minutes of daily practice during the 6-week training period.

At project onset, the Plan made a decision to use a cutover approach to the new MMS, rather than converting historical data from ICMS to MedHOK. Over go-live weekend, the entire Health Services team transitioned all open cases in ICMS to MedHOK. As a result, the Plan fully retired ICMS usage on December 31, 2013.

While originally scheduled to deploy late the 1<sup>st</sup> quarter of 2014, the Plan had a stretch goal to implement by December 31, 2013 in preparation for additional enrollment expected with Medi-Cal expansion on January 1, 2014. GCHP exceeded that stretch goal by three weeks.

With the early deployment and ability to fully retire the ICMS system by December 31, 2013, the Plan saved approximately \$150,000 in recurring ICMS support costs.

As with any new system implementation, a learning curve, along with post-implementation issues is expected. To ensure timely research and resolution to any post implementation problems, representatives from MedHOK were onsite the first week of deployment and a team made up of GCHP, MedHOK, and Xerox resources was on call to address reported problems. To date, there have been no significant post-implementation issues impacting claims processing or the Plan's ability to service the member.

## **COVERED CALIFORNIA**

### **Medi-Cal Managed Care Plans As Medicaid Certified Application Counselors**

In September 2013, Gold Coast Health Plan submitted an application to participate in Covered California's Certified Application Counselor Program (CAC). The objective of the CAC Program is to provide information and assistance to consumers regarding Covered California and to help facilitate enrollment in Medi-Cal.

### **Requirements**

Covered California will be responsible for designating, certifying and training Medi-Cal Certified Application Counselors (MCACs) participating in the CAC program. Medi-Cal CACs may perform the following duties:

- Provide information to individuals and all members of the public about the full range of options and insurance affordability programs for which they are eligible
- Assist individuals to apply for coverage through Covered California and for other health insurance affordability programs including Medi-Cal

### **Current Status**

Qualified Health Plans (QHPs) and non-QHPs are barred from participating as Certified Enrollment Entities (CEEs.) However, DHCS has the discretion to allow organizations designated as MCACs to enter into an agreement with Covered CA to participate in its CAC program. On December 30, 2013 the DHCS issued an all-plan letter which designated all non-qualified health plans, including Medi-Cal plans like Gold Coast Health Plan that choose to

participate in the CAC program, as MCACs. Covered California has committed to certify individuals to perform CAC functions.

On January 28, 2014 a stakeholder webinar will be hosted by Covered California to provide a checklist to Plans so that interested Plans can gather all the administrative items they will need to help facilitate the training and certification process. Draft regulations are expected to be approved at the February 20, 2014 Covered California Board meeting.

Training modules are expected to begin in mid-to-late March. Staff can either participate in the 3.5 day training or take the on-line self-training modules at their own pace and the certification exam can be taken at any time. Certified Application Counselors will be required to undergo background checks, which will be paid for by the participating Plan. Access to CalHEERS will be granted to CACs once the individual passes the exam and clears the background check, which can take several months.

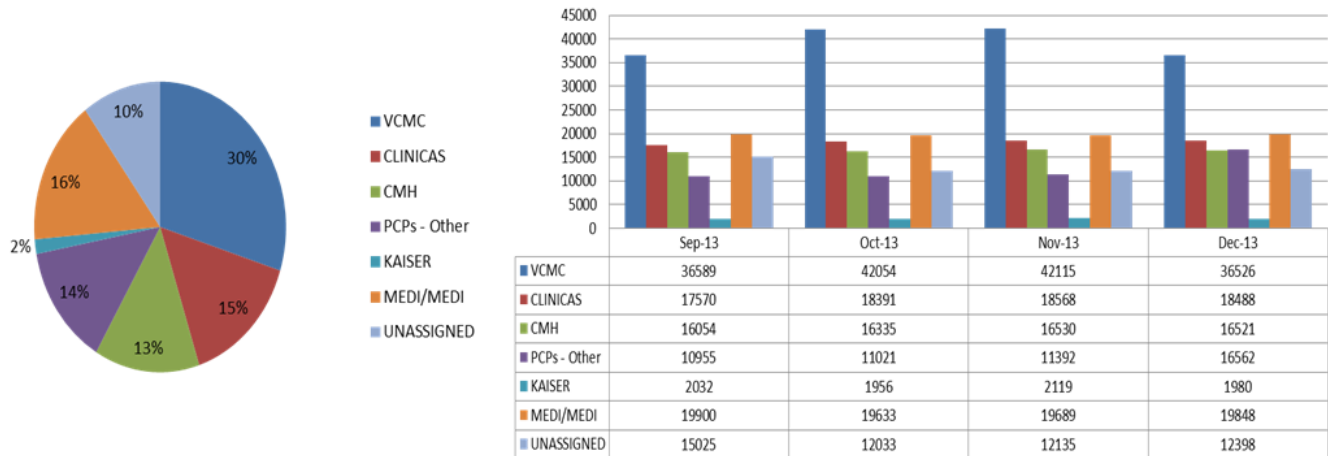
Staff is working to develop an implementation plan for this program once draft regulations and guidance is received by Covered California in February.

## OPERATIONS

### Operations Monthly Reports

#### PCP / Member Assignment Report

The graphs below consolidate the total number of members assigned by PCP grouping.



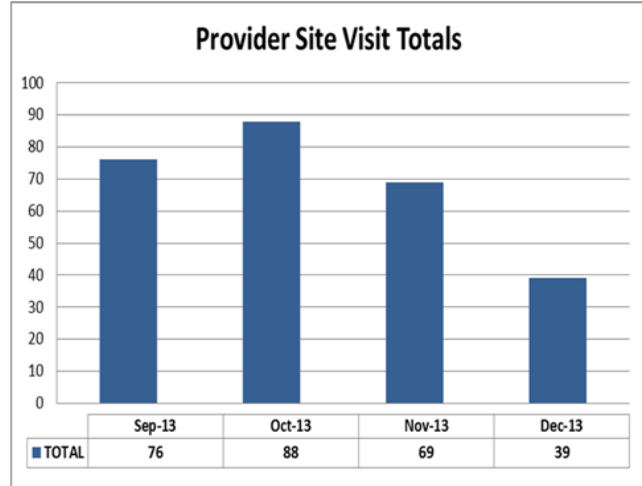
\*UNASSIGNED includes Administrative Members, Share of Cost, Newly Eligible and Other Insurance

### Provider Site Visit Tracking

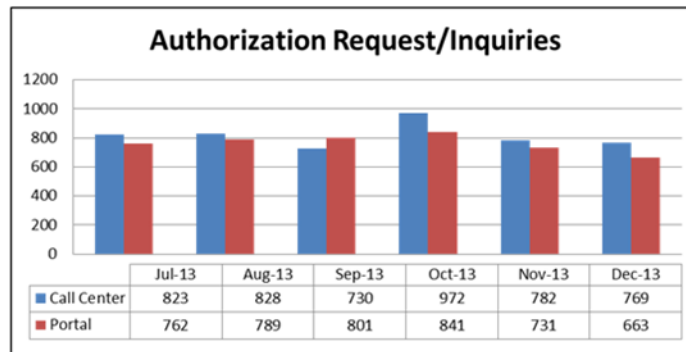
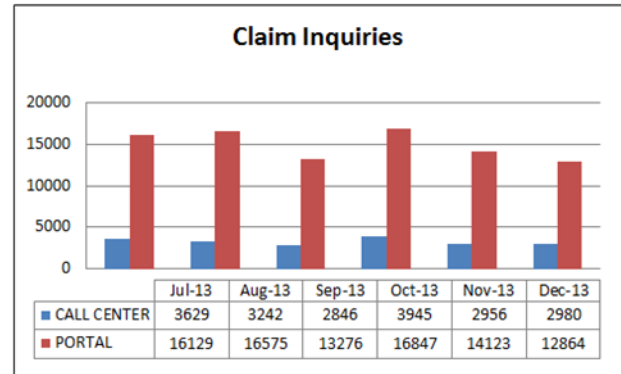
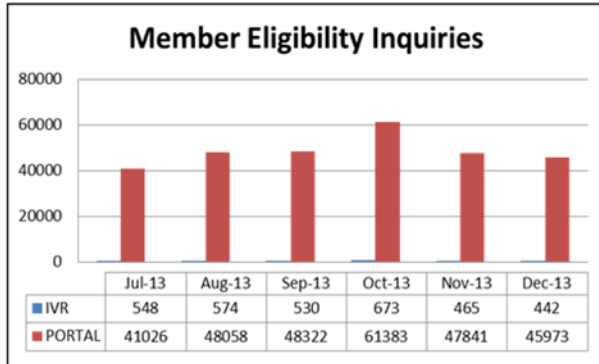
**December 2013**

Provider Service Representatives routinely visit provider offices. These visits create opportunities for providers to ask questions and for the representatives to deliver current information and materials. Visits may be pre-scheduled at the providers request to discuss specific issues and may include representation from other GCHP business areas.

**Note:** Visits were low in December due to the holidays.



### Provider Portal/Call Center Usage



### Claims Inventory Summary



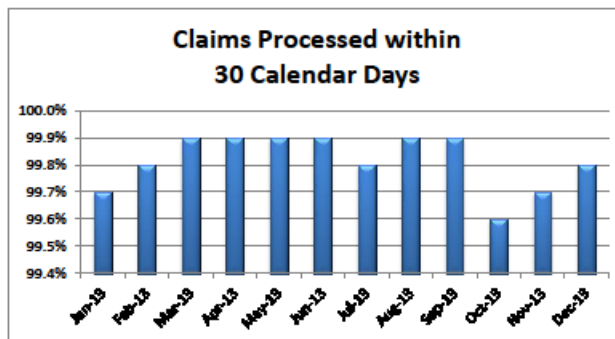
| Jan-13 | Feb-13 | Mar-13 | Apr-13 | May-13 | Jun-13 | Jul-13 | Aug-13 | Sep-13 | Oct-13 | Nov-13 | Dec-13 |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 22,564 | 16,581 | 16,029 | 9,350  | 12,385 | 16,554 | 16,601 | 21,894 | 22,590 | 21,051 | 24,585 | 12,924 |

Goal: 18,000 or less (based on membership as of December 2013)

Note: Increase in November 2013 was due to a bulk submission of claims from VCMC on 11/22/13 that artificially inflated the inventory for two weeks. More than 70% had been previously submitted and were denied as duplicates; an additional 20% were denied for various reasons.

### Claims Processing Turnaround Time

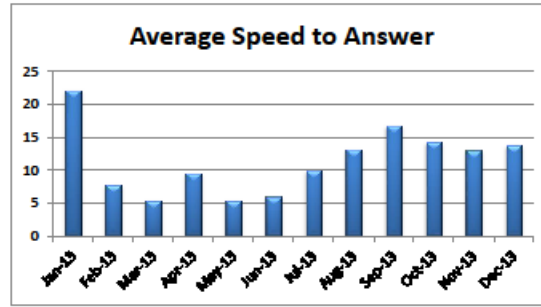
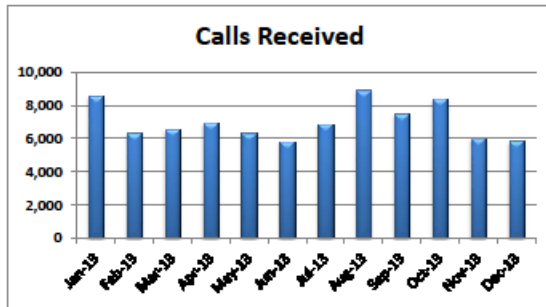
| December            | 1-30 Days      |              | 31-45 Days |             | 46-60 Days |          | Over 60 Days |             | Total Claims   |
|---------------------|----------------|--------------|------------|-------------|------------|----------|--------------|-------------|----------------|
|                     | #              | %            | #          | %           | #          | %        | #            | %           |                |
| Clean Claims        | 110,521        | 99.92        | 48         | 0.04        | 5          | 0        | 41           | 0.04        | 110,615        |
| Contested Claims    | 2,835          | 100          | 0          | 0           | 0          | 0        | 0            | 0           | 2,835          |
| <b>Total Claims</b> | <b>113,356</b> | <b>99.92</b> | <b>48</b>  | <b>0.04</b> | <b>5</b>   | <b>0</b> | <b>41</b>    | <b>0.04</b> | <b>113,450</b> |



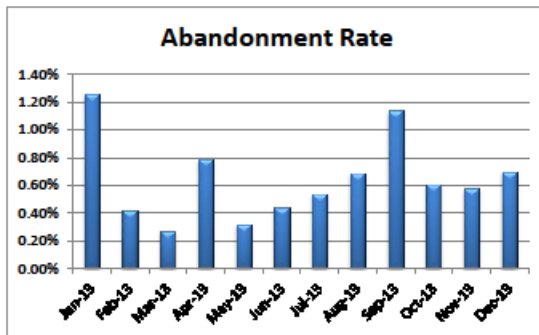
| Jan-13 | Feb-13 | Mar-13 | Apr-13 | May-13 | Jun-13 | Jul-13 | Aug-13 | Sep-13 | Oct-13 | Nov-13 | Dec-13 |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 99.7%  | 99.8%  | 99.9%  | 99.9%  | 99.9%  | 99.9%  | 99.8%  | 99.9%  | 99.9%  | 99.6%  | 99.7%  | 99.8%  |

Regulatory requirement - 90% of clean claims must be processed within 30 calendar days

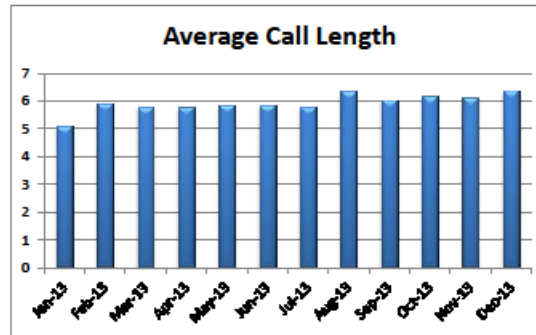
### Xerox Call Center Activity



Goal: 30 seconds or less



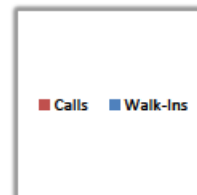
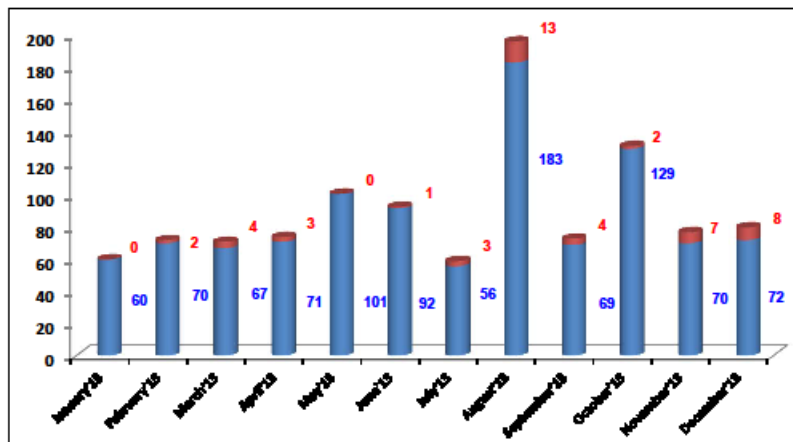
Goal: 5% or less



Goal: 7 minutes or less

### Oxnard Member Services Activity

#### 2013 Walk-Ins & Calls



### **ACA, Section 1202, Increased Medicaid Payment to Primary Care Physicians**

Section 1202 of the ACA requires a temporary increase in Medicaid payments for qualifying primary care services provided by qualifying physicians for date of service in calendar years (CYs) 2013 and 2014. DHCS has advised that funding for this increase should be received sometime in January for services provided in the first six (6) months of 2013. GCHP has configured systems, and developed policies and procedures to ensure that the Plan has the ability to process the increase and will make every effort to do so within 30 days of the date that funding is received from the State.

As previously communicated, DHCS' automated self-attestation process went live July 22, 2013. Since that time, the Plan has worked closely with providers to confirm that they have submitted the required information in order to receive payment for eligible services. Additionally, GCHP has designated a section on the GCHP website provider portal to include detailed information related to this mandate. Provider Representatives have contacted all providers and will continue to work with those that were expected to, but have not yet attested.

### **HEALTH EDUCATION AND COMMUNITY OUTREACH SUMMARY REPORT**

#### **Summary**

On December 10, 2013, the Ventura County Board of Supervisors recognized Gold Coast Health Plan (GCHP) Health Education and Outreach staff with a certificate of recognition for sponsorship and participation in 2013 Senior Summit.

Gold Coast Health Plan continues to participate in community education and outreach activities throughout the county. The health education and outreach team conducted the following activities during the months of November and December 2013.

#### **Activities**

##### **Diabetes Awareness Month and Affordable Care Act (ACA) Workshop**

November was diabetes awareness month and GCHP health education and outreach staff worked with community partners to raise awareness of diabetes prevention as well as provide information about the ACA.

GCHP sponsored a Community Health Fair and Disease Awareness Workshop at the Oxnard Public Library on November 23, 2013. There were eight community based agencies (i.e., Food Share, Health Care for Kids, Covered California, Wal-Mart, Ventura County Health Care Agency, Public Health Department – Re-Think Your Drink, Chronic Disease Prevention Programs and Las Islas Medical Group) that participated and a total of 70 families and children attended the event.

Guest speakers included Dr. Theresa Cho, MD, Director, Diabetes Management at Las Islas Diabetes Center, Ventura County Medical Center and Rita Duarte-Weaver, CMA, CAA,



Covered California. Spanish language interpreter services were also available for individuals. A total of 94 handouts were distributed and 26% of the literature was related to health care reform. Representatives from Covered California also distributed materials on health care reform.

#### School and Youth – Based Groups

During the months of November and December GCHP's outreach and health education staff held three outreach and informational sessions for parents at Fremont Intermediate School concerning the GCHP benefits and information on the ACA and changes to the Medi-Cal Program.

Also, in December GCHP health education and outreach staff participated in two First 5 Neighborhood for Learning (NfL) Centers in Fillmore and Santa Paula. Total 100 parents and children were reached at this event.

In summary, GCHP participated in a total of 5 school and youth based events and a total of 143 families and youth were reached. Approximately a total of 382 handouts were provided and 43 percent of the handouts were related to ACA.

#### Community Health Fairs and Social Service Agencies

GCHP health education and outreach staff participated in a total of 15 community health fairs and/or social service outreach events throughout the county. Approximately 600 individuals and families were reached and a total of 1375 pieces of literature was distributed.

#### Summary of Community Outreach and Education Activities

Overall GCHP health education and outreach staff participated in 21 outreach activities and community network meetings. Below is a list of events/activities:

| Date  | Event / Activities  |
|-------|---|
| 11/23 | GCHP Community Health Fair and Presentation (Diabetes Awareness and Health Care Reform) |
| 11/23 | Ojai Valley Health Fair and Forum – Oak View Women's Club                               |
| 11/25 | Oxnard Mexican Consulate – Mini Health Fair   |
| 12/01 | World's AIDS Day 2013 Health Fair   |
| 12/04 | Ventura County Human Service Agency – ACA Collaborative                                 |
| 12/05 | Promotoras Y Promotores Event - Presentation  |
| 12/06 | La Hermandad – Food Distribution at Oxnard PAL Center                                   |
| 12/06 | First 5 Santa Clara Valley NfL - Sharing the Harvest Health Fair - Fillmore             |
| 12/07 | Mexican Consulate – Jornadas Sabatinas Resource Fair                                    |
| 12/10 | Ventura County Board of Supervisor Hearing  |
| 12/10 | Ventura County One Stop – Health Care for the Homeless                                  |
| 12/10 | GCHP Member Orientation Meeting   |
| 12/11 | Ventura County One Stop – Community Action Commission                                   |
| 12/11 | Fremont Intermediate School – In-n-Out Parent Night                                     |
| 12/12 | GCHP Member Orientation Meeting - Spanish   |

- 12/14 Cabrillo Economic Development Corp – Christmas Tree Event
- 12/15 La Hermandad – Annual Multicultural Posada
- 12/17 Ventura County Health Care Agency – One Stop – A Community Multi-Service Program - Ventura
- 12/18 Ventura County Health Care Agency – One Stop – A Community Multi-Service Program – Oxnard location
- 12/18 City of Ventura – Monthly Food Distribution Program and Health Services – West park Community Center – West Ventura
- 12/19 Oxnard Mexican Consulate – GCHP Presentation

In summary, health education and outreach staff reached approximately seven hundred (700) individuals and families during the reporting months. Overall approximately 37 percent of all outreach materials distributed related health care reform and the Medi-Cal Program.

## **AGENDA ITEM 3b**

To: Gold Coast Health Plan Commission

From: Michelle Raleigh, Chief Financial Officer

Date: January 27, 2014

Re: October & November, 2013 Financials

### **SUMMARY**

Staff is presenting the attached October and November, 2013 financial statements of Gold Coast Health Plan (Plan) for review by the Commission. Staff did review this information with Executive / Finance Committee on January 9, 2014. The Executive / Finance Committee did recommend approval of the October and November, 2013 financial statements to the Plan's Commission.

### **BACKGROUND / DISCUSSION**

The Plan has prepared the October and November 2013 financial packages, including balance sheets, income statements and statements of cash flows.

### **FISCAL IMPACT**

#### **Year-To-Date Results**

On a year-to-date basis through November, the Plan's net income is approximately \$6.9 million compared to \$6.3 million assumed in the budget. These operating results have contributed to a Tangible Net Equity (TNE) level of approximately \$18.8 million, which exceeds both the budget of \$13.5 million by \$5.3 million and the required TNE amount as of November 30<sup>th</sup> of \$11.0 million (68% of \$16.2 million) by \$7.8 million. As in prior reports, the Plan's TNE amount includes \$7.2 million in lines of credit with the County of Ventura.

#### **October & November Results**

Other items to note for the months include:

#### **Membership**

- October: The Plan's October membership was 120,391 and exceeded budget by 275 members. The overall membership mix for October, on percentage basis, remains the same as the budgeted membership mix.
- November: The Plan's November membership was 121,355 and exceeded budget by 1,208 members.

## Revenue

- October: Net revenue was \$28.6 million or \$1.2 million better than budget of \$27.4 million. On a per member per month (PMPM) basis, net revenue was \$237.62 PMPM which exceeded the budget of \$228.49 PMPM by \$9.12 PMPM.
- November: Net revenue was \$27.8 million or \$0.3 million better than budget of \$27.5 million. On a PMPM basis, net revenue was \$228.74 PMPM which exceeded the budget of \$228.49 PMPM by \$0.25 PMPM.

Primary drivers contributing to the variance for October and November are:

- Membership mix - revenues were approximately \$297,000 higher than budget for the month of November due to favorable membership mix.
- FY2013-14 State capitation rates – The State provided clarification regarding the rates which resulted in an approximate \$1.4 million increase in the month of October to account for additional revenue for July – October and additional reported revenue of approximately \$162,000 for the month of November.
- AB97 Provider Reductions - A reserve for \$0.3 million (approximately 1% of revenue) for the anticipated rate impact of the AB97 provider reductions was set up starting in October. It is expected that the State will (retroactively) reduce the Plan's rates beginning with October and through the end of the fiscal year. The budget assumed that the AB97 reduction would be approximately \$0.1 million, contributing to the monthly revenue variance. The actual value of the AB97 reductions is still pending final State rates for FY2013-14. In the meantime, the Plan has reserved for the higher rate reduction since that estimate was based on the most recent information provided by the State. In the month of November, reported revenue of approximately \$153,000 less than budget.

## Health Care Costs

- October: Health care costs for October were \$25.1 million or approximately \$1.3 million above budget. On a PMPM basis, reported health care costs for October were \$208.11 versus a budgeted amount of \$198.09. The primary driver of this variance is due to additional payments being made to several LTC/SNF facilities due (in part) by the fact that October was a month with five payment cycles (vs. four).
- November: Health care costs for November were \$24.4 million or approximately \$0.6 million above budget. On a PMPM basis, reported health care costs for November were \$200.70 versus a budgeted amount of \$198.07. Note that the Plan's budget assumed that at this point in the fiscal year, there would be a larger shift from fee-for-service to capitated contracts. This contracting change did not occur and is contributing to the savings in capitation and is partially offset by larger than budgeted amounts in the fee-for-service categories.

For both months, (as previously discussed) one of the Plan's major providers implemented an Electronic Health Records (EHR) system over the past summer which has led to changes in the Plan's claims volume. As the final impact is unknown at this time, the Plan has continued to estimate additional claims in developing the IBNP.

### Administrative Expenses

- October - Overall operational costs were approximately \$2.1 million or \$0.1 million above budget. The main reasons for the variance were:
  - Outside Services – ACS – The Plan has reflected an estimated accrual for ACS claims processing fees related to TLIC members that has not yet been invoiced. This includes \$113,000 of estimated expenses associated with the prior fiscal year and therefore not included in the current fiscal year budget.
  - Consulting Services – The Plan has incurred higher than budgeted consulting services, primarily for the State monitor.
  - Interest expense - During the month, ACS performed an upgrade to their medical claims processing system. The upgrade caused the system to overstate the amount of calculated interest expense by approximately \$80,000 for the month. ACS has since corrected the interest calculation issue and is in the process of recovering from those providers who were paid excess interest.

These increases were partially offset with savings from lower than forecasted personnel costs due to differences in timing of new hires versus that projected in the budget and delays in the occurrence of certain expected expenditures (e.g., Xerox SOC-1 audit, printing and mailings).

- November - Overall operational costs were approximately \$1.8 million or \$0.3 million better than budget. The main reasons for the variance were:
  - Salaries and Wages – expense was reclassified to correctly account for a temporary employee.
  - Outside Services ACS - savings of approximately \$153,000 resulted from lower than projected fees due to timing variances for certain mailings.
  - Legal – expenses for the month were above budget due to additional work being done primarily on provider contracting related to the Affordable Care Act changes.
  - Accounting & Actuarial Services and Consulting Services - Favorable variances due to actual invoices coming in below accruals that were booked in prior months. In addition, expenses for the State Monitor fees were lower than expected for the month.

Cash + Medi-Cal Receivable – The total of Cash and Medi-Cal Premium Receivable balances of \$84.4 million reported as of November 30, 2013 included a Hospital Quality Assurance Fee (HQAF) payment of \$5.7 million. It should be noted that the HQAF amount was disbursed as required in December 2013 to hospitals (per methodology received from the California Hospital Association). Excluding the impact of the HQAF payment and premium tax payable, the total of Cash and Medi-Cal Receivable balance as of November 30, 2013 was \$66.7 million or \$5.2 million better than the budgeted level of \$61.5 million.

Fixed Assets – As of the end of November, the Plan is in the final stages of installment of its new Medical Management System (MMS). The MMS system went live in early December 2013. The expected cost of the MMS is \$1.43 million and was approved by the Commission in June 2013 for the current fiscal year. Cost incurred to date for the project is approximately \$951,000.

### **RECOMMENDATION**

Staff proposes that the Plan's Commission approve and accept both the October and November, 2013 financial packages.

### **CONCURRENCE**

Executive / Finance Committee (01/09/2014)

### **Attachments**

October, 2013 Financial Package

November, 2013 Financial Package



## **FINANCIAL PACKAGE**

For the month ended November 30, 2013

### **TABLE OF CONTENTS**

- Financial Overview
- Membership
- Income Statement
- PMPM Income Statement by Month
- Total Expenditure Composition
- Paid Claims and IBNP Composition
- Pharmacy Cost & Utilization Trends
- Cash & Medi-Cal Receivable Trend

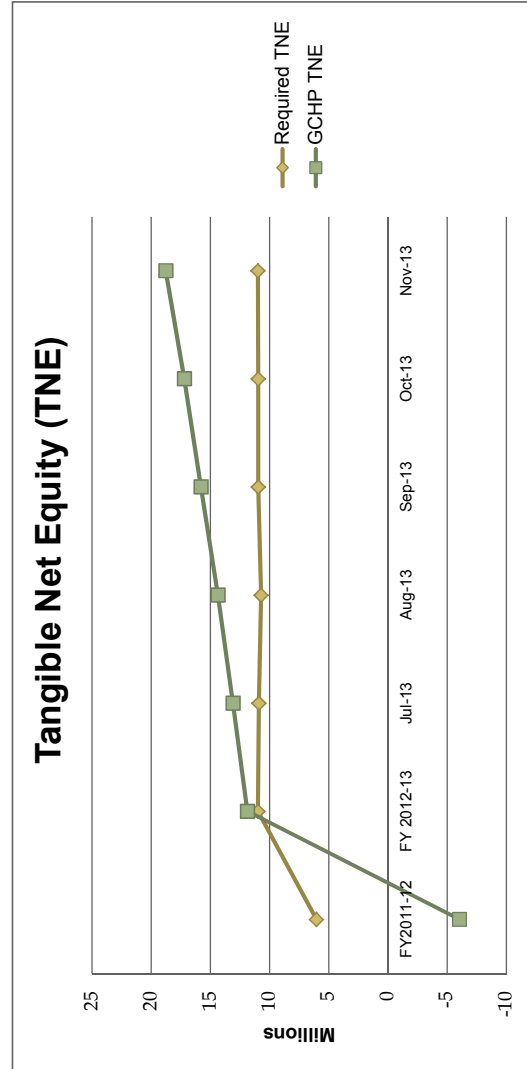
### **APPENDIX**

- Comparative Balance Sheet
- YTD Income Statement
- Statement of Cash Flows

## Financial Overview

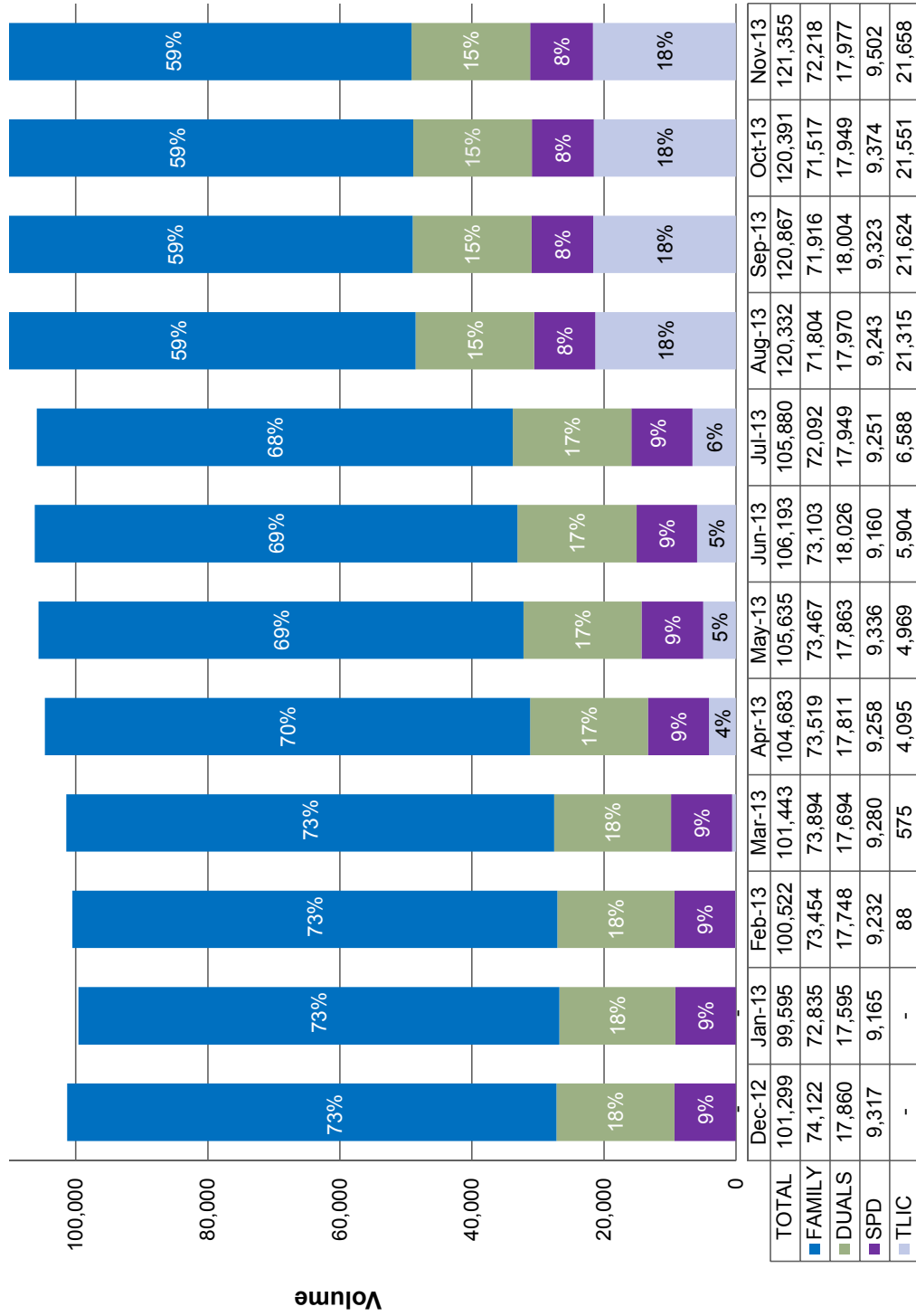
| Description               | UNAUDITED FY 2013-14 Actual |                    |                   |                   |                   |                   |                   |                    |                    |                      | Budget Comparison      |  |
|---------------------------|-----------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|----------------------|------------------------|--|
|                           | AUDITED                     | AUDITED            | Jul-13            | Aug-13            | Sep-13            | Oct-13            | Nov-13            | YTD                | Budget YTD         | Variance Fav/(Unfav) | Variance Fav/(Unfav) % |  |
| <b>Member Months</b>      | <b>FY2011-12</b>            | <b>FY 2012-13</b>  | 105,880           | 120,332           | 120,867           | 120,391           | 121,355           | 588,825            | 585,367            | 3,458                | 0.6 %                  |  |
| <b>Revenue</b>            | <b>304,635,932</b>          | <b>315,119,611</b> | <b>26,680,808</b> | <b>26,724,574</b> | <b>28,583,327</b> | <b>28,606,892</b> | <b>27,758,615</b> | <b>138,354,216</b> | <b>136,020,763</b> | <b>2,333,452</b>     | <b>1.7 %</b>           |  |
| <i>pmpm</i>               | 242.12                      | 257.47             | 251.99            | 222.09            | 236.49            | 237.62            | 228.74            | 234.97             | 232.37             | 2.60                 | 1.1 %                  |  |
| <b>Health Care Costs</b>  | <b>287,353,672</b>          | <b>280,382,704</b> | <b>23,496,673</b> | <b>23,572,589</b> | <b>24,806,270</b> | <b>25,054,919</b> | <b>24,356,007</b> | <b>121,286,459</b> | <b>119,454,504</b> | <b>(1,831,955)</b>   | <b>(1.5)%</b>          |  |
| <i>pmpm</i>               | 228.39                      | 229.09             | 221.92            | 195.90            | 205.24            | 208.11            | 200.70            | 205.98             | 204.07             | (1.91)               | (0.9)%                 |  |
| <b>% of Revenue</b>       | 94.3%                       | 89.0%              | 88.1%             | 88.2%             | 86.8%             | 87.6%             | 87.7%             | 87.7%              | 87.8%              | -0.2%                | -0.2%                  |  |
| <b>Admin Exp</b>          | <b>18,891,320</b>           | <b>24,013,927</b>  | <b>1,968,367</b>  | <b>1,892,167</b>  | <b>2,341,473</b>  | <b>2,141,010</b>  | <b>1,833,810</b>  | <b>10,176,827</b>  | <b>10,283,158</b>  | <b>106,331</b>       | <b>1.0 %</b>           |  |
| <i>pmpm</i>               | 15.01                       | 19.62              | 18.59             | 15.72             | 19.37             | 17.78             | 15.11             | 17.28              | 17.57              | 0.28                 | 1.6 %                  |  |
| <b>% of Revenue</b>       | 6.2%                        | 7.6%               | 7.4%              | 7.1%              | 8.2%              | 7.5%              | 6.6%              | 7.4%               | 7.6%               | 0.2%                 | 2.7%                   |  |
| <b>Net Income</b>         | <b>(1,609,063)</b>          | <b>10,722,980</b>  | <b>1,215,767</b>  | <b>1,259,818</b>  | <b>1,435,584</b>  | <b>1,410,963</b>  | <b>1,568,798</b>  | <b>6,890,930</b>   | <b>6,283,102</b>   | <b>607,828</b>       | <b>9.7 %</b>           |  |
| <i>pmpm</i>               | (1.28)                      | 8.76               | 11.48             | 10.47             | 11.88             | 11.72             | 12.93             | 11.70              | 10.73              | 0.97                 | 9.0 %                  |  |
| <b>% of Revenue</b>       | -0.5%                       | 3.4%               | 4.6%              | 4.7%              | 5.0%              | 4.9%              | 5.7%              | 5.0%               | 4.6%               | 0.4%                 | 7.8%                   |  |
| 100% TNE                  | 16,769,368                  | 16,138,440         | 16,035,509        | 15,766,043        | 16,112,437        | 16,107,422        | 16,188,860        | 16,168,860         | 15,691,992         | 476,868              | 3.0 %                  |  |
| Required TNE              | 6,036,972                   | 10,974,139         | 10,904,146        | 10,720,909        | 10,956,457        | 10,953,047        | 10,994,825        | 10,994,825         | 10,670,555         | 324,270              | 3.0 %                  |  |
| <b>GCHP TNE</b>           | <b>(6,031,881)</b>          | <b>11,891,099</b>  | <b>13,106,866</b> | <b>14,366,684</b> | <b>15,802,268</b> | <b>17,213,231</b> | <b>18,782,029</b> | <b>18,782,029</b>  | <b>13,452,892</b>  | <b>5,329,137</b>     | <b>39.6 %</b>          |  |
| TNE Excess / (Deficiency) | (12,068,853)                | 916,960            | 2,202,720         | 3,645,775         | 4,845,810         | 6,260,184         | 7,787,204         | 7,787,204          | 2,782,338          | 5,004,867            | 179.9 %                |  |

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





### Membership - Rolling 12 Months



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

## Income Statement Monthly Trend

|   | 2014 Actual Monthly Trend |                     |                     |                     | Current Month       |                     |                    |
|---|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|
|   | JUL 2013                  | AUG 2013            | SEP 2013            | OCT 2013            | NOV 2013            |                     | Variance           |
|   |                           |                     |                     |                     | Actual              | Budget              | Fav/(Unfav)        |
| <b>Membership (includes retro members)</b>    | 105,880                   | 120,332             | 120,867             | 120,391             | 121,355             | 120,147             | 1,208              |
| <b>Revenue:</b>                               |                           |                     |                     |                     |                     |                     |                    |
| Premium                                       | \$ 27,686,491             | \$ 27,789,352       | \$ 29,602,003       | \$ 29,980,945       | \$ 29,108,732       | \$ 27,535,250       | \$ 1,573,482       |
| Reserve for Rate Reduction                    | -                         | -                   | -                   | (278,508)           | (282,654)           | (129,267)           | (153,387)          |
| MCO Premium Tax                               | (1,053,211)               | (1,110,416)         | (1,068,828)         | (1,149,386)         | (1,114,454)         | -                   | (1,114,454)        |
| <b>Total Net Premium</b>                      | <b>26,633,279</b>         | <b>26,678,936</b>   | <b>28,533,175</b>   | <b>28,553,050</b>   | <b>27,711,624</b>   | <b>27,405,983</b>   | <b>305,641</b>     |
| <b>Other Revenue:</b>                         |                           |                     |                     |                     |                     |                     |                    |
| Interest Income                               | 9,195                     | 7,304               | 11,819              | 15,509              | 8,658               | 8,261               | 397                |
| Miscellaneous Income                          | 38,333                    | 38,333              | 38,333              | 38,333              | 38,333              | 38,333              | 0                  |
| <b>Total Other Revenue</b>                    | <b>47,529</b>             | <b>45,637</b>       | <b>50,152</b>       | <b>53,842</b>       | <b>46,991</b>       | <b>46,594</b>       | <b>398</b>         |
| <b>Total Revenue</b>                          | <b>26,680,808</b>         | <b>26,724,574</b>   | <b>28,583,327</b>   | <b>28,606,892</b>   | <b>27,758,615</b>   | <b>27,452,577</b>   | <b>306,039</b>     |
| <b>Medical Expenses:</b>                      |                           |                     |                     |                     |                     |                     |                    |
| Capitation (PCP, Specialty, NEMT & Visio      | 1,270,073                 | 1,507,335           | 1,533,277           | 1,597,311           | 1,616,715           | 3,461,932           | 1,845,217          |
| <b>FFS Claims Expenses:</b>                   |                           |                     |                     |                     |                     |                     |                    |
| Inpatient                                     | 4,807,217                 | 4,512,661           | 5,531,725           | 5,200,045           | 4,229,618           | 4,028,746           | (200,872)          |
| LTC/SNF                                       | 6,238,672                 | 7,333,312           | 6,003,374           | 8,189,391           | 7,051,854           | 6,323,916           | (727,938)          |
| Outpatient                                    | 2,882,860                 | 2,955,457           | 2,281,073           | 2,762,602           | 3,112,769           | 2,544,167           | (568,602)          |
| Laboratory and Radiology                      | 222,454                   | 113,377             | 96,573              | 101,182             | 149,563             | 85,819              | (63,744)           |
| Emergency Room                                | 745,797                   | 497,008             | 803,936             | 847,968             | 788,033             | 710,200             | (77,833)           |
| Physician Specialty                           | 2,033,957                 | 1,479,169           | 1,725,887           | 1,575,483           | 1,903,339           | 1,704,228           | (199,111)          |
| Pharmacy                                      | 3,126,910                 | 3,253,505           | 3,172,116           | 3,599,699           | 3,026,831           | 2,483,717           | (543,114)          |
| Other Medical Professional                    | 169,903                   | 118,201             | 249,684             | 25,851              | 153,013             | 112,856             | (40,157)           |
| Other Medical Care                            | -                         | -                   | 1,621               | -                   | -                   | -                   | -                  |
| Other Fee For Service                         | 1,137,610                 | 1,235,873           | 2,100,151           | 1,998,727           | 1,800,032           | 1,383,615           | (416,417)          |
| Transportation                                | 40,124                    | 35,404              | 178,553             | 73,220              | 88,442              | 70,947              | (17,495)           |
| <b>Total Claims</b>                           | <b>21,405,504</b>         | <b>21,533,967</b>   | <b>22,144,693</b>   | <b>24,374,168</b>   | <b>22,303,494</b>   | <b>19,448,212</b>   | <b>(2,855,282)</b> |
| Medical & Care Management Expense             | 742,126                   | 730,967             | 746,163             | 738,701             | 722,455             | 703,456             | (18,999)           |
| Reinsurance                                   | 259,745                   | 258,884             | 277,448             | (1,222,910)         | 277,386             | 183,824             | (93,562)           |
| Claims Recoveries                             | (180,775)                 | (458,563)           | 104,688             | (432,352)           | (564,043)           | -                   | 564,043            |
| <b>Sub-total</b>                              | <b>821,096</b>            | <b>531,288</b>      | <b>1,128,300</b>    | <b>(916,560)</b>    | <b>435,798</b>      | <b>887,280</b>      | <b>451,482</b>     |
| <b>Total Cost of Health Care</b>              | <b>23,496,673</b>         | <b>23,572,589</b>   | <b>24,806,270</b>   | <b>25,054,919</b>   | <b>24,356,007</b>   | <b>23,797,425</b>   | <b>(558,583)</b>   |
| <b>Contribution Margin</b>                    | <b>3,184,135</b>          | <b>3,151,984</b>    | <b>3,777,057</b>    | <b>3,551,973</b>    | <b>3,402,608</b>    | <b>3,655,152</b>    | <b>(252,544)</b>   |
| <b>General &amp; Administrative Expenses:</b> |                           |                     |                     |                     |                     |                     |                    |
| Salaries and Wages                            | 562,828                   | 420,641             | 453,818             | 497,163             | 575,414             | 550,503             | (24,911)           |
| Payroll Taxes and Benefits                    | 123,309                   | 112,105             | 114,103             | 119,840             | 124,386             | 140,966             | 16,580             |
| Travel and Training                           | 3,630                     | 5,840               | 10,686              | 13,879              | 10,975              | 11,428              | 453                |
| Outside Service - ACS                         | 852,085                   | 880,703             | 1,190,847           | 958,836             | 912,065             | 1,065,265           | 153,200            |
| Outside Services - Other                      | 16,447                    | 49,938              | 33,271              | 24,974              | 757                 | 21,707              | 20,950             |
| Accounting & Actuarial Services               | 44,003                    | 20,164              | 46,568              | 70,000              | (71,621)            | 23,333              | 94,954             |
| Legal   | 57,931                    | 26,462              | 54,932              | 45,876              | 67,706              | 30,400              | (37,306)           |
| Insurance                                     | 11,838                    | 9,972               | 12,517              | 12,057              | 13,138              | 10,792              | (2,346)            |
| Lease Expense - Office                        | 25,980                    | 28,480              | 28,480              | 22,503              | 28,480              | 25,980              | (2,500)            |
| Consulting Services                           | 172,165                   | 201,612             | 264,998             | 118,908             | (17,517)            | 90,250              | 107,767            |
| Translation Services                          | 4,878                     | 2,788               | 2,778               | 4,225               | 1,638               | 2,917               | 1,279              |
| Advertising and Promotion                     | 4,080                     | 14,120              | -                   | -                   | 3,985               | 11,460              | 7,475              |
| General Office                                | 63,357                    | 88,394              | 77,654              | 100,062             | 98,180              | 94,806              | (3,374)            |
| Depreciation & Amortization                   | 5,235                     | 5,235               | 6,492               | 7,015               | 7,015               | 6,864               | (151)              |
| Printing                                      | 2,628                     | 1,418               | 5,605               | 26,510              | 20,347              | 5,428               | (14,919)           |
| Shipping & Postage                            | 41                        | 219                 | 1,016               | 11,395              | 13,389              | 2,725               | (10,664)           |
| Interest                                      | 17,933                    | 24,076              | 37,708              | 107,768             | 45,473              | 9,279               | (36,194)           |
| <b>Total G &amp; A Expenses</b>               | <b>1,968,367</b>          | <b>1,892,167</b>    | <b>2,341,473</b>    | <b>2,141,010</b>    | <b>1,833,810</b>    | <b>2,104,103</b>    | <b>270,294</b>     |
| <b>Net Income / (Loss)</b>                    | <b>\$ 1,215,767</b>       | <b>\$ 1,259,818</b> | <b>\$ 1,435,584</b> | <b>\$ 1,410,963</b> | <b>\$ 1,568,798</b> | <b>\$ 1,551,049</b> | <b>\$ 17,749</b>   |

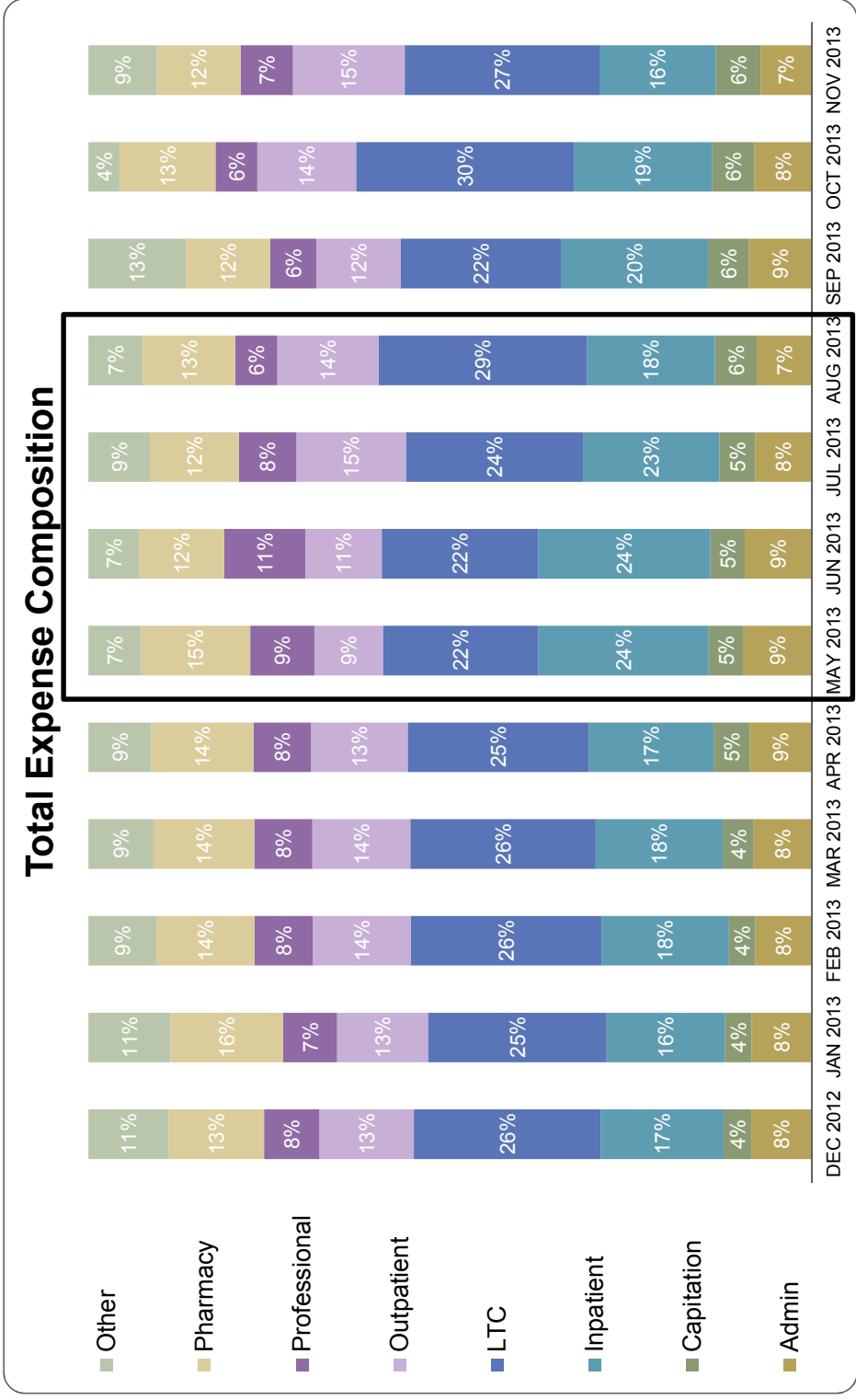
## MPPM Income Statement Comparison

|   | 2014 Actual Monthly Trend |               |               |               | Nov '13 Month-To-Date |               | Variance       |
|---|---------------------------|---------------|---------------|---------------|-----------------------|---------------|----------------|
|   | JUL 2013                  | AUG 2013      | SEP 2013      | OCT 2013      | Actual                | Budget        | Fav/(Unfav)    |
| <b>Membership (includes retro members)</b>    | 105,880                   | 120,332       | 120,867       | 120,391       | 121,355               | 120,147       | 1,208          |
| <b>Revenue:</b>                               |                           |               |               |               |                       |               |                |
| Premium                                       | 261.49                    | 230.94        | 244.91        | 249.03        | 239.86                | 229.18        | 10.68          |
| Reserve for Rate Reduction                    | -                         | -             | -             | (2.31)        | (2.33)                | (1.08)        | (1.25)         |
| MCO Premium Tax                               | (9.95)                    | (9.23)        | (8.84)        | (9.55)        | (9.18)                | -             | (9.18)         |
| <b>Total Net Premium</b>                      | <b>251.54</b>             | <b>221.71</b> | <b>236.07</b> | <b>237.17</b> | <b>228.35</b>         | <b>228.10</b> | <b>0.25</b>    |
| <b>Other Revenue:</b>                         |                           |               |               |               |                       |               |                |
| Interest Income                               | 0.09                      | 0.06          | 0.10          | 0.13          | 0.07                  | 0.07          | 0.00           |
| Miscellaneous Income                          | 0.36                      | 0.32          | 0.32          | 0.32          | 0.32                  | 0.32          | (0.00)         |
| <b>Total Other Revenue</b>                    | <b>0.45</b>               | <b>0.38</b>   | <b>0.41</b>   | <b>0.45</b>   | <b>0.39</b>           | <b>0.46</b>   | <b>(0.07)</b>  |
| <b>Total Revenue</b>                          | <b>251.99</b>             | <b>222.09</b> | <b>236.49</b> | <b>237.62</b> | <b>228.74</b>         | <b>228.49</b> | <b>0.25</b>    |
| <b>Medical Expenses:</b>                      |                           |               |               |               |                       |               |                |
| Capitation (PCP, Specialty, NEMT & Visio      | 12.00                     | 12.53         | 12.69         | 13.27         | 13.32                 | 28.81         | (15.49)        |
| <b>FFS Claims Expenses:</b>                   |                           |               |               |               |                       |               |                |
| Inpatient                                     | 45.40                     | 37.50         | 45.77         | 43.19         | 34.85                 | 33.53         | (1.32)         |
| LTC/SNF                                       | 58.92                     | 60.94         | 49.67         | 68.02         | 58.11                 | 52.64         | (5.47)         |
| Outpatient                                    | 27.23                     | 24.56         | 18.87         | 22.95         | 25.65                 | 21.18         | (4.47)         |
| Laboratory and Radiology                      | 2.10                      | 0.94          | 0.80          | 0.84          | 1.23                  | 0.71          | (0.52)         |
| Emergency Room                                | 7.04                      | 4.13          | 6.65          | 7.04          | 6.49                  | 5.91          | (0.58)         |
| Physician Specialty                           | 19.21                     | 12.29         | 14.28         | 13.09         | 15.68                 | 14.18         | (1.50)         |
| Pharmacy                                      | 29.53                     | 27.04         | 26.24         | 29.90         | 24.94                 | 20.67         | (4.27)         |
| Other Medical Professional                    | 1.60                      | 0.98          | 2.07          | 0.21          | 1.26                  | 0.94          | (0.32)         |
| Other Medical Care                            | -                         | -             | 0.01          | -             | -                     | -             | -              |
| Other Fee For Service                         | 10.74                     | 10.27         | 17.38         | 16.60         | 14.83                 | 11.52         | (3.32)         |
| Transportation                                | 0.38                      | 0.29          | 1.48          | 0.61          | 0.73                  | 0.59          | (0.14)         |
| <b>Total Claims</b>                           | <b>202.17</b>             | <b>178.95</b> | <b>183.22</b> | <b>202.46</b> | <b>183.79</b>         | <b>161.87</b> | <b>(21.92)</b> |
| Medical & Care Management Expense             | 7.01                      | 6.07          | 6.17          | 6.14          | 5.95                  | 5.85          | (0.10)         |
| Reinsurance                                   | 2.45                      | 2.15          | 2.30          | (10.16)       | 2.29                  | 1.53          | (0.76)         |
| Claims Recoveries                             | (1.71)                    | (3.81)        | 0.87          | (3.59)        | (4.65)                | -             | 4.65           |
| Sub-total                                     | 7.75                      | 4.42          | 9.34          | (7.61)        | 3.59                  | 8.77          | 5.18           |
| <b>Total Cost of Health Care</b>              | <b>221.92</b>             | <b>195.90</b> | <b>205.24</b> | <b>208.11</b> | <b>200.70</b>         | <b>198.07</b> | <b>(2.63)</b>  |
| <b>Contribution Margin</b>                    | <b>30.07</b>              | <b>26.19</b>  | <b>31.25</b>  | <b>29.50</b>  | <b>28.04</b>          | <b>30.42</b>  | <b>(2.38)</b>  |
| <b>General &amp; Administrative Expenses:</b> |                           |               |               |               |                       |               |                |
| Salaries and Wages                            | 5.32                      | 3.50          | 3.75          | 4.13          | 4.74                  | 4.58          | (0.16)         |
| Payroll Taxes and Benefits                    | 1.16                      | 0.93          | 0.94          | 1.00          | 1.02                  | 1.17          | 0.15           |
| Travel and Training                           | 0.03                      | 0.05          | 0.09          | 0.12          | 0.09                  | 0.10          | 0.00           |
| Outside Service - ACS                         | 8.05                      | 7.32          | 9.85          | 7.96          | 7.52                  | 8.87          | 1.35           |
| Outside Services - Other                      | 0.16                      | 0.41          | 0.28          | 0.21          | 0.01                  | 0.18          | 0.17           |
| Accounting & Actuarial Services               | 0.42                      | 0.17          | 0.39          | 0.58          | (0.59)                | 0.19          | 0.78           |
| Legal   | 0.55                      | 0.22          | 0.45          | 0.38          | 0.56                  | 0.25          | (0.30)         |
| Insurance                                     | 0.11                      | 0.08          | 0.10          | 0.10          | 0.11                  | 0.09          | (0.02)         |
| Lease Expense - Office                        | 0.25                      | 0.24          | 0.24          | 0.19          | 0.23                  | 0.22          | (0.02)         |
| Consulting Services                           | 1.63                      | 1.68          | 2.19          | 0.99          | (0.14)                | 0.75          | 0.90           |
| Translation Services                          | 0.05                      | 0.02          | 0.02          | 0.04          | 0.01                  | 0.02          | 0.01           |
| Advertising and Promotion                     | 0.04                      | 0.12          | -             | -             | 0.03                  | 0.10          | 0.06           |
| General Office                                | 0.60                      | 0.73          | 0.64          | 0.83          | 0.81                  | 0.79          | (0.02)         |
| Depreciation & Amortization                   | 0.05                      | 0.04          | 0.05          | 0.06          | 0.06                  | 0.06          | (0.00)         |
| Printing                                      | 0.02                      | 0.01          | 0.05          | 0.22          | 0.17                  | 0.05          | (0.12)         |
| Shipping & Postage                            | 0.00                      | 0.00          | 0.01          | 0.09          | 0.11                  | 0.02          | (0.09)         |
| Interest                                      | 0.17                      | 0.20          | 0.31          | 0.90          | 0.37                  | 0.08          | (0.30)         |
| <b>Total G &amp; A Expenses</b>               | <b>18.59</b>              | <b>15.72</b>  | <b>19.37</b>  | <b>17.78</b>  | <b>15.11</b>          | <b>17.51</b>  | <b>2.40</b>    |
| <b>Net Income / (Loss)</b>                    | <b>11.48</b>              | <b>10.47</b>  | <b>11.88</b>  | <b>11.72</b>  | <b>12.93</b>          | <b>12.91</b>  | <b>0.02</b>    |

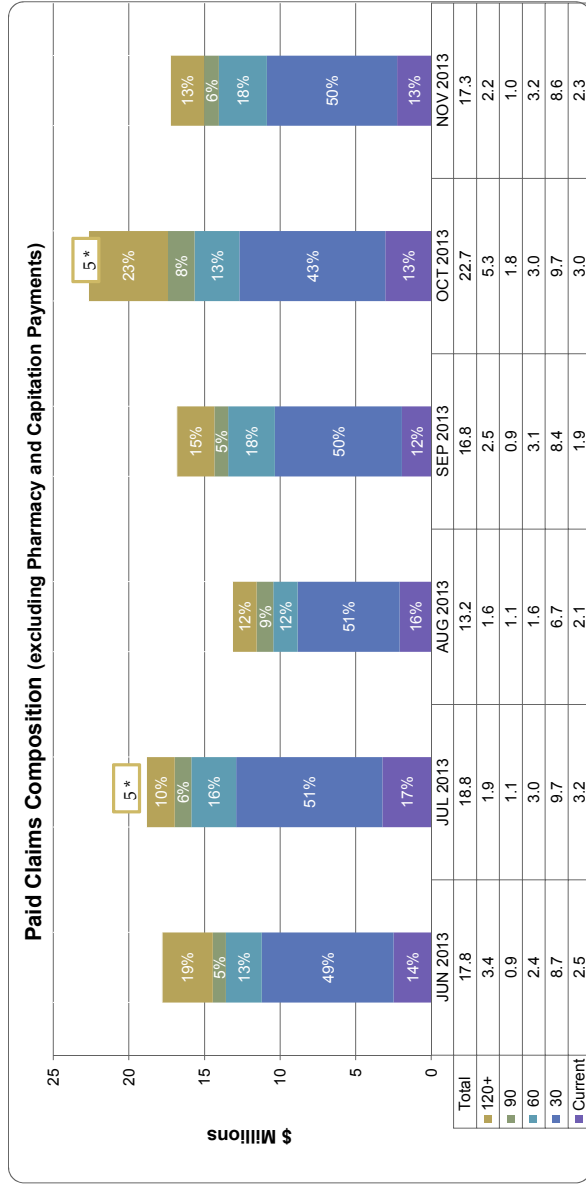


## **APPENDIX**

- Comparative Balance Sheet
- YTD Income Statement
- Monthly Statement of Cash Flows

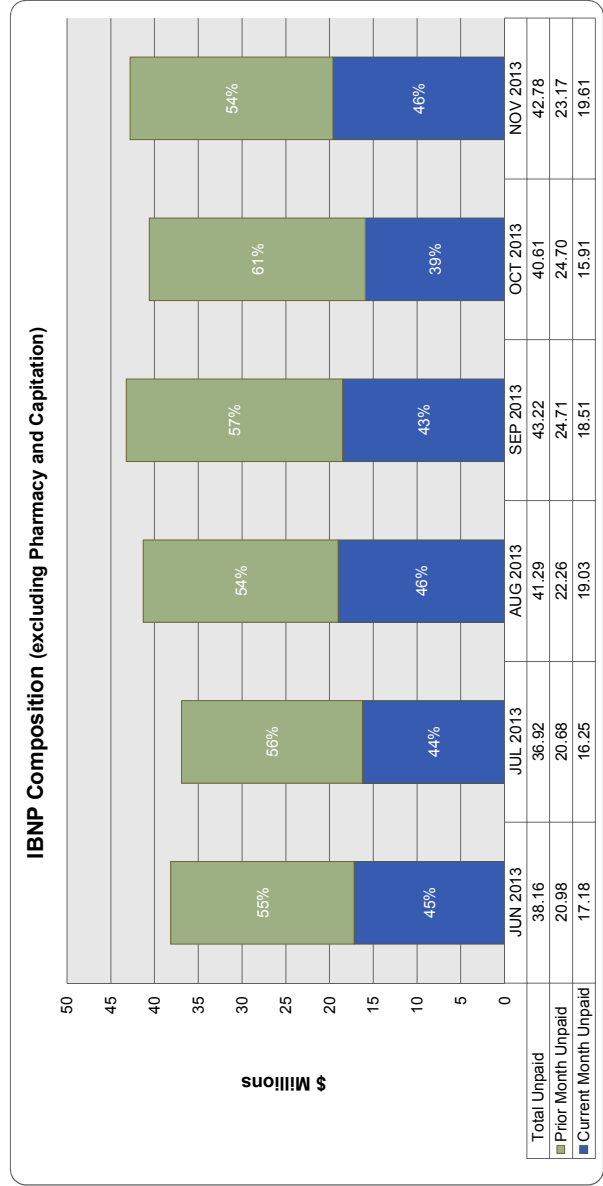


In May, GCHP changed its method of distributing Health Care Costs (HCC) across categories of service. Prior months utilized an allocation methodology. The methodology was updated to utilize payment information by different categories of services. Further changes have been made with the assumption of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



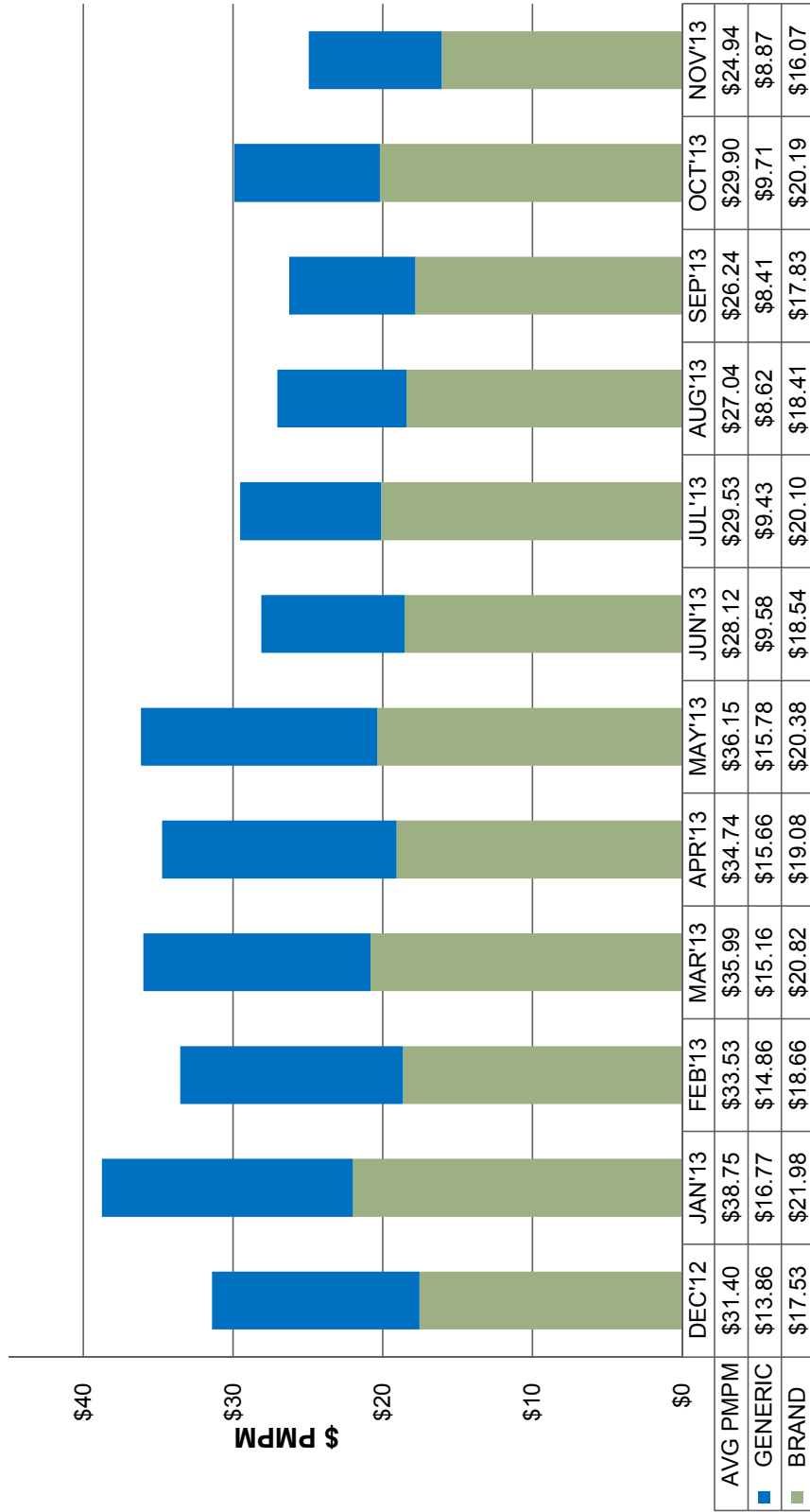
**Note: Paid Claims Composition** - reflects adjusted medical claims payment lag schedule.

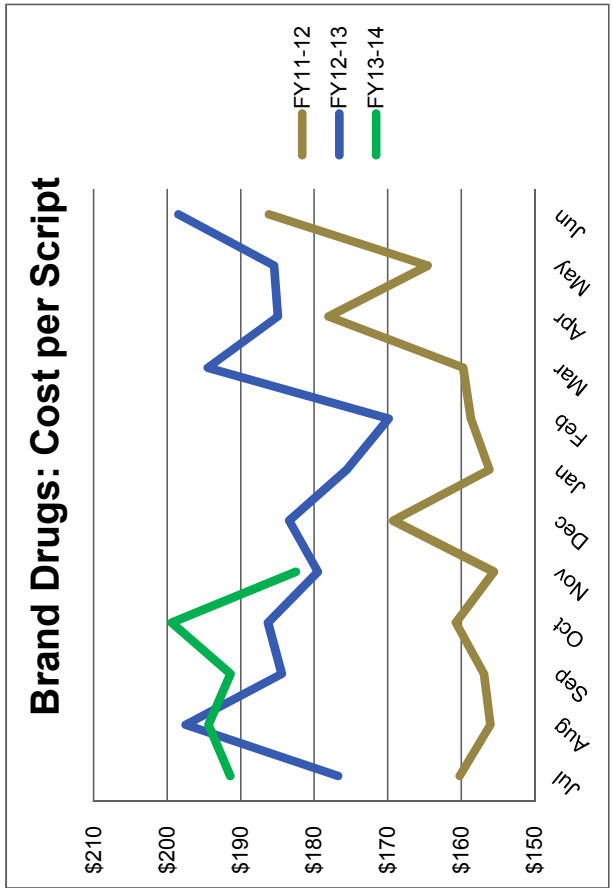
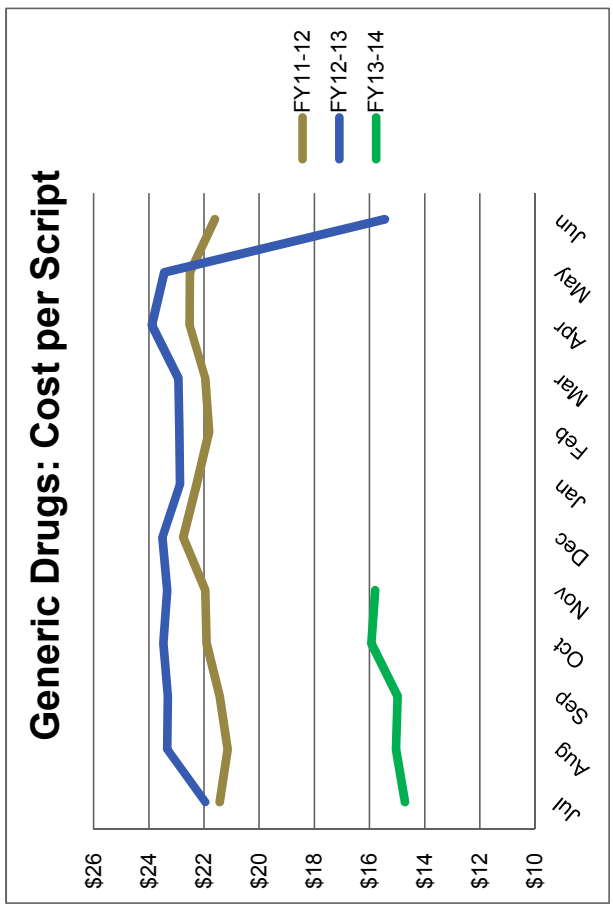
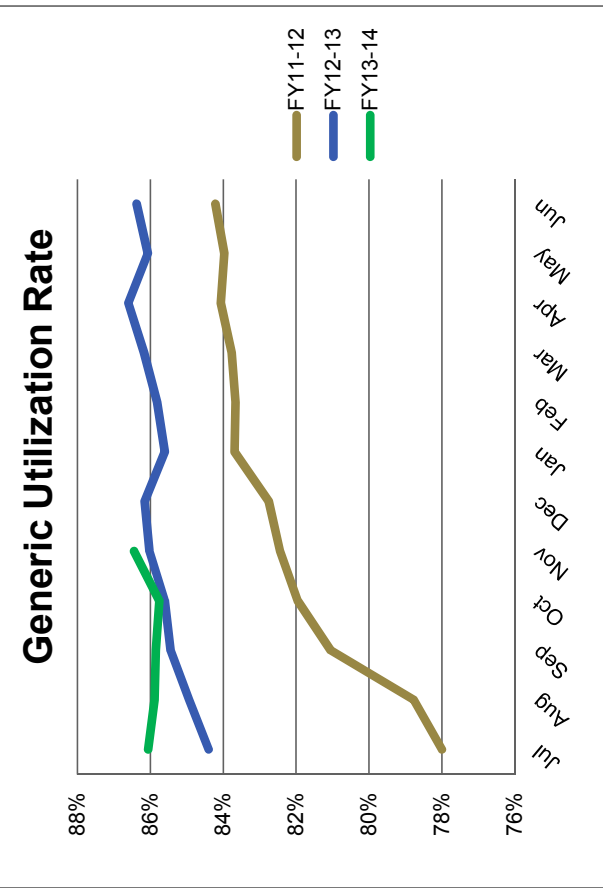
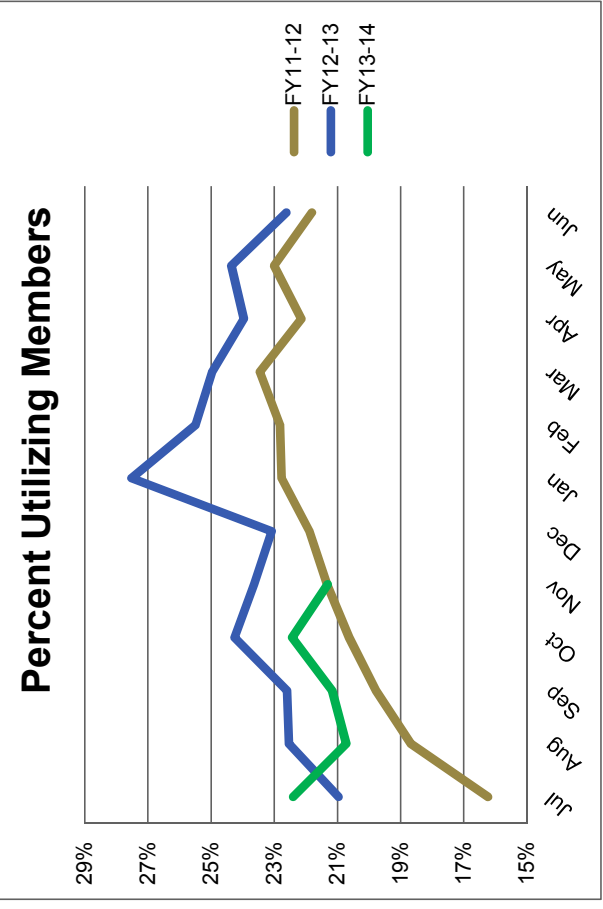
\* Months indicated with 5\* represent months for which there were 5 claim payments. For all other months, 4 claim payments were made.



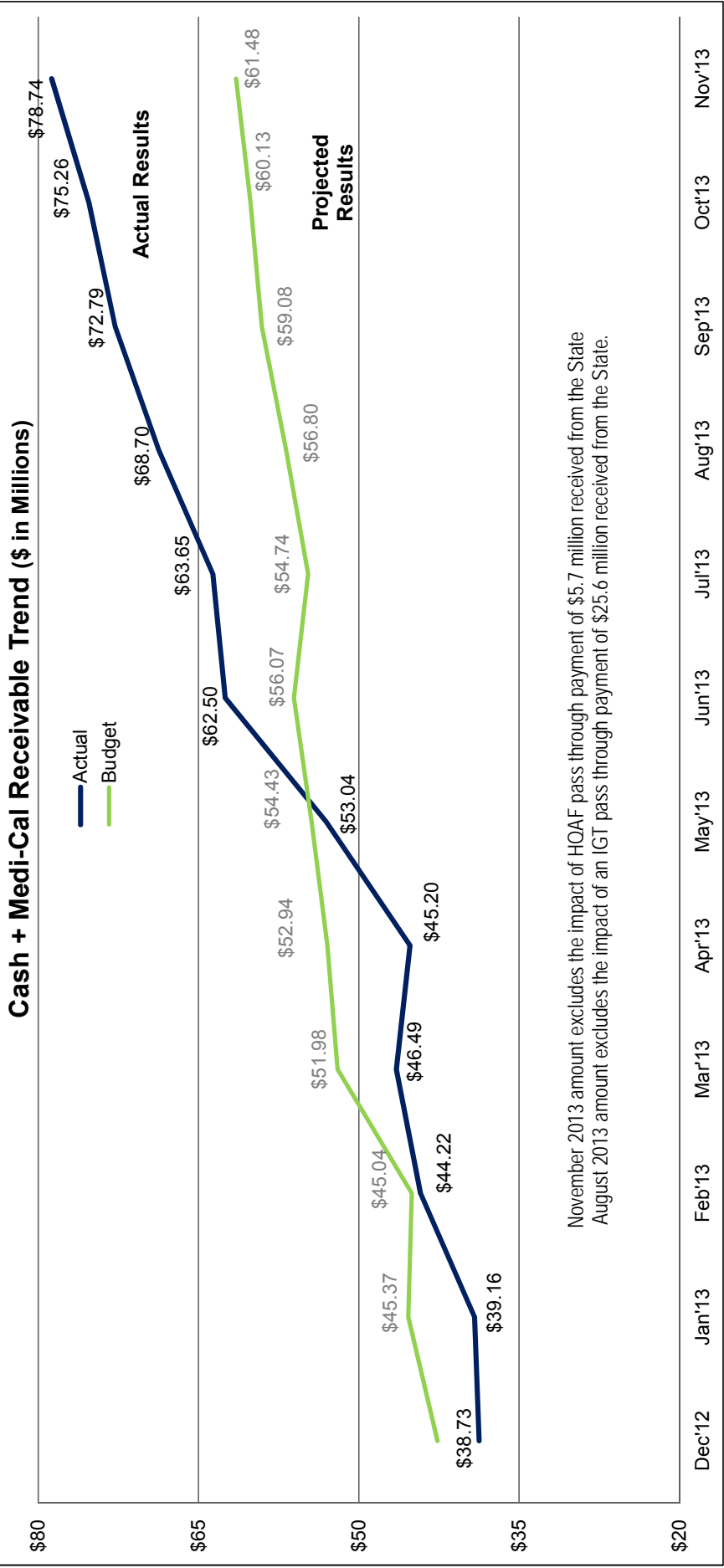
**Note: IBNP Composition** - reflects updated medical cost reserve calculation plus total system claims payable.

### Pharmacy Cost Trend









## Comparative Balance Sheet

|   | 11/30/13             | 10/31/13             | Audited FY<br>2012-13 |
|---|----------------------|----------------------|-----------------------|
| <b>ASSETS</b>                               |                      |                      |                       |
| <b>Current Assets</b>                       |                      |                      |                       |
| <b>Total Cash and Cash Equivalents</b>      | <b>42,991,440</b>    | <b>35,064,697</b>    | <b>\$ 50,817,760</b>  |
| Medi-Cal Receivable                         | 41,443,995           | 40,198,101           | 11,683,076            |
| Provider Receivable                         | 891,907              | 594,715              | 1,161,379             |
| Other Receivables                           | 198,749              | 197,833              | 300,397               |
| <b>Total Accounts Receivable</b>            | <b>42,534,651</b>    | <b>40,990,650</b>    | <b>13,144,852</b>     |
| Total Prepaid Accounts                      | 1,352,582            | 1,326,804            | 324,419               |
| Total Other Current Assets                  | 89,079               | 10,000               | 10,000                |
| <b>Total Current Assets</b>                 | <b>86,967,753</b>    | <b>77,392,151</b>    | <b>\$ 64,297,030</b>  |
| <b>Total Fixed Assets</b>                   | <b>1,172,491</b>     | <b>1,010,455</b>     | <b>230,913</b>        |
| <b>Total Assets</b>                         | <b>88,140,244</b>    | <b>78,402,606</b>    | <b>\$ 64,527,943</b>  |
| <b>LIABILITIES &amp; FUND BALANCE</b>       |                      |                      |                       |
| <b>Current Liabilities</b>                  |                      |                      |                       |
| Incurring But Not Reported                  | \$ 38,692,742        | \$ 36,689,172        | \$ 29,901,103         |
| Claims Payable                              | \$ 5,804,043         | \$ 6,639,790         | 9,748,676             |
| Capitation Payable                          | \$ 1,332,849         | \$ 1,309,304         | 1,002,623             |
| Accrued Premium Reduction                   | \$ 561,162           | \$ 278,508           | -                     |
| Accounts Payable                            | \$ 1,908,253         | \$ 1,612,082         | 1,751,419             |
| Accrued ACS                                 | \$ 1,133,907         | \$ 1,230,668         | 422,138               |
| Accrued Expenses                            | \$ 6,247,863         | \$ 891,515           | 477,477               |
| Accrued Premium Tax                         | \$ 12,007,489        | \$ 10,893,035        | 7,337,759             |
| Accrued Interest Payable                    | \$ 24,626            | \$ 21,682            | 9,712                 |
| Current Portion of Deferred Revenue         | \$ 460,000           | \$ 460,000           | 460,000               |
| Accrued Payroll Expense                     | \$ 456,947           | \$ 396,952           | 605,937               |
| Current Portion Of Long Term Debt           | \$ -                 | \$ -                 | (0)                   |
| <b>Total Current Liabilities</b>            | <b>\$ 68,629,880</b> | <b>\$ 60,422,707</b> | <b>\$ 51,716,843</b>  |
| <b>Long-Term Liabilities</b>                |                      |                      |                       |
| Deferred Revenue - Long Term Portion        | \$ 728,333           | \$ 766,667           | 920,000               |
| Notes Payable                               | \$ 7,200,000         | \$ 7,200,000         | 7,200,000             |
| <b>Total Long-Term Liabilities</b>          | <b>\$ 7,928,333</b>  | <b>\$ 7,966,667</b>  | <b>8,120,000</b>      |
| <b>Total Liabilities</b>                    | <b>\$ 76,558,213</b> | <b>\$ 68,389,373</b> | <b>\$ 59,836,843</b>  |
| Beginning Fund Balance                      | \$ 4,691,101         | \$ 4,691,101         | (6,031,881)           |
| Net Income Current Year                     | \$ 6,890,930         | \$ 5,322,132         | 10,722,981            |
| <b>Total Fund Balance</b>                   | <b>\$ 11,582,031</b> | <b>\$ 10,013,233</b> | <b>4,691,100</b>      |
| <b>Total Liabilities &amp; Fund Balance</b> | <b>\$ 88,140,244</b> | <b>\$ 78,402,606</b> | <b>\$ 64,527,943</b>  |

### FINANCIAL INDICATORS

|   |          |          |          |
|---|----------|----------|----------|
| Current Ratio                           | 1.27 : 1 | 1.28 : 1 | 1.24 : 1 |
| Days Cash on Hand                       | 49       | 39       | 58       |
| Days Cash + State Capitation Receivable | 97       | 83       | 72       |

**Income Statement**  
**For The Five Months Ended November 30, 2013**

|   | Nov'13 Year-To-Date |                     | Variance           |
|---|---------------------|---------------------|--------------------|
|   | Actual              | Budget              | Fav/(Unfav)        |
| <b>Membership (includes retro members)</b>            | 588,825             | 585,367             | 3,458              |
| <b>Revenue:</b>                                       |                     |                     |                    |
| Premium   | \$ 144,167,522      | \$ 136,434,179      | \$ 7,733,343       |
| Reserve for Rate Reduction                            | (561,162)           | (646,011)           | 84,849             |
| MCO Premium Tax                                       | (5,496,295)         | -                   | (5,496,295)        |
| <b>Total Net Premium</b>                              | <b>138,110,065</b>  | <b>135,788,168</b>  | <b>2,321,896</b>   |
| <b>Other Revenue:</b>                                 |                     |                     |                    |
| Interest Income                                       | 52,485              | 40,930              | 11,554             |
| Miscellaneous Income                                  | 191,667             | 191,665             | 2                  |
| <b>Total Other Revenue</b>                            | <b>244,151</b>      | <b>232,595</b>      | <b>11,556</b>      |
| <b>Total Revenue</b>                                  | <b>138,354,216</b>  | <b>136,020,763</b>  | <b>2,333,452</b>   |
| <b>Medical Expenses:</b>                              |                     |                     |                    |
| <u>Capitation (PCP, Specialty, NEMT &amp; Vision)</u> | 7,524,711           | 9,645,466           | 2,120,754          |
| <u>FFS Claims Expenses:</u>                           |                     |                     |                    |
| Inpatient   | 24,281,266          | 21,407,969          | (2,873,297)        |
| LTC/SNF   | 34,816,603          | 33,604,053          | (1,212,550)        |
| Outpatient  | 13,994,761          | 13,519,207          | (475,554)          |
| Laboratory and Radiology                              | 683,149             | 456,028             | (227,121)          |
| Emergency Room  | 3,682,742           | 3,773,866           | 91,124             |
| Physician Specialty                                   | 8,717,835           | 9,055,932           | 338,097            |
| Pharmacy  | 16,179,061          | 15,233,074          | (945,987)          |
| Other Medical Professional                            | 716,652             | 599,695             | (116,957)          |
| Other Medical Care                                    | 1,621               | -                   | (1,621)            |
| Other Fee For Service                                 | 8,272,393           | 7,352,262           | (920,131)          |
| Transportation  | 415,743             | 376,996             | (38,747)           |
| Total Claims  | 111,761,826         | 105,379,081         | (6,382,745)        |
| Medical & Care Management Expense                     | 3,680,413           | 3,534,346           | (146,067)          |
| Reinsurance   | (149,447)           | 895,611             | 1,045,059          |
| Claims Recoveries                                     | (1,531,044)         | -                   | 1,531,044          |
| Sub-total   | 1,999,922           | 4,429,957           | 2,430,036          |
| <b>Total Cost of Health Care</b>                      | <b>121,286,459</b>  | <b>119,454,504</b>  | <b>(1,831,955)</b> |
| <b>Contribution Margin</b>                            | <b>17,067,757</b>   | <b>16,566,260</b>   | <b>501,497</b>     |
| <b>General &amp; Administrative Expenses:</b>         |                     |                     |                    |
| Salaries and Wages                                    | 2,509,864           | 2,572,445           | 62,581             |
| Payroll Taxes and Benefits                            | 593,744             | 661,013             | 67,270             |
| Travel and Training                                   | 45,011              | 100,658             | 55,647             |
| Outside Service - ACS                                 | 4,794,535           | 4,794,035           | (500)              |
| Outside Services - Other                              | 125,386             | 175,193             | 49,807             |
| Accounting & Actuarial Services                       | 109,113             | 231,667             | 122,554            |
| Legal   | 252,907             | 152,000             | (100,907)          |
| Insurance   | 59,521              | 53,960              | (5,561)            |
| Lease Expense - Office                                | 133,923             | 129,900             | (4,023)            |
| Consulting Services                                   | 740,165             | 671,914             | (68,251)           |
| Translation Services                                  | 16,308              | 14,655              | (1,653)            |
| Advertising and Promotion                             | 22,185              | 66,950              | 44,765             |
| General Office  | 427,646             | 507,604             | 79,958             |
| Depreciation & Amortization                           | 30,992              | 34,070              | 3,078              |
| Printing  | 56,508              | 46,372              | (10,136)           |
| Shipping & Postage                                    | 26,060              | 24,425              | (1,635)            |
| Interest  | 232,959             | 46,296              | (186,663)          |
| <b>Total G &amp; A Expenses</b>                       | <b>10,176,827</b>   | <b>10,283,158</b>   | <b>106,331</b>     |
| <b>Net Income / (Loss)</b>                            | <b>\$ 6,890,930</b> | <b>\$ 6,283,102</b> | <b>\$ 607,828</b>  |

## Statement of Cash Flows - Monthly

|  | NOV '13             | OCT '13           | JUN'13               |
|--|---------------------|-------------------|----------------------|
| <b>Cash Flow From Operating Activities</b>                 |                     |                   |                      |
| Collected Premium  | \$ 27,862,839       | \$ 28,237,305     | \$ 52,138,834        |
| Miscellaneous Income                                       | 8,658               | 15,509            | 8,594                |
| State Pass Through Funds                                   | 5,691,714           | 28,672,901        | 34,346,474           |
| <b>Paid Claims</b>   |                     |                   |                      |
| Medical & Hospital Expenses                                | (17,387,071)        | (20,891,230)      | (17,277,826)         |
| Pharmacy   | (3,787,143)         | (3,504,662)       | (4,009,168)          |
| Capitation   | (1,521,485)         | (1,553,107)       | (1,162,302)          |
| Reinsurance of Claims                                      | (277,386)           | (281,113)         | (240,430)            |
| State Pass Through Funds Distributed                       |                     | (28,672,901)      | (34,346,474)         |
| Paid Administration  | (2,494,333)         | (1,258,459)       | (2,616,623)          |
| MCO Tax Received / (Paid)                                  | -                   | -                 | 829,564              |
| <b>Net Cash Provided/ (Used) by Operating Activities</b>   | <b>8,095,794</b>    | <b>764,243</b>    | <b>27,670,643</b>    |
| <b>Cash Flow From Investing/Financing Activities</b>       |                     |                   |                      |
| Proceeds from Line of Credit                               |                     |                   | -                    |
| Repayments on Line of Credit                               | -                   | -                 | -                    |
| Net Acquisition of Property/Equipment                      | (169,050)           | (31,263)          | (31,026)             |
| <b>Net Cash Provided/(Used) by Investing/Financing</b>     | <b>(169,050)</b>    | <b>(31,263)</b>   | <b>(31,026)</b>      |
| <b>Net Cash Flow</b>                                       | <b>\$ 7,926,744</b> | <b>\$ 732,980</b> | <b>\$ 27,639,617</b> |
| Cash and Cash Equivalents (Beg. of Period)                 | 35,064,697          | 34,331,717        | 23,068,235           |
| Cash and Cash Equivalents (End of Period)                  | 42,991,440          | 35,064,697        | 50,817,760           |
|  | <b>\$ 7,926,744</b> | <b>\$ 732,980</b> | <b>\$ 27,749,525</b> |
| <b>Adjustment to Reconcile Net Income to Net Cash Flow</b> |                     |                   |                      |
| Net (Loss) Income  | 1,568,798           | 1,410,963         | 4,109,976            |
| Depreciation & Amortization                                | 7,015               | 7,015             | 11,407               |
| Decrease/(Increase) in Receivables                         | (1,544,001)         | (1,795,333)       | 22,788,941           |
| Decrease/(Increase) in Prepaids & Other Current Assets     | (104,858)           | 62,856            | 769,972              |
| (Decrease)/Increase in Payables                            | 5,901,351           | 1,581,709         | (1,578,838)          |
| (Decrease)/Increase in Other Liabilities                   | (38,333)            | (38,333)          | (121,667)            |
| Change in MCO Tax Liability                                | 1,114,454           | 1,149,386         | 1,433,012            |
| Changes in Claims and Capitation Payable                   | (812,202)           | (4,509,964)       | 1,913,029            |
| Changes in IBNR  | 2,003,570           | 2,895,944         | (1,655,189)          |
|  | 8,095,794           | 764,243           | 27,670,643           |
| <b>Net Cash Flow from Operating Activities</b>             | <b>\$ 8,095,794</b> | <b>\$ 764,243</b> | <b>\$ 27,670,643</b> |

## Statement of Cash Flows - YTD

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|   | <b>Nov '13 YTD</b>    |
|---|-----------------------|
| Cash Flow From Operating Activities                   |                       |
| Collected Premium                                     | \$ 113,871,840        |
| Miscellaneous Income                                  | 52,485                |
| State Pass Through Funds                              | 61,123,883            |
| <br>  |                       |
| <u>Paid Claims</u>                                    |                       |
| Medical & Hospital Expenses                           | (87,619,942)          |
| Pharmacy  | (17,409,958)          |
| Capitation  | (7,124,901)           |
| Reinsurance of Claims                                 | (1,354,575)           |
| State Pass Through Funds Distributed                  | (54,268,141)          |
| Payment of Withhold / Risk Sharing Incentive          | -                     |
| Paid Administration                                   | (13,299,029)          |
| Repay Initial Net Liabilities                         | -                     |
| MCO Taxes Received / (Paid)                           | (826,566)             |
| Net Cash Provided/(Used) by Operating Activities      | <b>(6,854,905)</b>    |
| <br>  |                       |
| Cash Flow From Investing/Financing Activities         |                       |
| Proceeds from Line of Credit                          | -                     |
| Repayments on Line of Credit                          | -                     |
| Net Acquisition of Property/Equipment                 | (971,415)             |
| Net Cash Provided/(Used) by Investing/Financing       | <b>(971,415)</b>      |
| <br>  |                       |
| <b>Net Cash Flow</b>                                  | <b>\$ (7,826,320)</b> |
| <br>  |                       |
| Cash and Cash Equivalents (Beg. of Period)            | 50,817,760            |
| Cash and Cash Equivalents (End of Period)             | 42,991,440            |
|   | <b>\$ (7,826,320)</b> |
| <br>  |                       |
| Adjustment to Reconcile Net Income to Net Cash Flow   |                       |
| Net Income/(Loss)                                     | 6,890,930             |
| Depreciation & Amortization                           | 30,992                |
| Decrease/(Increase) in Receivables                    | (29,389,799)          |
| Decrease/(Increase) in Prepays & Other Current Assets | (1,107,243)           |
| (Decrease)/Increase in Payables                       | 7,066,076             |
| (Decrease)/Increase in Other Liabilities              | (192,821)             |
| Change in MCO Tax Liability                           | 4,669,729             |
| Changes in Claims and Capitation Payable              | (3,614,408)           |
| Changes in IBNR                                       | 8,791,639             |
|   | <b>(6,854,905)</b>    |
| <br>  |                       |
| <b>Net Cash Flow from Operating Activities</b>        | <b>\$ (6,854,905)</b> |



## **FINANCIAL PACKAGE**

For the month ended October 31, 2013

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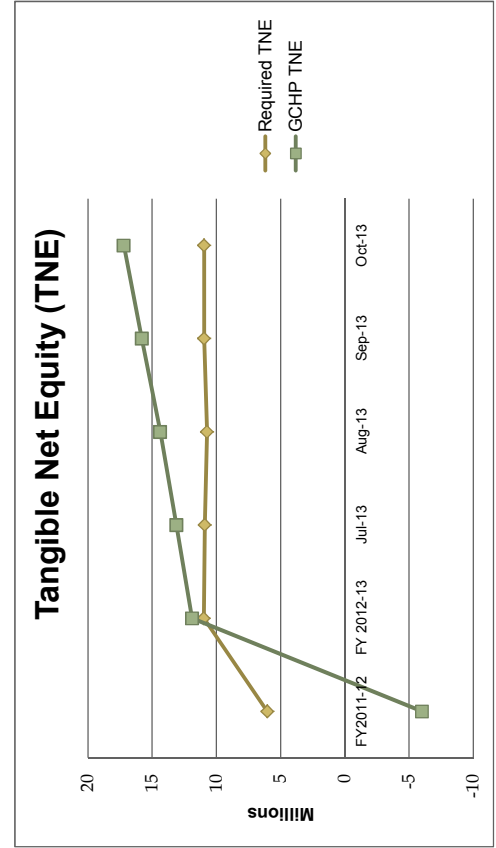
### **APPENDIX**

- Comparative Balance Sheet
- YTD Income Statement
- Statement of Cash Flows

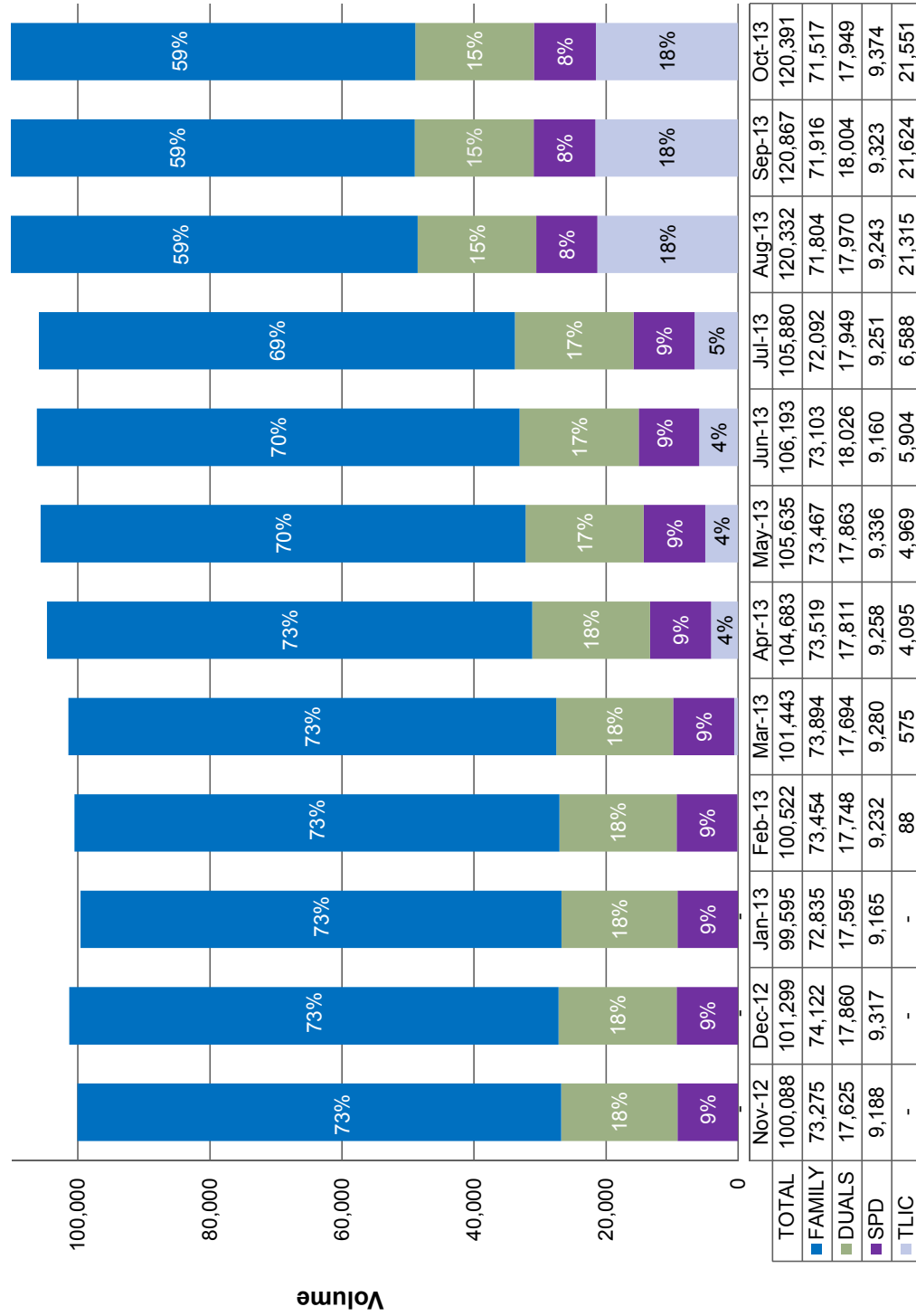
## Financial Overview

| Description   | AUDITED                        |                                | UNAUDITED FY 2013-14 Actual   |                               |                               |                               | Budget Comparison             |                               |                                |                         |
|---|--------------------------------|--------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------------------|-------------------------|
|   | FY2011-12                      | AUDITED FY 2012-13             | Jul-13                        | Aug-13                        | Sep-13                        | Oct-13                        | YTD                           | Budget YTD                    | Variance Fav/(Unfav)           | Variance Fav/(Unfav) %  |
| <b>Member Months</b>                                    | 1,258,189                      | 1,223,895                      | 105,880                       | 120,332                       | 120,867                       | 120,391                       | 467,470                       | 465,220                       | 2,250                          | 0.5%                    |
| <b>Revenue</b><br><i>pmpm</i>                           | 304,635,932<br>242.12          | 315,119,611<br>257.47          | 26,680,808<br>251.99          | 26,724,574<br>222.09          | 28,583,327<br>236.49          | 28,606,892<br>237.62          | 110,595,601<br>236.58         | 108,568,187<br>233.37         | 2,027,414<br>3.21              | 1.9%<br>1.4%            |
| <b>Health Care Costs</b><br><i>pmpm</i><br>% of Revenue | 287,353,672<br>228.39<br>94.3% | 280,382,704<br>229.09<br>89.0% | 23,496,673<br>221.92<br>88.1% | 23,572,589<br>195.90<br>88.2% | 24,806,270<br>205.24<br>86.8% | 25,054,919<br>208.11<br>87.6% | 96,930,451<br>207.35<br>87.6% | 95,657,079<br>205.62<br>88.1% | (1,273,372)<br>(1.73)<br>-0.5% | (1.3%<br>(0.8%<br>-0.5% |
| <b>Admin Exp</b><br><i>pmpm</i><br>% of Revenue         | 18,891,320<br>15.01<br>6.2%    | 24,013,927<br>19.62<br>7.6%    | 1,968,367<br>18.59<br>7.4%    | 1,892,167<br>15.72<br>7.1%    | 2,341,473<br>19.37<br>8.2%    | 2,141,010<br>17.78<br>7.5%    | 8,343,017<br>17.85<br>7.5%    | 8,179,054<br>17.58<br>7.5%    | (163,963)<br>(0.27)<br>0.0%    | (2.0%<br>(1.5%<br>-0.1% |
| <b>Net Income</b><br><i>pmpm</i><br>% of Revenue        | (1,609,063)<br>(1.28)<br>-0.5% | 10,722,980<br>8.76<br>3.4%     | 1,215,767<br>11.48<br>4.6%    | 1,259,818<br>10.47<br>4.7%    | 1,435,584<br>11.88<br>5.0%    | 1,410,963<br>11.72<br>4.9%    | 5,322,132<br>11.38<br>4.8%    | 4,732,053<br>10.17<br>4.4%    | 590,079<br>1.21<br>0.5%        | 12.5%<br>11.9%<br>10.4% |
| 100% TNE  | 16,769,368                     | 16,138,440                     | 16,035,509                    | 15,766,043                    | 16,112,437                    | 16,107,422                    | 16,107,422                    | 15,738,833                    | 368,589                        | 2.3%                    |
| Required TNE  | 6,036,972                      | 10,974,139                     | 10,904,146                    | 10,720,909                    | 10,956,457                    | 10,953,047                    | 10,953,047                    | 10,702,406                    | 250,640                        | 2.3%                    |
| <b>GCHP TNE</b>   | (6,031,881)                    | 11,891,099                     | 13,106,866                    | 14,366,684                    | 15,802,268                    | 17,213,231                    | 17,213,231                    | 11,901,843                    | 5,311,388                      | 44.6%                   |
| TNE Excess / (Deficiency)                               | (12,068,853)                   | 916,960                        | 2,202,720                     | 3,645,775                     | 4,845,810                     | 6,260,184                     | 6,260,184                     | 1,199,437                     | 5,060,748                      | (321.9%)                |

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



### Membership - Rolling 12 Months



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



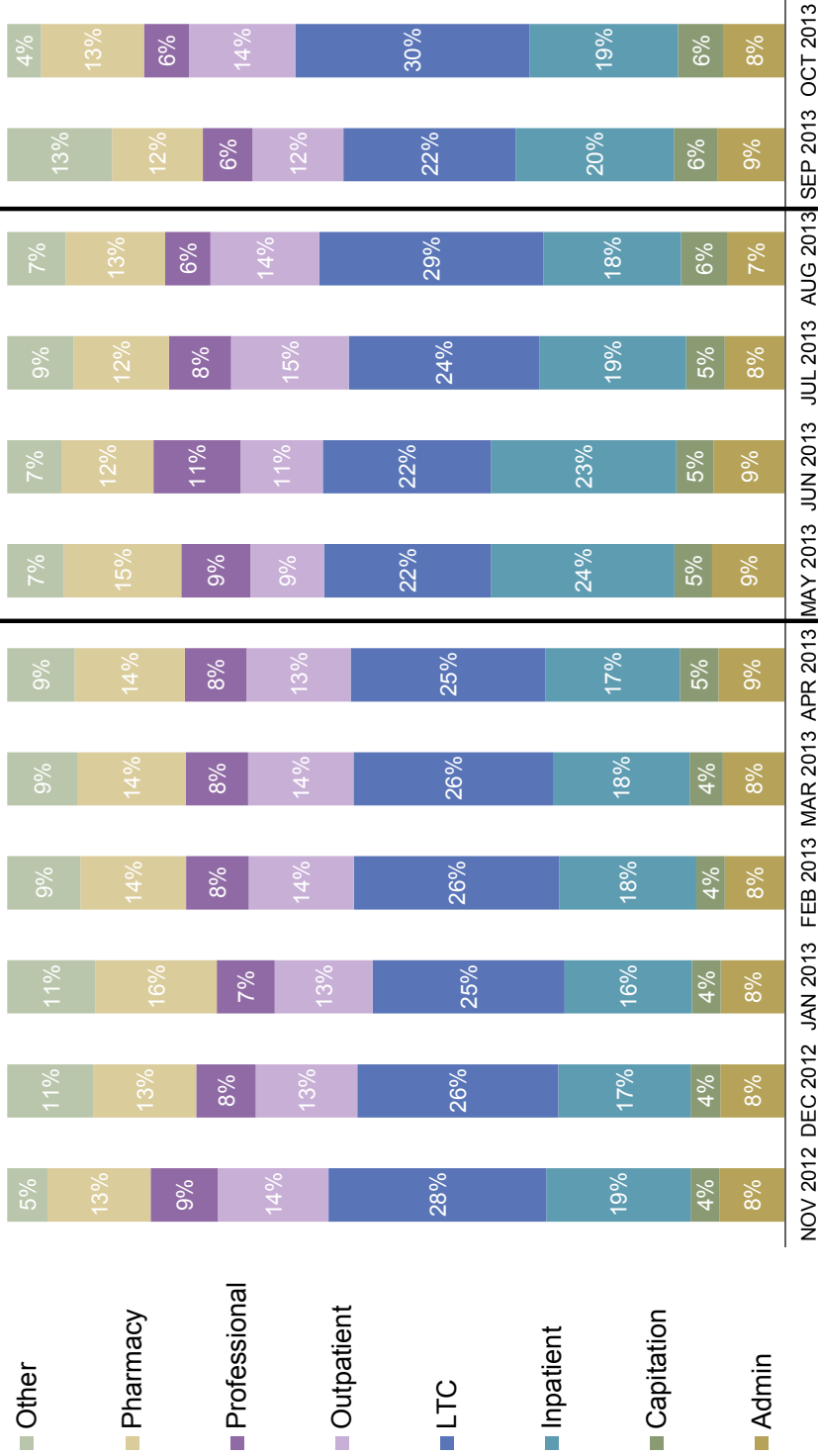
## Income Statement Monthly Trend

|   | 2014 Actual Monthly Trend |                     |                     | Current Month       |                     |                     |
|---|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | JUL 2013                  | AUG 2013            | SEP 2013            | OCT 2013            |                     | Variance            |
|   |                           |                     |                     | Actual              | Budget              | Fav/(Unfav)         |
| <b>Membership (includes retro members)</b>            | 105,880                   | 120,332             | 120,867             | 120,391             | 120,116             | 275                 |
| <b>Revenue:</b>                                       |                           |                     |                     |                     |                     |                     |
| Premium   | \$ 27,686,491             | \$ 27,789,352       | \$ 29,602,003       | \$ 29,980,945       | \$ 27,528,401       | \$ 2,452,544        |
| Reserve for Rate Reduction                            | -                         | -                   | -                   | (278,508)           | (129,235)           | (149,274)           |
| MCO Premium Tax                                       | (1,053,211)               | (1,110,416)         | (1,068,828)         | (1,149,386)         | -                   | (1,149,386)         |
| <b>Total Net Premium</b>                              | <b>26,633,279</b>         | <b>26,678,936</b>   | <b>28,533,175</b>   | <b>28,553,050</b>   | <b>27,399,166</b>   | <b>1,153,884</b>    |
| <b>Other Revenue:</b>                                 |                           |                     |                     |                     |                     |                     |
| Interest Income                                       | 9,195                     | 7,304               | 11,819              | 15,509              | 8,259               | 7,250               |
| Miscellaneous Income                                  | 38,333                    | 38,333              | 38,333              | 38,333              | 38,333              | 0                   |
| <b>Total Other Revenue</b>                            | <b>47,529</b>             | <b>45,637</b>       | <b>50,152</b>       | <b>53,842</b>       | <b>46,592</b>       | <b>7,250</b>        |
| <b>Total Revenue</b>                                  | <b>26,680,808</b>         | <b>26,724,574</b>   | <b>28,583,327</b>   | <b>28,606,892</b>   | <b>27,445,758</b>   | <b>1,161,134</b>    |
| <b>Medical Expenses:</b>                              |                           |                     |                     |                     |                     |                     |
| <u>Capitation (PCP, Specialty, NEMT &amp; Vision)</u> | 1,270,073                 | 1,507,335           | 1,533,277           | 1,597,311           | 1,609,791           | 12,479              |
| <u>FFS Claims Expenses:</u>                           |                           |                     |                     |                     |                     |                     |
| Inpatient   | 4,807,217                 | 4,512,661           | 5,531,725           | 5,200,045           | 4,309,338           | (890,707)           |
| LTC/SNF   | 6,238,672                 | 7,333,312           | 6,003,374           | 8,189,391           | 6,764,361           | (1,425,030)         |
| Outpatient  | 2,882,860                 | 2,955,457           | 2,281,073           | 2,762,602           | 2,721,362           | (41,240)            |
| Laboratory and Radiology                              | 222,454                   | 113,377             | 96,573              | 101,182             | 91,797              | (9,385)             |
| Emergency Room  | 745,797                   | 497,008             | 803,936             | 847,968             | 759,664             | (88,304)            |
| Physician Specialty                                   | 2,033,957                 | 1,479,169           | 1,725,887           | 1,575,483           | 1,822,923           | 247,440             |
| Pharmacy  | 3,126,910                 | 3,253,505           | 3,172,116           | 3,599,699           | 3,148,245           | (451,454)           |
| Other Medical Professional                            | 169,903                   | 118,201             | 249,684             | 25,851              | 120,716             | 94,865              |
| Other Medical Care                                    | -                         | -                   | 1,621               | -                   | -                   | -                   |
| Other Fee For Service                                 | 1,137,610                 | 1,235,873           | 2,100,151           | 1,998,727           | 1,479,981           | (518,746)           |
| Transportation  | 40,124                    | 35,404              | 178,553             | 73,220              | 75,888              | 2,668               |
| Total Claims  | 21,405,504                | 21,533,967          | 22,144,693          | 24,374,168          | 21,294,275          | (3,079,893)         |
| Medical & Care Management Expense                     | 742,126                   | 730,967             | 746,163             | 738,701             | 705,573             | (33,128)            |
| Reinsurance   | 259,745                   | 258,884             | 277,448             | (1,222,910)         | 183,778             | 1,406,688           |
| Claims Recoveries                                     | (180,775)                 | (458,563)           | 104,688             | (432,352)           | -                   | 432,352             |
| Sub-total   | 821,096                   | 531,288             | 1,128,300           | (916,560)           | 889,351             | 1,805,912           |
| <b>Total Cost of Health Care</b>                      | <b>23,496,673</b>         | <b>23,572,589</b>   | <b>24,806,270</b>   | <b>25,054,919</b>   | <b>23,793,417</b>   | <b>(1,261,502)</b>  |
| <b>Contribution Margin</b>                            | <b>3,184,135</b>          | <b>3,151,984</b>    | <b>3,777,057</b>    | <b>3,551,973</b>    | <b>3,652,341</b>    | <b>(100,368)</b>    |
| <b>General &amp; Administrative Expenses:</b>         |                           |                     |                     |                     |                     |                     |
| Salaries and Wages                                    | 562,828                   | 420,641             | 453,818             | 497,163             | 547,503             | 50,340              |
| Payroll Taxes and Benefits                            | 123,309                   | 112,105             | 114,103             | 119,840             | 140,966             | 21,126              |
| Travel and Training                                   | 3,630                     | 5,840               | 10,686              | 13,879              | 23,144              | 9,264               |
| Outside Service - ACS                                 | 852,085                   | 880,703             | 1,190,847           | 958,836             | 920,050             | (38,785)            |
| Outside Services - Other                              | 16,447                    | 49,938              | 33,271              | 24,974              | 27,384              | 2,410               |
| Accounting & Actuarial Services                       | 44,003                    | 20,164              | 46,568              | 70,000              | 53,333              | (16,667)            |
| Legal   | 57,931                    | 26,462              | 54,932              | 45,876              | 30,400              | (15,476)            |
| Insurance   | 11,838                    | 9,972               | 12,517              | 12,057              | 10,792              | (1,265)             |
| Lease Expense - Office                                | 25,980                    | 28,480              | 28,480              | 22,503              | 25,980              | 3,477               |
| Consulting Services                                   | 172,165                   | 201,612             | 264,998             | 118,908             | 96,750              | (22,158)            |
| Translation Services                                  | 4,878                     | 2,788               | 2,778               | 4,225               | 2,917               | (1,308)             |
| Advertising and Promotion                             | 4,080                     | 14,120              | -                   | -                   | 14,610              | 14,610              |
| General Office  | 63,357                    | 88,394              | 77,654              | 100,062             | 103,137             | 3,076               |
| Depreciation & Amortization                           | 5,235                     | 5,235               | 6,492               | 7,015               | 6,864               | (151)               |
| Printing  | 2,628                     | 1,418               | 5,605               | 26,510              | 5,428               | (21,082)            |
| Shipping & Postage                                    | 41                        | 219                 | 1,016               | 11,395              | 2,725               | (8,670)             |
| Interest  | 17,933                    | 24,076              | 37,708              | 107,768             | 9,316               | (98,451)            |
| <b>Total G &amp; A Expenses</b>                       | <b>1,968,367</b>          | <b>1,892,167</b>    | <b>2,341,473</b>    | <b>2,141,010</b>    | <b>2,021,299</b>    | <b>(119,711)</b>    |
| <b>Net Income / (Loss)</b>                            | <b>\$ 1,215,767</b>       | <b>\$ 1,259,818</b> | <b>\$ 1,435,584</b> | <b>\$ 1,410,963</b> | <b>\$ 1,631,042</b> | <b>\$ (220,079)</b> |

## MPPM Income Statement Comparison

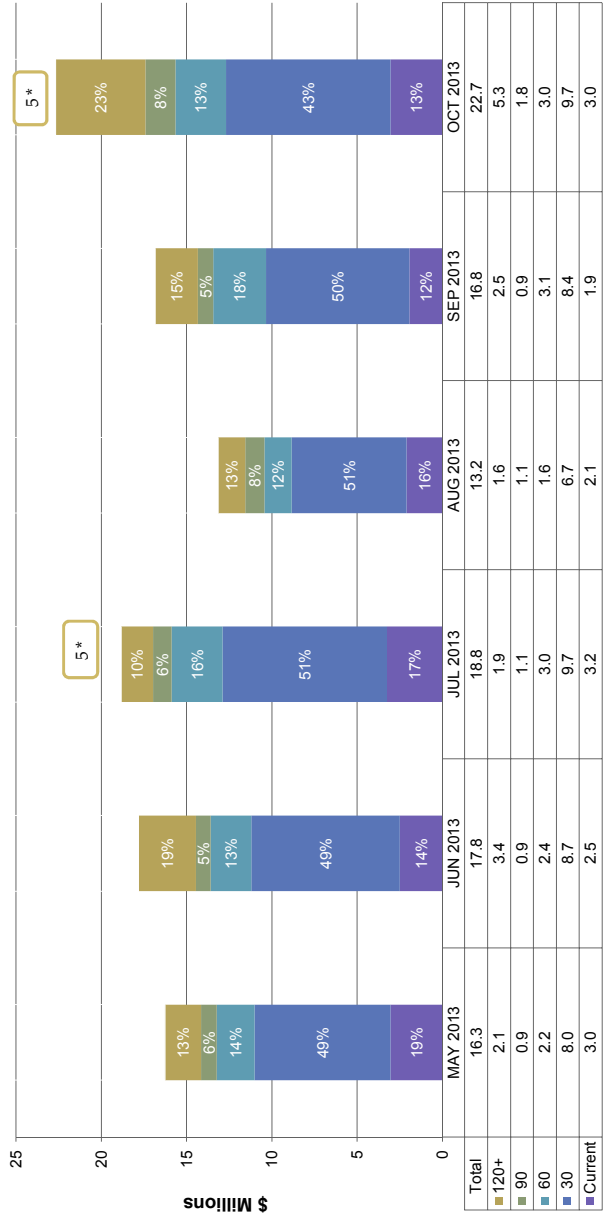
|   | 2014 Actual Monthly Trend |               |               | Oct '13 Month-To-Date |               | Variance       |
|---|---------------------------|---------------|---------------|-----------------------|---------------|----------------|
|   | JUL 2013                  | AUG 2013      | SEP 2013      | Actual                | Budget        | Fav/(Unfav)    |
| <b>Membership (includes retro members)</b>            | 105,880                   | 120,332       | 120,867       | 120,391               | 120,116       | 275            |
| <b>Revenue:</b>                                       |                           |               |               |                       |               |                |
| Premium   | 261.49                    | 230.94        | 244.91        | 249.03                | 229.18        | 19.85          |
| Reserve for Rate Reduction                            | -                         | -             | -             | (2.31)                | (1.08)        | (1.24)         |
| MCO Premium Tax                                       | (9.95)                    | (9.23)        | (8.84)        | (9.55)                | -             | (9.55)         |
| <b>Total Net Premium</b>                              | <b>251.54</b>             | <b>221.71</b> | <b>236.07</b> | <b>237.17</b>         | <b>228.10</b> | <b>9.06</b>    |
| <b>Other Revenue:</b>                                 |                           |               |               |                       |               |                |
| Interest Income                                       | 0.09                      | 0.06          | 0.10          | 0.13                  | 0.07          | 0.06           |
| Miscellaneous Income                                  | 0.36                      | 0.32          | 0.32          | 0.32                  | 0.32          | (0.00)         |
| <b>Total Other Revenue</b>                            | <b>0.45</b>               | <b>0.38</b>   | <b>0.41</b>   | <b>0.45</b>           | <b>0.46</b>   | <b>(0.01)</b>  |
| <b>Total Revenue</b>                                  | <b>251.99</b>             | <b>222.09</b> | <b>236.49</b> | <b>237.62</b>         | <b>228.49</b> | <b>9.12</b>    |
| <b>Medical Expenses:</b>                              |                           |               |               |                       |               |                |
| <u>Capitation (PCP, Specialty, NEMT &amp; Vision)</u> | 12.00                     | 12.53         | 12.69         | 13.27                 | 13.40         | (0.13)         |
| <u>FFS Claims Expenses:</u>                           |                           |               |               |                       |               |                |
| Inpatient   | 45.40                     | 37.50         | 45.77         | 43.19                 | 35.88         | (7.32)         |
| LTC/SNF   | 58.92                     | 60.94         | 49.67         | 68.02                 | 56.32         | (11.71)        |
| Outpatient  | 27.23                     | 24.56         | 18.87         | 22.95                 | 22.66         | (0.29)         |
| Laboratory and Radiology                              | 2.10                      | 0.94          | 0.80          | 0.84                  | 0.76          | (0.08)         |
| Emergency Room  | 7.04                      | 4.13          | 6.65          | 7.04                  | 6.32          | (0.72)         |
| Physician Specialty                                   | 19.21                     | 12.29         | 14.28         | 13.09                 | 15.18         | 2.09           |
| Pharmacy  | 29.53                     | 27.04         | 26.24         | 29.90                 | 26.21         | (3.69)         |
| Other Medical Professional                            | 1.60                      | 0.98          | 2.07          | 0.21                  | 1.00          | 0.79           |
| Other Medical Care                                    | -                         | -             | 0.01          | -                     | -             | -              |
| Other Fee For Service                                 | 10.74                     | 10.27         | 17.38         | 16.60                 | 12.32         | (4.28)         |
| Transportation  | 0.38                      | 0.29          | 1.48          | 0.61                  | 0.63          | 0.02           |
| <b>Total Claims</b>                                   | <b>202.17</b>             | <b>178.95</b> | <b>183.22</b> | <b>202.46</b>         | <b>177.28</b> | <b>(25.18)</b> |
| Medical & Care Management Expense                     | 7.01                      | 6.07          | 6.17          | 6.14                  | 5.87          | (0.26)         |
| Reinsurance   | 2.45                      | 2.15          | 2.30          | (10.16)               | 1.53          | 11.69          |
| Claims Recoveries                                     | (1.71)                    | (3.81)        | 0.87          | (3.59)                | -             | 3.59           |
| Sub-total   | 7.75                      | 4.42          | 9.34          | (7.61)                | 8.79          | 16.40          |
| <b>Total Cost of Health Care</b>                      | <b>221.92</b>             | <b>195.90</b> | <b>205.24</b> | <b>208.11</b>         | <b>198.09</b> | <b>(10.03)</b> |
| <b>Contribution Margin</b>                            | <b>30.07</b>              | <b>26.19</b>  | <b>31.25</b>  | <b>29.50</b>          | <b>30.41</b>  | <b>(0.90)</b>  |
| <b>General &amp; Administrative Expenses:</b>         |                           |               |               |                       |               |                |
| Salaries and Wages                                    | 5.32                      | 3.50          | 3.75          | 4.13                  | 4.56          | 0.43           |
| Payroll Taxes and Benefits                            | 1.16                      | 0.93          | 0.94          | 1.00                  | 1.17          | 0.18           |
| Travel and Training                                   | 0.03                      | 0.05          | 0.09          | 0.12                  | 0.19          | 0.08           |
| Outside Service - ACS                                 | 8.05                      | 7.32          | 9.85          | 7.96                  | 7.66          | (0.30)         |
| Outside Services - Other                              | 0.16                      | 0.41          | 0.28          | 0.21                  | 0.23          | 0.02           |
| Accounting & Actuarial Services                       | 0.42                      | 0.17          | 0.39          | 0.58                  | 0.44          | (0.14)         |
| Legal   | 0.55                      | 0.22          | 0.45          | 0.38                  | 0.25          | (0.13)         |
| Insurance   | 0.11                      | 0.08          | 0.10          | 0.10                  | 0.09          | (0.01)         |
| Lease Expense - Office                                | 0.25                      | 0.24          | 0.24          | 0.19                  | 0.22          | 0.03           |
| Consulting Services                                   | 1.63                      | 1.68          | 2.19          | 0.99                  | 0.81          | (0.18)         |
| Translation Services                                  | 0.05                      | 0.02          | 0.02          | 0.04                  | 0.02          | (0.01)         |
| Advertising and Promotion                             | 0.04                      | 0.12          | -             | -                     | 0.12          | 0.12           |
| General Office  | 0.60                      | 0.73          | 0.64          | 0.83                  | 0.86          | 0.03           |
| Depreciation & Amortization                           | 0.05                      | 0.04          | 0.05          | 0.06                  | 0.06          | (0.00)         |
| Printing  | 0.02                      | 0.01          | 0.05          | 0.22                  | 0.05          | (0.18)         |
| Shipping & Postage                                    | 0.00                      | 0.00          | 0.01          | 0.09                  | 0.02          | (0.07)         |
| Interest  | 0.17                      | 0.20          | 0.31          | 0.90                  | 0.08          | (0.82)         |
| <b>Total G &amp; A Expenses</b>                       | <b>18.59</b>              | <b>15.72</b>  | <b>19.37</b>  | <b>17.78</b>          | <b>16.83</b>  | <b>(0.96)</b>  |
| <b>Net Income / (Loss)</b>                            | <b>11.48</b>              | <b>10.47</b>  | <b>11.88</b>  | <b>11.72</b>          | <b>13.58</b>  | <b>(1.86)</b>  |

## Total Expense Composition



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

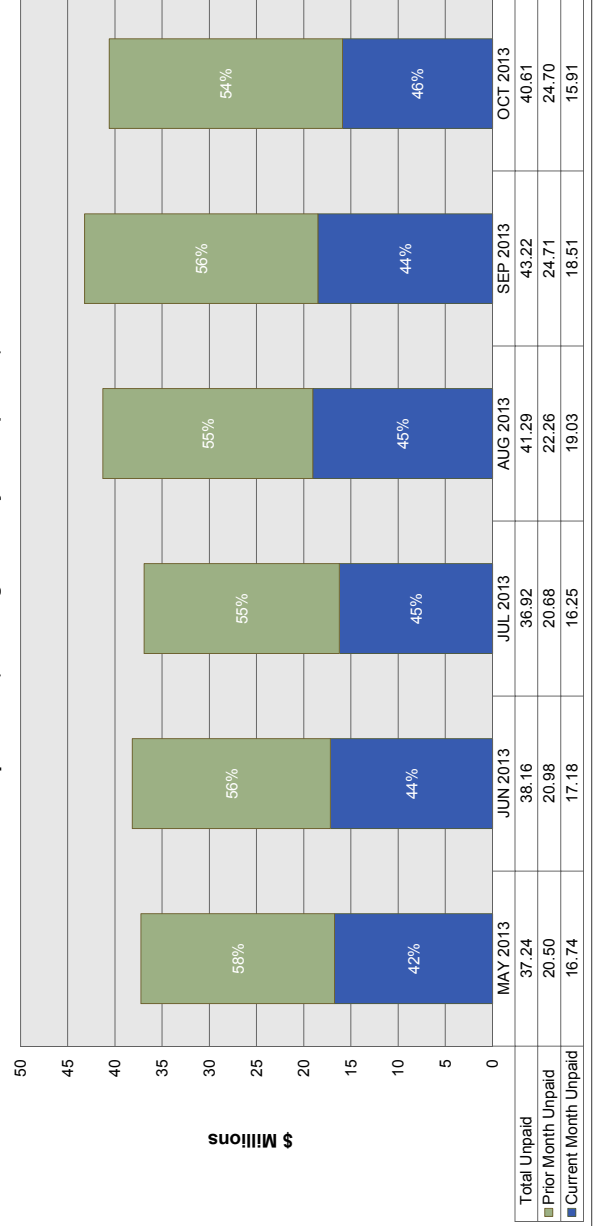
### Paid Claims Composition (excluding Pharmacy and Capitation Payments)



Note: Paid Claims Composition - reflects adjusted medical claims payment lag schedule.

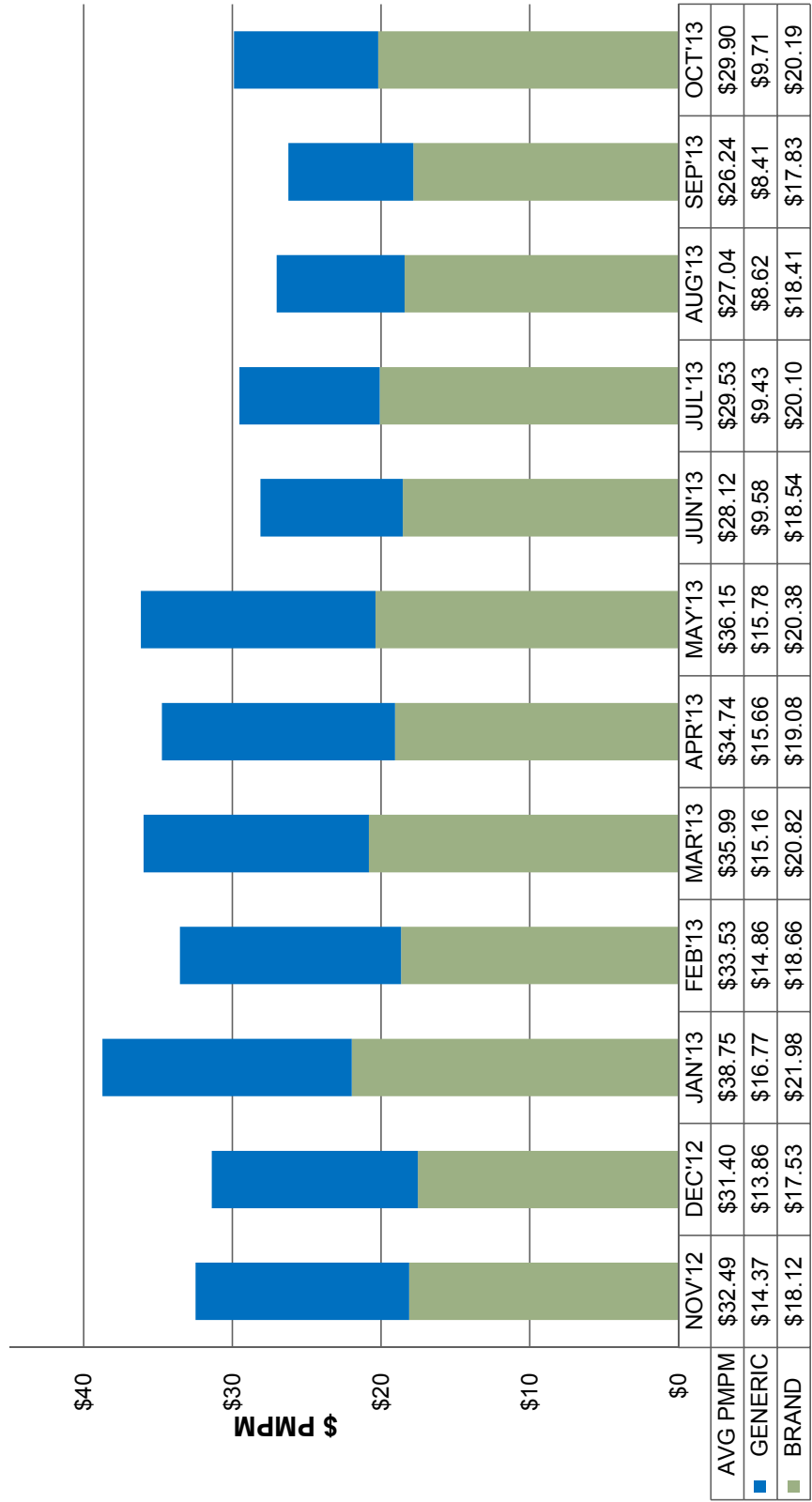
\* Months Indicated with 5\* represent months for which there were 5 claim payments. For all other months, 4 claim payments were made.

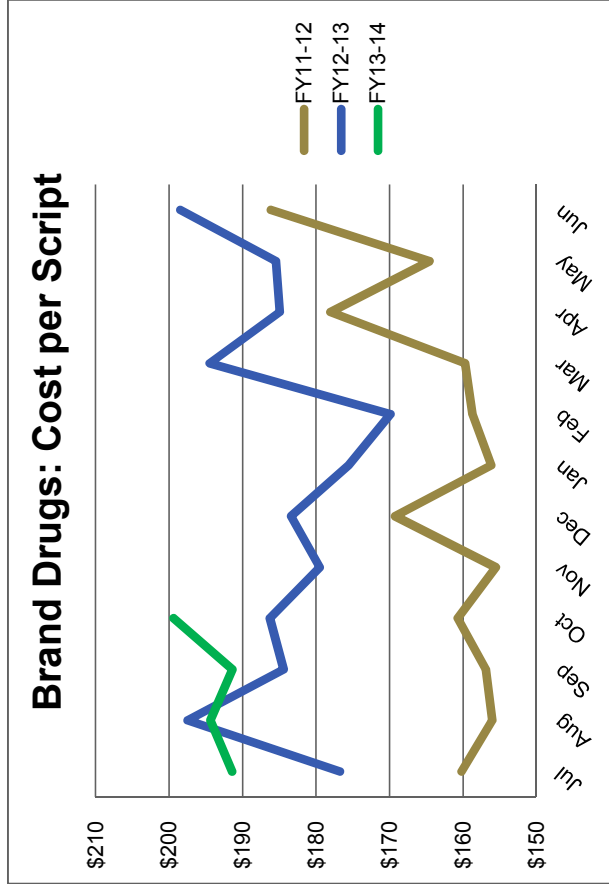
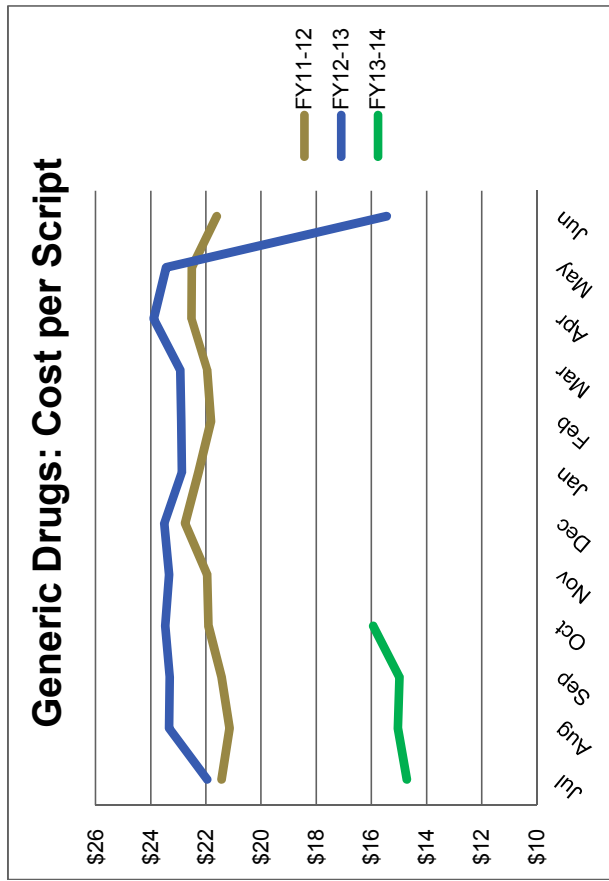
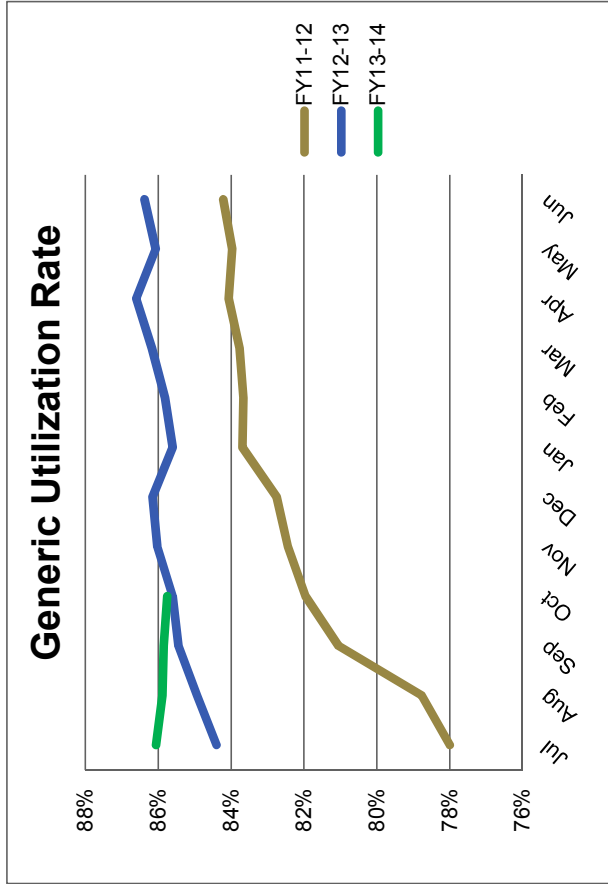
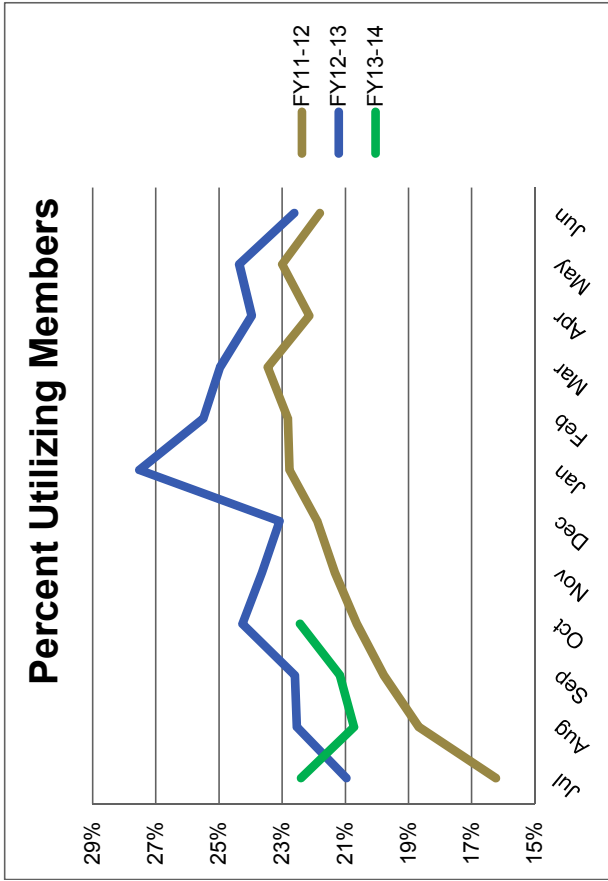
### IBNP Composition (excluding Pharmacy and Capitation)



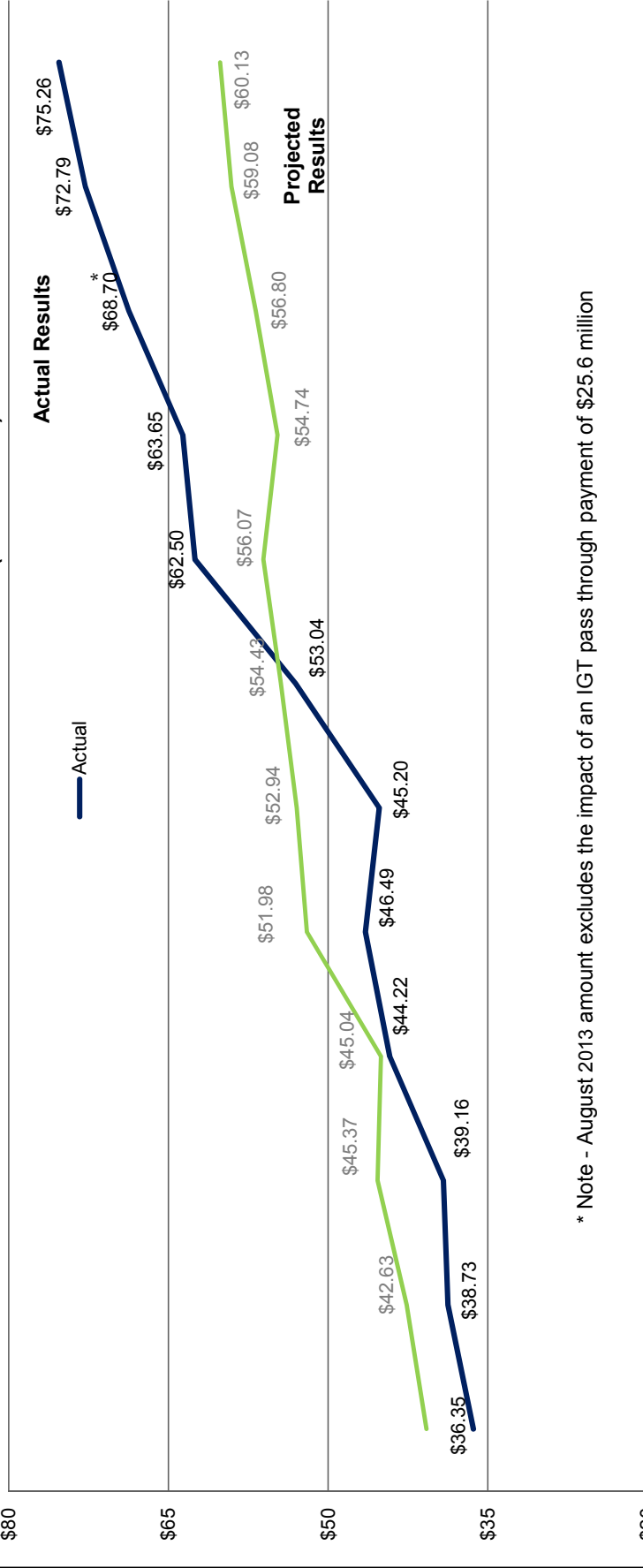
Note: IBNP Composition - reflects updated medical cost reserve calculation plus total system claims payable.

## Pharmacy Cost Trend





### Cash + Medi-Cal Receivable Trend (\$ in Millions)



\* Note - August 2013 amount excludes the impact of an IGT pass through payment of \$25.6 million



## **APPENDIX**

- Comparative Balance Sheet
- YTD Income Statement
- Monthly Statement of Cash Flows



## Comparative Balance Sheet

|   | 10/31/13             | 9/30/13              | Audited FY<br>2012-13 |
|---|----------------------|----------------------|-----------------------|
| <b>ASSETS</b>                               |                      |                      |                       |
| <b>Current Assets</b>                       |                      |                      |                       |
| <b>Total Cash and Cash Equivalents</b>      | <b>35,064,697</b>    | <b>\$ 34,331,717</b> | <b>\$ 50,817,760</b>  |
| Medi-Cal Receivable                         | 40,198,101           | 38,454,462           | 11,683,076            |
| Provider Receivable                         | 594,715              | 543,912              | 1,161,379             |
| Other Receivables                           | 197,833              | 196,943              | 300,397               |
| <b>Total Accounts Receivable</b>            | <b>40,990,650</b>    | <b>39,195,317</b>    | <b>13,144,852</b>     |
| Prepaid Accounts                            | 1,326,804            | 1,389,660            | 324,419               |
| Other Current Assets                        | 10,000               | 10,000               | 10,000                |
| <b>Total Current Assets</b>                 | <b>77,392,151</b>    | <b>\$ 74,926,694</b> | <b>\$ 64,297,030</b>  |
| <b>Total Fixed Assets</b>                   | <b>1,010,455</b>     | <b>986,207</b>       | <b>230,913</b>        |
| <b>Total Assets</b>                         | <b>78,402,606</b>    | <b>\$ 75,912,901</b> | <b>\$ 64,527,943</b>  |
| <b>LIABILITIES &amp; FUND BALANCE</b>       |                      |                      |                       |
| <b>Current Liabilities</b>                  |                      |                      |                       |
| Incurred But Not Reported                   | \$ 36,689,172        | \$ 33,793,228        | \$ 29,901,103         |
| Claims Payable                              | \$ 6,639,790         | 11,193,958           | 9,748,676             |
| Capitation Payable                          | \$ 1,309,304         | 1,265,100            | 1,002,623             |
| Accrued Premium Reduction                   | \$ 278,508           | -                    | -                     |
| Accounts Payable                            | \$ 1,612,082         | 491,915              | 1,751,419             |
| Accrued ACS                                 | \$ 1,230,668         | 1,252,499            | 422,138               |
| Accrued Expenses                            | \$ 891,515           | 727,856              | 477,477               |
| Accrued Premium Tax                         | \$ 10,893,035        | 9,743,648            | 7,337,759             |
| Accrued Interest Payable                    | \$ 21,682            | 18,546               | 9,712                 |
| Current Portion of Deferred Revenue         | \$ 460,000           | 460,000              | 460,000               |
| Accrued Payroll Expense                     | \$ 396,952           | 358,882              | 605,937               |
| <b>Total Current Liabilities</b>            | <b>\$ 60,422,707</b> | <b>\$ 59,305,632</b> | <b>\$ 51,716,843</b>  |
| <b>Long-Term Liabilities</b>                |                      |                      |                       |
| Deferred Revenue - Long Term Portion        | \$ 766,667           | 805,000              | 920,000               |
| Notes Payable                               | \$ 7,200,000         | 7,200,000            | 7,200,000             |
| <b>Total Long-Term Liabilities</b>          | <b>\$ 7,966,667</b>  | <b>8,005,000</b>     | <b>8,120,000</b>      |
| <b>Total Liabilities</b>                    | <b>\$ 68,389,373</b> | <b>\$ 67,310,632</b> | <b>\$ 59,836,843</b>  |
| Beginning Fund Balance                      | \$ 4,691,101         | 4,691,101            | (6,031,881)           |
| Net Income Current Year                     | \$ 5,322,132         | 3,911,169            | 10,722,981            |
| <b>Total Fund Balance</b>                   | <b>\$ 10,013,233</b> | <b>8,602,269</b>     | <b>4,691,100</b>      |
| <b>Total Liabilities &amp; Fund Balance</b> | <b>\$ 78,402,606</b> | <b>\$ 75,912,901</b> | <b>\$ 64,527,943</b>  |

### FINANCIAL INDICATORS

|   |          |          |          |
|---|----------|----------|----------|
| Current Ratio                           | 1.28 : 1 | 1.26 : 1 | 1.24 : 1 |
| Days Cash on Hand                       | 39       | 38       | 58       |
| Days Cash + State Capitation Receivable | 83       | 80       | 72       |

**Income Statement**  
**For The Four Months Ended October 31, 2013**

|   | Oct'13 Year-To-Date |                     | Variance           |
|---|---------------------|---------------------|--------------------|
|   | Actual              | Budget              | Fav/(Unfav)        |
| <b>Membership (includes retro members)</b>            | 467,470             | 465,220             | 2,250              |
| <b>Revenue:</b>                                       |                     |                     |                    |
| Premium   | \$ 115,058,790      | \$ 108,898,929      | \$ 6,159,861       |
| Reserve for Rate Reduction                            | (278,508)           | (516,744)           | 238,236            |
| MCO Premium Tax                                       | (4,381,841)         | -                   | (4,381,841)        |
| <b>Total Net Premium</b>                              | <b>110,398,440</b>  | <b>108,382,185</b>  | <b>2,016,255</b>   |
| <b>Other Revenue:</b>                                 |                     |                     |                    |
| Interest Income                                       | 43,827              | 32,670              | 11,157             |
| Miscellaneous Income                                  | 153,333             | 153,332             | 1                  |
| <b>Total Other Revenue</b>                            | <b>197,160</b>      | <b>186,002</b>      | <b>11,158</b>      |
| <b>Total Revenue</b>                                  | <b>110,595,601</b>  | <b>108,568,187</b>  | <b>2,027,414</b>   |
| <b>Medical Expenses:</b>                              |                     |                     |                    |
| <u>Capitation (PCP, Specialty, NEMT &amp; Vision)</u> | 5,907,997           | 6,183,534           | 275,537            |
| <u>FFS Claims Expenses:</u>                           |                     |                     |                    |
| Inpatient   | 20,051,648          | 17,379,223          | (2,672,425)        |
| LTC/SNF   | 27,764,749          | 27,280,137          | (484,612)          |
| Outpatient  | 10,881,992          | 10,975,039          | 93,047             |
| Laboratory and Radiology                              | 533,586             | 370,208             | (163,377)          |
| Emergency Room  | 2,894,709           | 3,063,665           | 168,956            |
| Physician Specialty                                   | 6,814,496           | 7,351,705           | 537,209            |
| Pharmacy  | 13,152,230          | 12,749,357          | (402,873)          |
| Other Medical Professional                            | 563,639             | 486,839             | (76,800)           |
| Other Medical Care                                    | 1,621               | -                   | (1,621)            |
| Other Fee For Service                                 | 6,472,361           | 5,968,646           | (503,715)          |
| Transportation  | 327,301             | 306,050             | (21,251)           |
| <b>Total Claims</b>                                   | <b>89,458,332</b>   | <b>85,930,869</b>   | <b>(3,527,463)</b> |
| Medical & Care Management Expense                     | 2,957,958           | 2,830,889           | (127,068)          |
| Reinsurance   | (426,833)           | 711,787             | 1,138,620          |
| Claims Recoveries                                     | (967,001)           | -                   | 967,001            |
| <b>Sub-total</b>                                      | <b>1,564,123</b>    | <b>3,542,677</b>    | <b>1,978,553</b>   |
| <b>Total Cost of Health Care</b>                      | <b>96,930,451</b>   | <b>95,657,079</b>   | <b>(1,273,372)</b> |
| <b>Contribution Margin</b>                            | <b>13,665,149</b>   | <b>12,911,108</b>   | <b>754,042</b>     |
| <b>General &amp; Administrative Expenses:</b>         |                     |                     |                    |
| Salaries and Wages                                    | 1,934,450           | 2,021,942           | 87,493             |
| Payroll Taxes and Benefits                            | 469,358             | 520,047             | 50,689             |
| Travel and Training                                   | 34,036              | 89,230              | 55,195             |
| Outside Service - ACS                                 | 3,882,471           | 3,728,770           | (153,701)          |
| Outside Services - Other                              | 124,629             | 153,486             | 28,857             |
| Accounting & Actuarial Services                       | 180,734             | 208,333             | 27,600             |
| Legal   | 185,201             | 121,600             | (63,601)           |
| Insurance   | 46,384              | 43,168              | (3,216)            |
| Lease Expense - Office                                | 105,443             | 103,920             | (1,523)            |
| Consulting Services                                   | 757,682             | 581,664             | (176,018)          |
| Translation Services                                  | 14,670              | 11,738              | (2,932)            |
| Advertising and Promotion                             | 18,200              | 55,490              | 37,290             |
| General Office  | 329,466             | 412,798             | 83,332             |
| Depreciation & Amortization                           | 23,977              | 27,206              | 3,229              |
| Printing  | 36,161              | 40,944              | 4,783              |
| Shipping & Postage                                    | 12,671              | 21,700              | 9,029              |
| Interest  | 187,486             | 37,017              | (150,469)          |
| <b>Total G &amp; A Expenses</b>                       | <b>8,343,017</b>    | <b>8,179,054</b>    | <b>(163,963)</b>   |
| <b>Net Income / (Loss)</b>                            | <b>\$ 5,322,132</b> | <b>\$ 4,732,053</b> | <b>\$ 590,079</b>  |

## Statement of Cash Flows - Monthly

|  | OCT '13           | SEP '13                | JUN'13               |
|--|-------------------|------------------------|----------------------|
| <b>Cash Flow From Operating Activities</b>                 |                   |                        |                      |
| Collected Premium  | \$ 28,237,305     | \$ 924,454             | \$ 52,138,834        |
| Miscellaneous Income                                       | 15,509            | 11,819                 | 8,594                |
| State Pass Through Funds                                   | 28,672,901        | -                      | 34,346,474           |
| <b><u>Paid Claims</u></b>                                  |                   |                        |                      |
| Medical & Hospital Expenses                                | (20,891,230)      | (16,704,362)           | (17,277,826)         |
| Pharmacy   | (3,504,662)       | (3,553,463)            | (4,009,168)          |
| Capitation   | (1,553,107)       | (1,518,891)            | (1,162,302)          |
| Reinsurance of Claims                                      | (281,113)         | (277,448)              | (240,430)            |
| State Pass Through Funds Distributed                       | (28,672,901)      | (25,595,240)           | (34,346,474)         |
| Paid Administration  | (1,258,459)       | (4,263,381)            | (2,616,623)          |
| MCO Tax Received / (Paid)                                  | -                 | -                      | 829,564              |
| <b>Net Cash Provided/ (Used) by Operating Activities</b>   | <b>764,243</b>    | <b>(50,976,513)</b>    | <b>27,670,643</b>    |
| <b>Cash Flow From Investing/Financing Activities</b>       |                   |                        |                      |
| Proceeds from Line of Credit                               |                   |                        | -                    |
| Repayments on Line of Credit                               | -                 | -                      | -                    |
| Net Acquisition of Property/Equipment                      | (31,263)          | (376,213)              | (31,026)             |
| <b>Net Cash Provided/(Used) by Investing/Financing</b>     | <b>(31,263)</b>   | <b>(376,213)</b>       | <b>(31,026)</b>      |
| <b>Net Cash Flow</b>                                       | <b>\$ 732,980</b> | <b>\$ (51,352,725)</b> | <b>\$ 27,639,617</b> |
| Cash and Cash Equivalents (Beg. of Period)                 | 34,331,717        | 85,684,442             | 23,068,235           |
| Cash and Cash Equivalents (End of Period)                  | 35,064,697        | 34,331,717             | 50,817,760           |
|  | <b>\$ 732,980</b> | <b>\$ (51,352,725)</b> | <b>\$ 27,749,525</b> |
| <b>Adjustment to Reconcile Net Income to Net Cash Flow</b> |                   |                        |                      |
| Net (Loss) Income  | 1,410,963         | 1,435,584              | 4,109,976            |
| Depreciation & Amortization                                | 7,015             | 6,492                  | 11,407               |
| Decrease/(Increase) in Receivables                         | (1,795,333)       | (28,192,911)           | 22,788,941           |
| Decrease/(Increase) in Prepaids & Other Current Assets     | 62,856            | (213,165)              | 769,972              |
| (Decrease)/Increase in Payables                            | 1,581,709         | (26,252,704)           | (1,578,838)          |
| (Decrease)/Increase in Other Liabilities                   | (38,333)          | (38,333)               | (121,667)            |
| Change in MCO Tax Liability                                | 1,149,386         | 439,985                | 1,433,012            |
| Changes in Claims and Capitation Payable                   | (4,509,964)       | 2,574,965              | 1,913,029            |
| Changes in IBNR  | 2,895,944         | (736,424)              | (1,655,189)          |
|  | 764,243           | (50,976,513)           | 27,670,643           |
| <b>Net Cash Flow from Operating Activities</b>             | <b>\$ 764,243</b> | <b>\$ (50,976,513)</b> | <b>\$ 27,670,643</b> |

## Statement of Cash Flows - YTD

|   | <b>Oct '13 YTD</b>     |
|---|------------------------|
| Cash Flow From Operating Activities                   |                        |
| Collected Premium                                     | \$ 86,009,001          |
| Miscellaneous Income                                  | 43,827                 |
| State Pass Through Funds                              | 55,432,169             |
| <u>Paid Claims</u>                                    |                        |
| Medical & Hospital Expenses                           | (70,232,872)           |
| Pharmacy  | (13,622,815)           |
| Capitation  | (5,603,416)            |
| Reinsurance of Claims                                 | (1,077,189)            |
| State Pass Through Funds Distributed                  | (54,268,141)           |
| Payment of Withhold / Risk Sharing Incentive          | -                      |
| Paid Administration                                   | (10,804,696)           |
| Repay Initial Net Liabilities                         | -                      |
| MCO Taxes Received / (Paid)                           | (826,566)              |
| Net Cash Provided/(Used) by Operating Activities      | <b>(14,950,699)</b>    |
| Cash Flow From Investing/Financing Activities         |                        |
| Proceeds from Line of Credit                          | -                      |
| Repayments on Line of Credit                          | -                      |
| Net Acquisition of Property/Equipment                 | (802,365)              |
| Net Cash Provided/(Used) by Investing/Financing       | <b>(802,365)</b>       |
| <b>Net Cash Flow</b>                                  | <b>\$ (15,753,063)</b> |
| Cash and Cash Equivalents (Beg. of Period)            | 50,817,760             |
| Cash and Cash Equivalents (End of Period)             | 35,064,697             |
|   | <b>\$ (15,753,063)</b> |
| Adjustment to Reconcile Net Income to Net Cash Flow   |                        |
| Net Income/(Loss)                                     | 5,322,132              |
| Depreciation & Amortization                           | 23,977                 |
| Decrease/(Increase) in Receivables                    | (27,845,798)           |
| Decrease/(Increase) in Prepays & Other Current Assets | (1,002,385)            |
| (Decrease)/Increase in Payables                       | 1,164,725              |
| (Decrease)/Increase in Other Liabilities              | (154,488)              |
| Change in MCO Tax Liability                           | 3,555,275              |
| Changes in Claims and Capitation Payable              | (2,802,206)            |
| Changes in IBNR                                       | 6,788,069              |
|   | <b>(14,950,699)</b>    |
| <b>Net Cash Flow from Operating Activities</b>        | <b>\$ (14,950,699)</b> |

### **AGENDA ITEM 3c**

To: Gold Coast Health Plan Commissioners

From: Charles Cho, M.D.

Date: January 27, 2014

Re: Quality Improvement (QI) Annual Review Report for 2013

Since the year 2013 just ended, the 4<sup>th</sup> quarter report will be incorporated into this annual report.

The mission and purpose of the Gold Coast Health Plan (GCHP or Plan) QI Program is to provide access to high quality medical services by striving to continuously improve the care and quality of services for our members in partnership with our contracted provider network. This has always been the cornerstone of Plan objectives and efforts. Evidence of this successful endeavor was seen in the HEDIS (Health Effectiveness Data Information Set) results (see attached). In 2013, GCHP submitted HEDIS measurement data for the first time, and the report was encouraging. HEDIS, which measures how well community physicians had performed on selected measures compared to benchmarks, is also a standardized measure indicating medical care delivered to Plan members. Using 2012 data, Plan network providers met the Minimal Performance Level (MPL) in 15 out of 25 selected measures. This elicited favorable comments from the State's monitoring group, HSAG (Health Services Advisory Group) for a first year Plan. With this baseline data, however, GCHP will continue efforts in educating and encouraging our physicians to do better in the future.

As follow-up to last year's annual report, policies and procedures implemented by the new QI Director have been accepted by the State and have been effective in building the infrastructure particularly in communication between committees and the Commission in helping to achieve the goals and objectives of the QI Program. Policies and procedures continue to be refined in response to the Affordable Care Act, as well as in response to process flow improvements to increase operational effectiveness and efficiency. For example, reports have been developed and are starting to be produced regularly, enabling the Plan to make data driven decisions.

The annual report issued by HSAG, the State's External Quality Review Organization (EQRO) recommended the following in the areas of quality, timeliness, and accessibility of care:

- Resolve all deficiencies from the June 2012 Performance Evaluation Report, specifically:
  - Provide documentation of a process to ensure grievances are resolved within the required time frame.

- Provide documentation of a process to ensure that acknowledgement letters are sent within the required time frame.
- Provide documentation that the required telephone number of the Plan representative is included in all acknowledgement letters.
- Provide documentation that Notice of Action (NOA) letters include the specific regulation or Plan authorization procedure supporting the Plan's action.
- Provide documentation of a process to ensure that NOA letters are sent within the required time frame and applicable and accurate dates are included in the letter. Additionally, ensure NOA letters are included in the member's case file, when applicable.
- Work with the Department of Health Care Services (DHCS) and EQRO (which is currently HSAG) to hold an introductory meeting on performance measures to ensure that the Plan understands DHCS's requirements and has an operational plan for reporting valid and reliable rates.
- Refer to the QI Plan (QIP) Completion Instructions and contact the EQRO for technical assistance as needed.
- Work with the EQRO in preparation for the Plan's internal QIP submission due to DHCS in July 2013.

The Plan addressed all of the HSAG's recommendations as follows:

- The Grievance and Appeals process has been completely reviewed and redesigned to incorporate all the recommendations indicated by HSAG.
- Attended the DHCS and EQRO introductory meeting on performance measures and its process.
- Utilized the QIP Completion Instructions and has received technical assistance from the EQRO for QIP completion.
- Worked with the EQRO in preparing the Plans internal QIP this was submitted in July 2013 and has been accepted and approved.

Following are the summary of QI activities in the Department as well as in all of the 9 subcommittees that report to the QI Committee which will include our efforts in utilization reporting, review of the quality of services rendered, Quality Improvement Projects, collaborative initiatives, and successes in improving patient care, outcomes and provider performance. Member satisfaction survey will be completed in early 2015 based on 2014 data. A provider access and availability survey was completed in late December 2013, and we are awaiting results at the time of this writing. More detailed reports are available in the minutes of the year-end 11/19/13 QI Committee meeting:

- 1) QI Committee
  - Collection of HEDIS measures data by collecting and abstracting about 4,000 medical records from various groups and individual physicians took most of the first half of 2013. They were submitted to the State in mid-June, and the results were conveyed back to the Plan by September. Soon afterwards, the QI Department began preparations began actions for the following year

HEDIS. Therefore, this is a recurring year-long project for the Department. The 2012 measure results were presented to the Commissioners at the September 2013 meeting. Ten of the 25 measures that scored below minimal performance levels (MPL), scored below by a small margin. The Plan will readily meet the MPL for these measures for next year. The plan for educating our providers is as follow:

- Visiting medical groups to share the data and develop strategy to correct deficiencies
- Plan town hall meetings to do the same
- Based on the study of the data and technical assistance from DHCS and HSAG, the QI Department selected the diabetic eye exam measure as the Internal Quality Improvement Project. The QIP was approved by the State.
- HEDIS Roadmap is being updated for the coming year efforts to describe the claims and encounter process to assess the validity and reliability of the data for HEDIS sampling and the electronic data abstraction.
- The State Mandated Readmission Quality Improvement Project is progressing with the intervention being deployed by the Health Services Discharge Planner, follows up with phone calls to high risk members discharged from acute care. This intervention not only helped reducing the readmission rate from 16.56% to 9.57% for the 2 year period from September 2011 to September 2013 but also more significantly has improved the access to care by making sure timely visits to their physicians are carried out and the compliance with taking prescribed medications is adhered to.
- The QI Department facilitated participation in the ACAP Substance Abuse Collaborative. The Plan's team consists of the QI Director, the Director of Pharmacy, the Health Education Manager, the CMO and the Clinical Pharmacist from the PBM. The Collaborative had its kick off meeting in late October 2013 and will continue for approximately 1 ½ years. The Plan's Action Plan will be detailed in later reports.
- Monitoring of Initial Health Assessments via a sample of medical records reviewed by the QI Facility Site Review Nurse reveals IHA completion rate of 90% for the 59 clinics visited the last half of 2013.
- The QI Quarterly Report has included a dashboard which will continue to develop sophisticated data reports as illustrated in the attached slide presentation. With a recently added Decision Support Manager, an organizational wide effort is being made to define report specifications to fulfill the needs and create a systematic methodology for report production.
- Interim FSR (Facility Site Review) was completed and is a measure to assure patient safety, which must be maintained.

## 2) Pharmacy and Therapeutic Committee (P & T)

- 14 members have participated in meetings with good attendance and enthusiasm.

- The main functions have been to review the formulary for adding necessary new drugs, deleting undesirable drugs with documentable cause and updating / modifying restrictions such as prior authorization, step therapy, quantity limits, etc. In all of these efforts, the overwhelming consideration and concern have been to provide adequate drugs with adequate alternatives balancing between the best clinical outcome and cost effectiveness. Judging from few complaints and grievances from our providers, the Plan is expected to be meeting the objectives with desired results.
- The PBM, Script Care, presents a quarterly Financial and Utilization Management Pharmacy Report via PowerPoint with detailed statistics stratified in several ways including high cost conditions.
- The financial results of our drug program in 2013 were greatly improved when our PBM implemented adjustments in Maximal Allowable Costs (MAC) as of 06/01/13. This was first major adjustment in 2 years since the Plan went live in July of 2011. The PMPM cost, which used to be around \$28 PMPM steadily climbed to \$33 PMPM by August of 2012 which peaked to \$36 PMPM in January of 2013. (Note: The drug expenses do go up during winter months during winter / flu season). However, it precipitously dropped to \$28 PMPM in June of 2013 and has been below that level each month ever since reaching the low of \$23.38 in November and \$24.67 in December of 2013. This has occurred in spite of ever increasing usage and expensive costs for specialty drugs.
- Our generic usage percentage continues to be excellent at 86%. This is among the highest in all of health plans.
- The monthly Pharmacy Utilization Management Reports for December 2013 revealed that all of the “Top 10” drugs by prescriptions were generics, as has always been. This indicates good utilization management and is also attributable to quality doctors practicing good academic medicine. However, the “Top 10 Drugs by Dollar” are all brand name drugs that are very expensive while being very effective drugs that save lives and possibly prevent hospitalization. Of the “Top 10 Therapeutic Class” drug expenses, the top three categories have always been the same; that is:
  - Anti-asthmatic
  - Anti-diabetic
  - Anti-neoplastic in that order.
- Most notably, GCHP has recently hired a full time Director of Pharmacy who started in November of 2013. She is a welcome addition to the team. She has had a number of years of experience with a pharmacy benefit management company and is very familiar with managed care. The Plan’s PBM, Script Care, has always provided us with a full time Clinical Pharmacist since the inception and is expected to continue serve in that capacity. Therefore, together they will form an excellent team that will benefit the Plan’s drug program even more.



- 3) Credentials / Peer Review Committee (C / PR)
- Strong representation of 8 members including 3 hospital CMOs at St. Johns, CMH and VCMC, 2 group clinic Medical Directors at CMH and VCMC, a leading physician at Clinicas, Sea View IPA Medical Director, and a prominent ophthalmologist practicing in Oxnard. Being experienced medical administrators and respected physicians in the community, the Committee has done a remarkable job of credentialing for the Plan throughout the year. Regrettably the ophthalmologist resigned recently from this Committee because of overwhelming time demand placed on him personally, as he assumed the Presidency of the Ventura County Medical Society for the year of 2014. This leaves the membership at 7.
  - The Committee formulated a major policy in 2013 to define qualification of OB / GYNs to become PCPs.
- 4) Medical Advisory Committee (mac)
- 12 members form the Committee with good attendance. This Committee has been very active this year analyzing multiple clinical practice data, advising on quality issues and establishing policies to improve member care and provider services. Among them include the following:
    - Formulated Policy and Procedures (P & P) for Telehealth / Telemedicine
    - Preventive Care Guidelines including mammography, Pap's smear, immunizations, etc.
    - Enteral Nutrition Guidelines
    - Nursing Facility Guidelines
    - Long Term Care Guidelines
    - Decision-Making Resources Guideline
    - Monitoring of the ER Health Navigator Program by the Health Education Department
- 5) Member Services Committee (MSC)
- A new flyer has been created and distributed announcing Member Orientation meeting each month.
  - A new PCP selection form has been created and approved by the State, which is included on the Provider Website.
  - In preparation for the Healthy Families Transition, new call center staff members were hired to assist. These steps helped the patient selection of PCPs resulting in only 10% of our members requiring auto-assignment – a great outcome!
  - The Committee is developing a binder to assist members with the Covered California program working with Health Education Linguistic Department staff.
  - The Call Center member calls have fluctuated month to month and have been between 7,500 to 8,900.
  - Member services continues to facilitate its initiative to identify members who qualify for Medicare Part A and assist in obtaining applications for them. For the first year of efforts, 1,295 members were identified among age 65 or older, who

were potentially eligible for Part A but who did not. Of these, 818 application forms were completed and sent to CMS for potential conversion. As of 10/31/13 there were 712 conversions, which is quite a success. Since this project would have a significantly favorable financial impact for the Plan, it is planned for each year to repeat the process.

- 6) Grievance and Appeals Committee (G & A)
  - Established grievance categories are: Access to care; quality of care; appointment concerns; staff courtesy; claim issue; poor customer service; ID card, PCP change, eligibility issue, transportation issue, DME issue; pharmacy issue, and wrong diagnosis.
  - A member of the Quality department attends the Grievance and Appeals committee meetings
  - Access to care issues detected through grievances are communicated to Quality, Provider Relations, and the Health Services department.
  
- 7) Network Management Committee (NMC).
  - Focuses on the initiatives to become more provider friendly by conducting regular visits to provider offices
  - Initiated Town-hall meetings to help providers understand important topics such as the new Initial Health Assessment (IHA) and the ICD 10 changes Discusses provider network and access issues.
  - Engaged Myers Group to conduct the provider satisfaction survey as well as accessibility and after-hour calls. The survey began on 10-15-13 and the Plan is analyzing the results. Results will be reported to the Committee in 2<sup>nd</sup> Quarter, 2014.
  
- 8) Delegation Oversight (DO)
  - Moved to report to Compliance.
  - Continuing to develop policies and procedures for Health Networks the Specialty Contracts and the Kaiser Plan-to-Plan Contract.
  - Oversight of vendors such as VTS Transportation Service is being refined.
  
- 9) Health Education / Cultural Linguistics Committee (HE / CL) and Outreach
  - Re-assignment of Outreach Team to the Health Education (HE) Department was done in August of 2013. This will enable the outreach team and the HE staff to work together more closely in attending community resources and health education fairs.
  - The Health Education priorities for this year have been:
    - Staying Healthy Assessment (formally IHEBA). Full implementation is due by April 1, 2014.
    - Group Needs Assessment
    - Supports QI Department on HEDIS measures
    - Provider Operations Bulletin in support of the Provider Relations Department

- During the Diabetes Awareness Month of November the Diabetes Education Resource Directory was presented, which provides community resources.
- CL Committee is developing new P & P on translation, and also streamlining the requests that are received.
- CL training will include speakers for the new benefits in Behavioral Health and Substance Abuse
- Health Education is also facilitating Disease Management. Its first effort has been a Health Navigator Program targeting high utilizers of the emergency department by members. This initiative has already resulted in the identification of pain management prevalence issues among these members and has become the intervention for the Substance Abuse Collaborative.

10) Utilization Management Committee (UMC)

- After months of planning and preparation the MedHok, the new utilization management system went live on 12/09/13. The change was necessary to accommodate updating of ICD 10 from 9. MedHok replaced the ICMS system.
- To comply with inclusion of the new Behavioral Health benefit under the ACA mandate to be effective on 01/01/14, Beacon Health Strategies was selected to administer the program.
- With data analyst support, the following reports were submitted by the Health Services:
  - Hospital bed days / 1000 and length of stay for the last 2 years have shown steady decline as shown below:
    - 2011: 332 / 1000 bed days and 4.8 days of length of stay
    - 2012: 291 / 1000 bed days and 4.56 days of length of stay
    - 2013: 219 / 1000 bed days and 4.52 days of length of stay
- Health Services is developing a Special Claims Review process which will be implemented when an over-utilization pattern is identified by a provider when this pattern is identified, the provider is notified by mail that they will undergo Special Claims Review which entails post-service, pre-payment review of all claims.

**Following are 2012 GCHP HEDIS data:**

Based on the HEDIS data baseline results and emerging data reports the Plan has the following opportunities for improvement:

1. Decrease HgA1c levels in members with diabetes to <8 and preferably <7.
2. Increase cervical cancer screening.
3. Decrease use of antibiotics for bronchitis.
4. Increase documentation of nutrition and exercise counseling for adolescents.
5. Continue decreasing use of emergency rooms by members for non-emergent issues.

6. Decrease use of short acting narcotics for chronic pain management.
7. Increase visits to primary care for children 3-6 years old.
8. Monitor completion of new IHEBA / SHA (Individual Health Education and Behavioral Assessment/Staying Healthy Assessment).
9. Implement delegation oversight of behavioral health vendor (Beacon Health Strategies).
10. Increase encounter data submission to the Plan.

**Gold Coast Health Plan  
NCQA HEDIS 2012 Rates  
All MEDICAID (SPD + Non-SPD)**

***Administrative Measures***

| <b>Effectiveness of Care</b>                                      |             |                      |
|---|-------------|----------------------|
| Annual Monitoring for Patients on Persistent Medications          | DHCS<br>MPL | GCHP<br>2012<br>Rate |
| MPM - Reported rate - ACE inhibitors or ARBs                      | 83.72       | 86.73%               |
| MPM - Reported rate - Digoxin                                     | 87.93       | 88.46%               |
| MPM - Reported rate - Diuretics                                   | 83.19       | 86.28%               |
| MPM - Rate - Total  | 81.16       | 82.47%               |
| Avoidance of Antibiotic Treatment in Adults With Acute Bronchitis | DHCS<br>MPL | GCHP<br>2012<br>Rate |
| AAB - Reported rate   | 18.98       | <b>13.87%</b>        |
| Use of Imaging Studies for Low Back Pain                          | DHCS<br>MPL | GCHP<br>2012<br>Rate |
| LBP - Reported rate   | 72.04       | 76.95%               |
| <b>Access/Availability of Care</b>                                |             |                      |
| Children and Adolescents' Access to Primary Care Practitioners    | DHCS<br>MPL | GCHP<br>2012<br>Rate |
| CAP - Rate 12-24 Months   | 95.56       | <b>82.51%</b>        |
| CAP - Rate 25 Months-6 Years                                      | 86.62       | <b>63.09%</b>        |

| <b>Use of Services</b>               |                     |                               |
|--------------------------------------|---------------------|-------------------------------|
| <b>Ambulatory Care</b>               | <b>DHCS<br/>MPL</b> | <b>GCHP<br/>2012<br/>Rate</b> |
| <b>AMB - AMB OP &lt;1 Visit/1000</b> | 650.72              | 513.60                        |
| <b>AMB - AMB ER &lt;1 Visit/1000</b> | 79.38               | 66.74                         |
| <b>AMB - AMB OP 1-9 Visit/1000</b>   | 258.60              | 246.10                        |
| <b>AMB - AMB ER 1-9 Visit/1000</b>   | 42.85               | 38.08                         |
| <b>AMB - AMB OP 10-19 Visit/1000</b> | 198.55              | 199.34                        |
| <b>AMB - AMB ER 10-19 Visit/1000</b> | 33.47               | 36.87                         |
| <b>AMB - AMB OP 20-44 Visit/1000</b> | 326.04              | 403.46                        |
| <b>AMB - AMB ER 20-44 Visit/1000</b> | 78.60               | 74.53                         |
| <b>AMB - AMB OP 45-64 Visit/1000</b> | 501.15              | 588.73                        |
| <b>AMB - AMB ER 45-64 Visit/1000</b> | 61.98               | 71.53                         |
| <b>AMB - AMB OP 65-74 Visit/1000</b> | 325.76              | 521.61                        |
| <b>AMB - AMB ER 65-74 Visit/1000</b> | 16.14               | 20.60                         |
| <b>AMB - AMB OP 75-84 Visit/1000</b> | 357.73              | 496.03                        |
| <b>AMB - AMB ER 75-84 Visit/1000</b> | 16.37               | 17.47                         |
| <b>AMB - AMB OP 85+ Visit/1000</b>   | 190.48              | 439.85                        |
| <b>AMB - AMB ER 85+ Visit/1000</b>   | 0.00                | 38.85                         |
| <b>AMB - AMB OP Visit/1000</b>       | 301.57              | 317.16                        |
| <b>AMB - AMB ER Visit/1000</b>       | 52.45               | <b>49.21</b>                  |

**Gold Coast Health Plan  
NCQA HEDIS 2012 Rates  
All MEDICAID (SPD + Non-SPD)**

**Hybrid Measures**

| <b>Effectiveness of Care</b>          |                     |                               |
|---------------------------------------|---------------------|-------------------------------|
| <b>Cervical Cancer Screening</b>      | <b>DHCS<br/>MPL</b> | <b>GCHP<br/>2012<br/>Rate</b> |
| CCS - Reported Rate                   | 61.81               | 57.66%                        |
| <b>Childhood Immunization Status</b>  | <b>DHCS<br/>MPL</b> | <b>GCHP<br/>2012<br/>Rate</b> |
| CIS - DTaP/DT Rate                    | 75.74               | 85.64%                        |
| CIS - IPV Rate                        | 88.19               | 96.11%                        |
| CIS - MMR Rate                        | 88.81               | 95.86%                        |
| CIS - HIB Rate                        | 88.86               | 94.89%                        |
| CIS - Hepatitis B Rate                | 86.86               | 94.89%                        |
| CIS - VZV Rate                        | 88.56               | 96.35%                        |
| CIS - Pneumococcal Conjugate Rate     | 74.94               | 87.10%                        |
| CIS - Hepatitis A Rate                | 33.09               | 92.70%                        |
| CIS - Rotavirus Rate                  | 56.87               | 91.97%                        |
| CIS - Influenza Rate                  | 36.98               | 55.47%                        |
| CIS - Combo 3 Rate                    | 64.72               | 80.05%                        |
| Eligible Population per 1000 MM       | 1.90                | 2.70                          |
| <b>Comprehensive Diabetes Care</b>    | <b>DHCS<br/>MPL</b> | <b>GCHP<br/>2012<br/>Rate</b> |
| CDC - Rate - HbA1c Testing            | 78.54               | 81.75%                        |
| CDC - Rate - Poor HbA1c Control       | 34.33               | 56.20%                        |
| CDC - Rate - HbA1c Control <8         | 42.09               | 37.96%                        |
| CDC - Rate - Good HbA1c Control <7    | 30.43               | 26.72%                        |
| CDC - Rate - Eye Exams                | 45.03               | 42.58%                        |
| CDC - Rate - LDL-C Screening          | 70.34               | 78.83%                        |
| CDC - Rate - <100 LDL-C Level         | 28.47               | 33.58%                        |
| CDC - Rate - Med Att Diabetic Neph.   | 73.48               | 79.81%                        |
| CDC - Rate - Blood Press Cont <140/80 | 33.09               | 45.50%                        |
| CDC - Rate - Blood Press Cont <140/90 | 54.48               | 62.29%                        |

| <b>Controlling High Blood Pressure</b>             | <b>DHCS<br/>MPL</b> | <b>GCHP<br/>2012<br/>Rate</b> |
|--|---------------------|-------------------------------|
| <b>CBP - Rate - Total</b>                          | 50.00               | 61.56%                        |
| <b>Immunizations for Adolescents</b>               | <b>DHCS<br/>MPL</b> | <b>GCHP<br/>2012<br/>Rate</b> |
| <b>IMA - Rate - Meningococcal</b>                  | 53.04               | 65.94%                        |
| <b>IMA - Rate - Tdap/Td</b>                        | 70.60               | 84.67%                        |
| <b>IMA - Rate - Combo 1 Meningococcal, Tdap/Td</b> | 50.36               | 65.21%                        |

**Gold Coast Health Plan  
NCQA HEDIS 2012 Rates  
All MEDICAID (SPD + Non-SPD)**

**Hybrid Measures – *continued***

| <b>Effectiveness of Care</b>   |                 |                       |
|--|-----------------|-----------------------|
| <b>Weight Assessment and Counseling for Nutrition and Physical Activity for Children/Adolescents</b> | <b>DHCS MPL</b> | <b>GCHP 2012 Rate</b> |
| Reported Rate - BMI Percentile - Total   | 29.20           | <b>42.09%</b>         |
| Reported Rate - Counseling for Nutrition - Total   | 42.82           | 42.09%                |
| Reported Rate - Counseling for Physical Activity - Total   | 31.63           | <b>30.41%</b>         |
| <b>Access./Availability of Care</b>  |                 |                       |
| <b>Prenatal and Postpartum Care</b>  | <b>DHCS MPL</b> | <b>GCHP 2012 Rate</b> |
| PPC - Rate - Timeliness of Prenatal Care   | 80.54           | 80.78%                |
| PPC - Rate - Postpartum Care   | 58.70           | 63.99%                |
| <b>Use of Services</b>   |                 |                       |
| <b>Well-Child Visits in the Third, Fourth, Fifth and Sixth Years of Life</b>                         | <b>DHCS MPL</b> | <b>GCHP 2012 Rate</b> |
| W34 - Reported Rate  | 65.51           | <b>61.80%</b>         |

**Definitions:**

MPL = Minimum Performance Level

Administrative Measures - Measures calculated directly from claims &

encounter data.

Hybrid Measures - Measure calculated from medical record abstraction if

there is no claims or encounter data

**Red** highlights are measures that **did not** meet MPL





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# Quality Improvement 2013 Annual Report

Charles Cho, MD  
Chief Medical Officer 2011-2013



# Mission of GCHP

## Quality Improvement (QI) Program

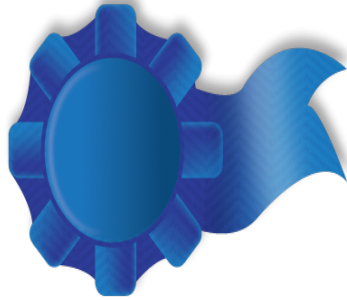
- To improve the health and well-being of the people of Ventura County by providing access to high quality medical services.
- To achieve that goal, the QI Program will strive to continuously improve the care and quality of service for its members in partnership with its contracted quality provider network.



# QIC Accomplishments & Activities

- First HEDIS submission completed in June with publication of report in September 2013
- Continued participation in State's Readmission Rates Quality Improvement Project (QIP)
- QI Dashboard presented & being refined
- Internal QIP in increasing retinal eye exams for diabetic members approved
- Initial Health Assessment (IHA) monitoring begun

# HEDIS 2013 Reporting of 2012 Data



Well Done!

15

Measures

Met Minimum Performance  
Level (MPL) or Better

Opportunities  
for Improvement (OFIs)

10

Measures

Did Not Meet the  
Minimum Performance  
Level  
(the 25<sup>th</sup> Percentile)





| HEDIS Measure/Data Element   | GCHP<br>2012 Rate | DHCS<br>MPL | GCHP<br>National<br>Percentile |
|--|-------------------|-------------|--------------------------------|
| <i>Effectiveness of Care: Prevention and Screening</i>   |                   |             |                                |
| <b>Weight Assessment and Counseling for Nutrition and Physical Activity for Children/Adolescents</b> |                   |             |                                |
| BMI Percentile   | 42.09             | 29.20       | 25th                           |
| Counseling for Nutrition   | 42.09             | 42.82       | 10th                           |
| Counseling for Physical Activity   | 30.41             | 31.63       | 10th                           |
| <b>Childhood Immunization Status</b>   |                   |             |                                |
| Combination #3   | 80.05             | 64.72       | 75th                           |
| <b>Immunizations for Adolescents</b>   |                   |             |                                |
| Combination #1   | 65.21             | 50.36       | 50th                           |
| <b>Cervical Cancer Screening</b>   |                   |             |                                |
|  | 57.66             | 61.81       | 10th                           |



| HEDIS Measure/Data Element  | GCHP 2012 Rate | DHCS MPL | GCHP National Percentile |
|---|----------------|----------|--------------------------|
| <i>Effectiveness of Care</i>                                      |                |          |                          |
| Avoidance of Antibiotic Treatment in Adults with Acute Bronchitis | 13.87          | 18.98    | < 10th                   |
| Controlling High Blood Pressure                                   | 61.56          | 50.00    | 50th                     |
| Use of Imaging Studies for Low Back Pain                          | 76.95          | 72.04    | 50th                     |
| Annual Monitoring for Patients on Persistent Medications          | 82.47          | 81.16    | 25th                     |



| HEDIS Measure/Data Element                       | GCHP 2012 Rate | DHCS MPL | GCHP National Percentile |
|--|----------------|----------|--------------------------|
| <b>Effectiveness of Care: Diabetes</b>           |                |          |                          |
| <b>Comprehensive Diabetes Care</b>               |                |          |                          |
| <i>Hemoglobin A1c (HbA1c) Testing</i>            | 81.75          | 78.54    | 25th                     |
| <i>HbA1c Poor Control (&gt;9.0%)</i>             | 56.20          | 34.33    | 75th                     |
| <i>HbA1c Control (&lt;8.0%)</i>                  | <b>37.96</b>   | 42.09    | 10th                     |
| <i>Eye Exam (Retinal) Performed</i>              | <b>42.58</b>   | 45.03    | 10th                     |
| <i>LDL-C Screening Performed</i>                 | 78.83          | 70.34    | 50th                     |
| <i>LDL-C Control (&lt;100 mg/dL)</i>             | 33.58          | 28.47    | 25th                     |
| <i>Medical Attention for Nephropathy</i>         | 79.81          | 73.48    | 50th                     |
| <i>Blood Pressure Control (&lt;140/90 mm Hg)</i> | 62.29          | 54.48    | 25th                     |



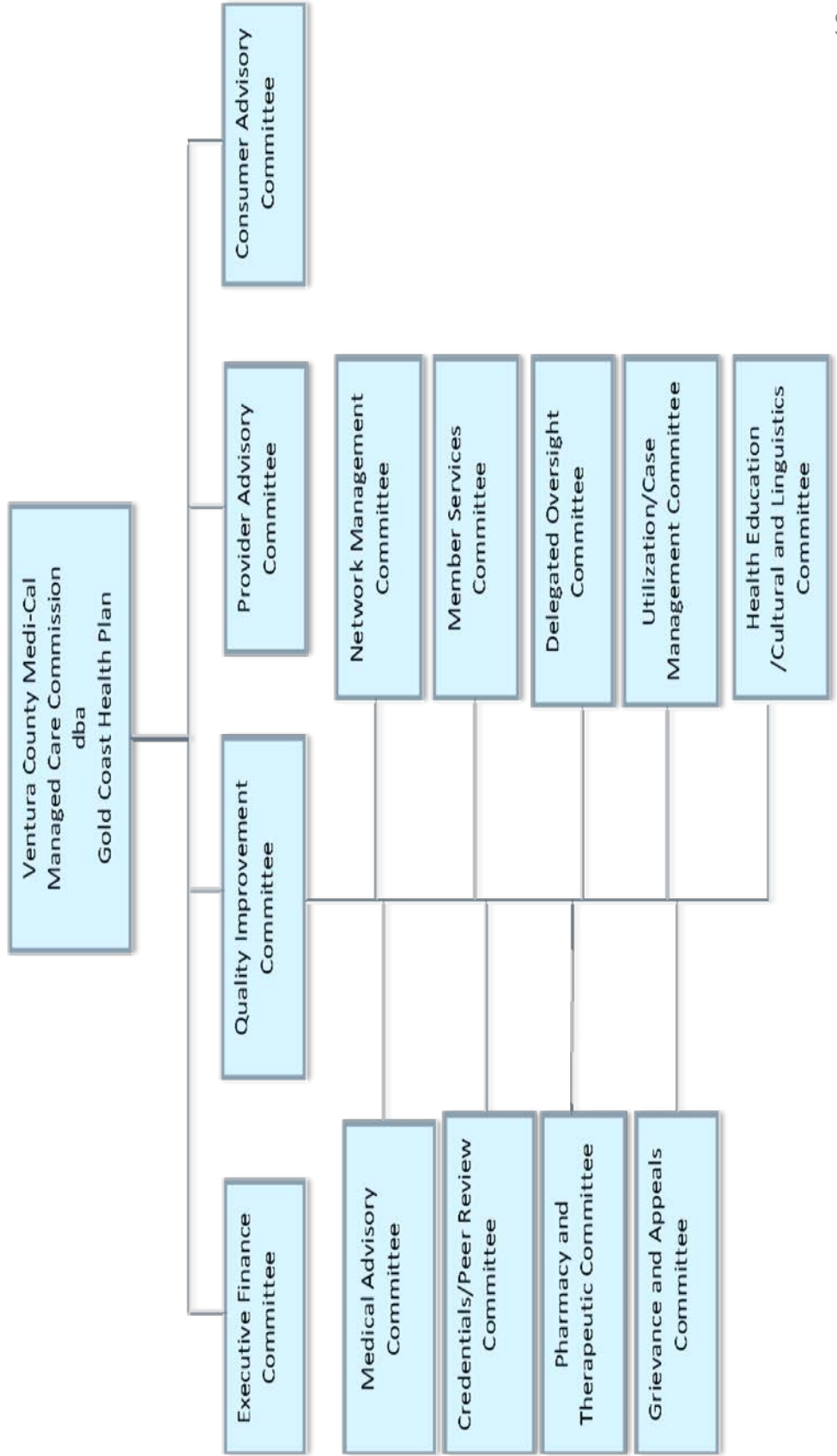
| HEDIS Measure/Data Element   |                                    | GCHP 2012 Rate | DHCS MPL | GCHP National Percentile |
|--|------------------------------------|----------------|----------|--------------------------|
| <b>Access/Availability of Care</b>   |                                    |                |          |                          |
| <b>Children and Adolescents' Access to Primary Care Practitioners</b>        |                                    |                |          |                          |
|  | 12-24 Months                       | <b>82.51</b>   | 95.56    | < 10th                   |
|  | 25 Months - 6 Years                | <b>63.09</b>   | 86.62    | < 10th                   |
| <b>Prenatal and Postpartum Care</b>  |                                    |                |          |                          |
|  | <i>Timeliness of Prenatal Care</i> | 80.78          | 80.54    | 25th                     |
|  | <i>Postpartum Care</i>             | 63.99          | 58.70    | 25th                     |
| <b>Well-Child Visits in the Third, Fourth, Fifth and Sixth Years of Life</b> |                                    |                |          |                          |
|  |                                    | <b>61.80</b>   | 65.51    | 10th                     |
| <b>Ambulatory Care</b>   |                                    |                |          |                          |
|  | AMB - AMB OP Visit/1000            | 317.16         | 301.57   | 25th                     |
|  | AMB - AMB ER Visit/1000            | <b>49.21</b>   | 52.45    | 10th                     |



# QI Dashboard Measures

- Pharmacy Measures
- PCP Volume
- IHA Monitoring
- Health Education Measures
- Cultural Linguistic Measures
- G & A Volume
- Call Center Measures
- Medicare Enrollment

# QI Plan Committees



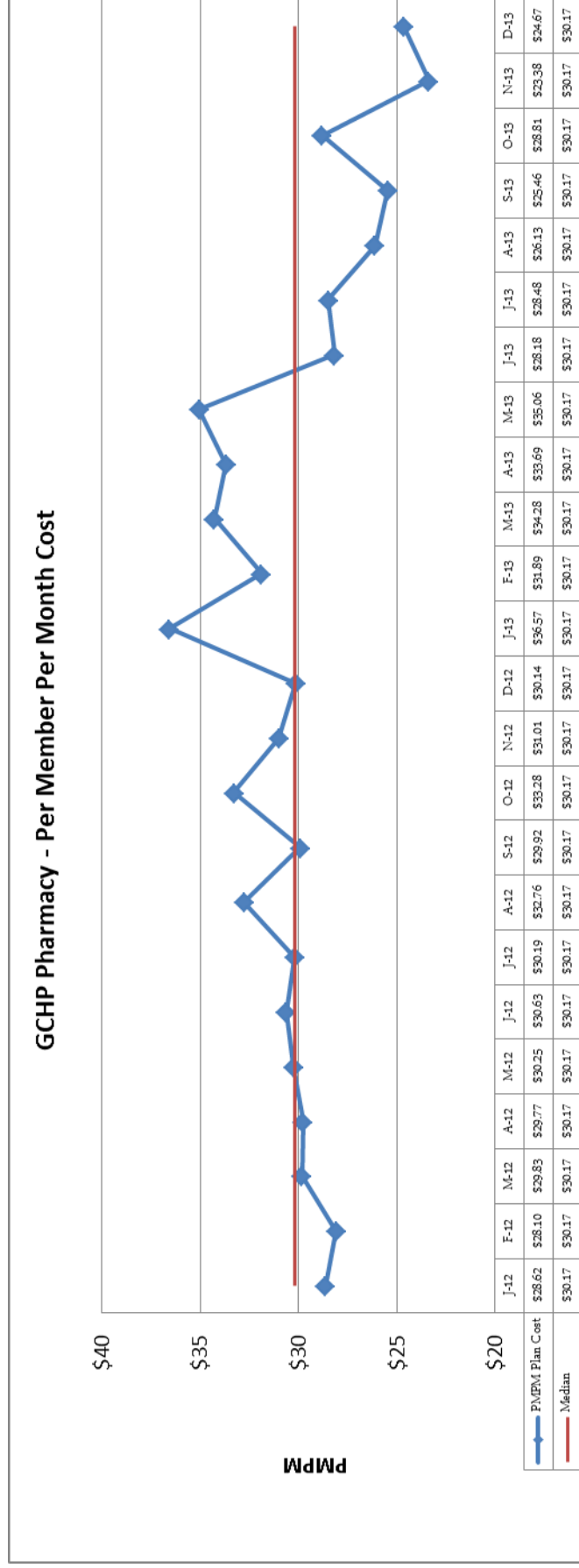


# Pharmacy & Therapeutics (P&T) Committee

- The PBM, ScriptCare, presents a quarterly Financial and Utilization Management Pharmacy Report with detailed statistics
- Maximal Allowable Costs (MAC) were adjusted for the first time on 6/1/13 resulting in very favorable drug costs for the Plan.
- The PMPM drug costs dropped to \$24.67 PMPM (per ScriptCare reports) in December. This has occurred in spite of ever increasing usage and costs for specialty drugs.
- Our generic usage percentage continues to be excellent at 86%. This is highest percentage across health plans.



# GCHP Pharmacy – Per Member Per Month Cost



Median based on first year of data. These are statistics from ScriptCare  
 Analysis: Data points show a statistically significant decrease in PMPM costs June 2013 to December 2013.

# Monthly Pharmacy Experience for the last 6 months of 2013

| Script Care Prescription Plan Statistics Summary from 07/01/2013 through 12/31/2013 |             |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
|   | Jul-13      | Aug-13      | Sep-13      | Oct-13      | Nov-13      | Dec-13      |
| <b>Enrollment Summary</b>   |             |             |             |             |             |             |
| Cardholders   | 109,797     | 124,522     | 124,613     | 124,945     | 129,450     | 130,165     |
| <b>Claim Summary</b>  |             |             |             |             |             |             |
| All   | 78,812      | 80,318      | 79,035      | 85,569      | 78,858      | 82,330      |
| Avg Per Cardholder  | 0.72        | 0.65        | 0.63        | 0.68        | 0.61        | 0.63        |
| Generic % of All  | 86.06%      | 85.89%      | 85.85%      | 85.75%      | 86.45%      | 86.40%      |
| <b>Claim Cost</b>   |             |             |             |             |             |             |
| Total   | \$3,126,910 | \$3,253,505 | \$3,172,116 | \$3,599,699 | \$3,026,831 | \$3,210,998 |
| <b>Plan Cost</b>  |             |             |             |             |             |             |
| Plan Cost Per Member  | \$28.48     | \$26.13     | \$25.46     | \$28.81     | \$23.38     | \$24.67     |

**Note: These statistics are from ScriptCare**



## GCHP Top 10 Drugs

- All of the “Top 10” drugs by prescriptions are generics
- “Top 10 Drugs by Dollar” are all brand name drugs, which are expensive but very effective saving lives and possibly reducing hospitalization
- The Top Therapeutic Class is anti-asthmatic followed by anti-diabetic and anti-neoplastic
- GCHP has recently hired a full time Director of Pharmacy

# GCHP – Top 10 Drugs by RxS

| Dec-13       |           |             |
|--------------|-----------|-------------|
| Drug         | # Scripts | Amount Paid |
| HYDROCO/APAP | 2769      | \$36,658.50 |
| VENTOLIN HFA | 1942      | \$74,297.51 |
| AMOXICILLIN  | 1917      | \$13,343.28 |
| METFORMIN    | 1779      | \$6,295.73  |
| OMEPRAZOLE   | 1715      | \$10,916.00 |
| IBUPROFEN    | 1607      | \$5,022.63  |
| LEVOTHYROXIN | 1397      | \$11,141.86 |
| LISINAPRIL   | 1384      | \$3,676.55  |
| LORATADINE   | 1202      | \$5,421.47  |
| AZITHROMYCIN | 1158      | \$15,762.83 |

# GCHP – Top 10 Drugs by Dollar

| Dec-13       |           |              |                |
|--------------|-----------|--------------|----------------|
| Drug         | # Scripts | Amount Paid  | Amount Paid/Rx |
| LANTUS       | 521       | \$104,974.69 | \$201.49       |
| ADVAIR DISKU | 433       | \$95,385.71  | \$220.29       |
| BENEFIX      | 1         | \$92,102.40  | \$92,102.40    |
| VENTOLIN HFA | 1942      | \$74,297.51  | \$38.26        |
| GLEEVEC      | 6         | \$64,990.35  | \$10,831.73    |
| DIVALPROEX   | 454       | \$53,620.89  | \$118.11       |
| METHYLPHENID | 436       | \$48,752.99  | \$111.82       |
| REVLIMID     | 6         | \$45,136.15  | \$7,522.69     |
| MORPHINE SUL | 226       | \$41,848.29  | \$185.17       |
| HUMALOG      | 184       | \$40,549.67  | \$220.38       |



# GCHP – Top 10 Therapeutic Class

| Dec-13                             |             |              |
|------------------------------------|-------------|--------------|
| Therapeutic Class                  | Claim Count | Amount Paid  |
| Antiasthmatic                      | 4,406.00    | \$349,610.80 |
| Antidiabetic                       | 4,171.00    | \$299,878.61 |
| Anticonvulsant                     | 4,349.00    | \$222,953.33 |
| Stimulants/Anti-Obesity Anorexiant | 1,375.00    | \$207,826.78 |
| Antineoplastics                    | 328.00      | \$200,370.47 |
| Analgesics-Narcotic                | 4,777.00    | \$148,323.55 |
| Analgesics-Anti-Inflammatory       | 3,776.00    | \$129,495.36 |
| Dermatological                     | 2,837.00    | \$121,760.78 |
| Assorted Classes                   | 166.00      | \$103,576.34 |
| Misc. Hematological                | 269.00      | \$98,670.39  |



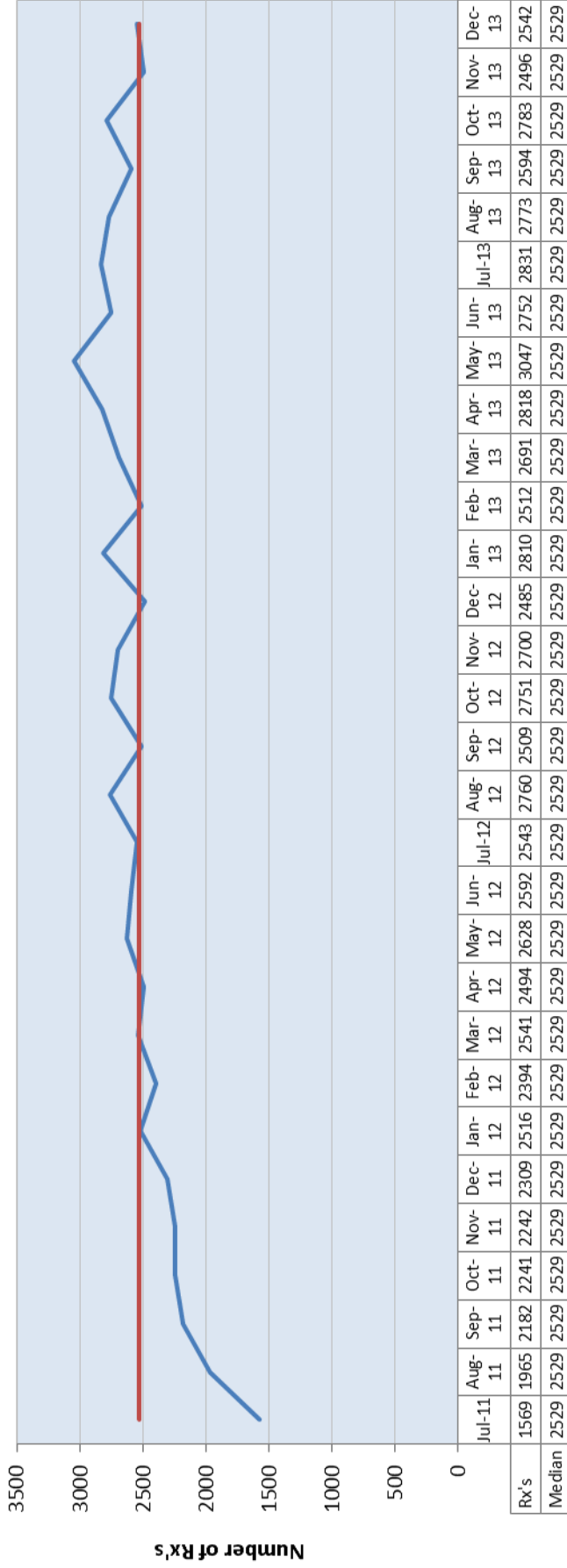
# Specialty Drugs December 2013

- 371 Rx on 88 drugs were dispensed at a total cost of \$591,746
- This represented 0.005% of total number of Rx (82,330 Rx) and yet costs 18% of expenses for the month (\$3,210,998)
- The most expensive drug was Benefix, hemophiliac drug that costs \$92,102 for one prescription even with 340B pricing
- However, these are essential or necessary drugs that save lives and improve quality of life



# Commission Request

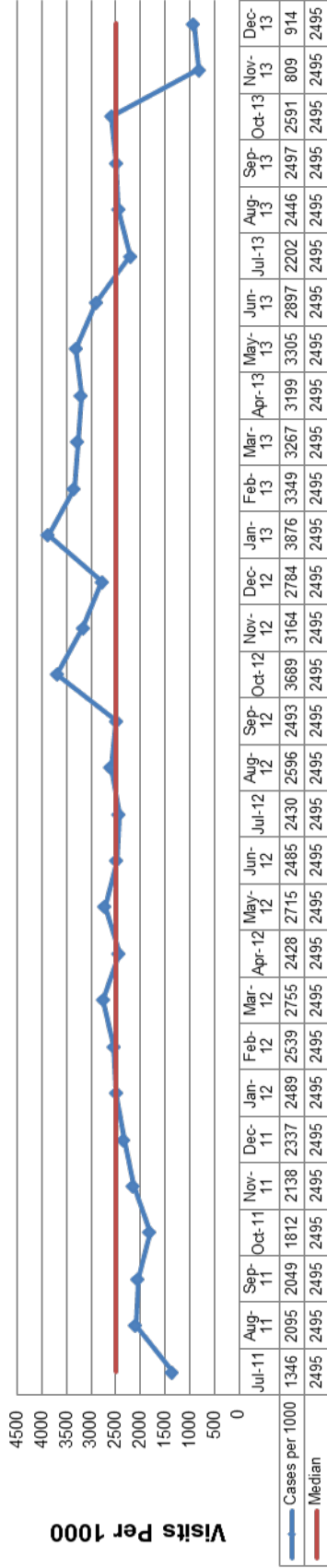
## Hydrocodone Rx's by Month



This is a statistically significant increase with 8 data points above the median March – October 2013.



## Monthly PCP Visits Per 1000

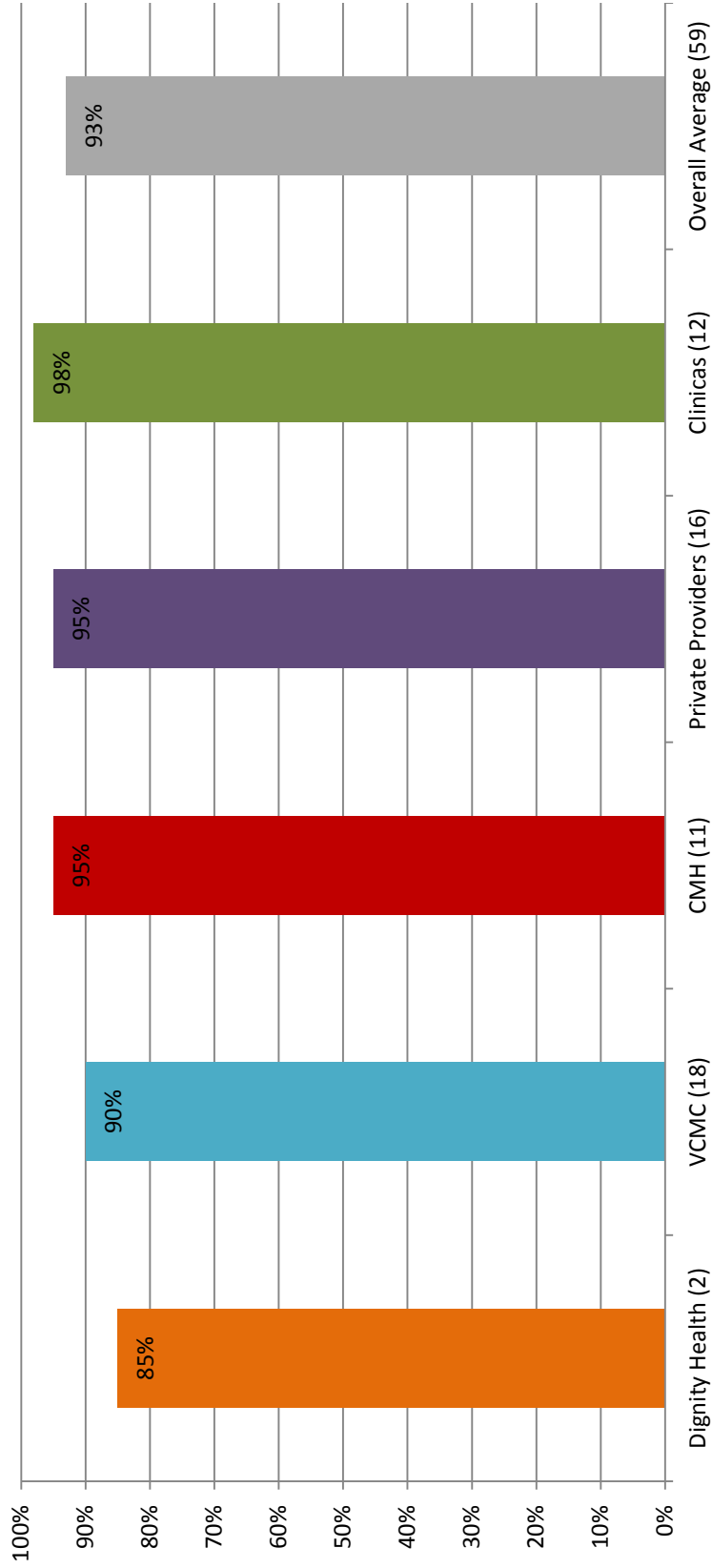


Source: MedInsight Cube Library: goldcoast-db2.goldcoast.com>QI>All Mbrs OP and Prof PCP Visit.mrk. Criteria: HCG Code and Desc: O19d, P32a, P41, P45>Billing Provider ID>Incurred Year and Month (O19d - Hosp Outpatient Clinic; P32a - PHY Office Visit; P41-PHY Immunizations; P42- PHY Well Baby Exams; P43-PHY Physical Exams; P4- PHY Visions Exams; P45- PHY Speech and Hearing Exam)  
Calculation: Visits/1000 = (#Cases or #Visits \* 12 \* 1000) / Member Months  
The new enrollment of TLIC (Targeted Low Income Children) which initiated in April 2013 caused a drop in the per 1000 monthly data points from July - December 2013 due to an increase in the denominator.

| 2013 Top 10 ICD9 Diagnosis Desc 1 | Cases per 1000 |
|-----------------------------------|----------------|
| V202 - ROUTIN CHILD HEALTH EXAM   | 499            |
| 4659 - ACUTE URI NOS              | 134            |
| 25000 - DMII WO CMP NT ST UNCNTR  | 50             |
| 3829 - OTITIS MEDIA NOS           | 46             |
| 462 - ACUTE PHARYNGITIS           | 42             |
| V221 - SUPERVIS OTH NORMAL PREG   | 41             |
| 49390 - ASTHMA NOS                | 34             |
| 4019 - HYPERTENSION NOS           | 34             |
| 78060 - FEVER NOS                 | 29             |
| 0088 - VIRAL ENTERITIS NOS        | 26             |
| 7862 - COUGH                      | 26             |
| 4660 - ACUTE BRONCHITIS           | 26             |
| 4779 - ALLERGIC RHINITIS NOS      | 26             |



## 2013 Third Quarter Initial Health Assessment Audit Results Clinic Compliance Rate



59 Clinics Audited. Medical record reviews for the third quarter were conducted between July 2013 to December 2013. Five out of 64 Clinics excluded in 2013 Third Quarter audit. Due to scheduling conflict, two clinics requested audits moved to 2014. One provider not open to new members. One clinic had periodic FSR review without IHA review. One clinic IHA result recorded but report data is missing, request for report copy from audited facility has been placed.



# Health Education/Cultural Linguistics (HE/CL) Committee

- Re-assignment of Outreach Team to this Department was done in August of 2013
- Health Education Supports QI Department on HEDIS measures
- In process of fully implementing the Staying Healthy Assessment (formally IHEBA) by April 1, 2014
- The Diabetes Education Resource Directory was completed
- Health Education facilitates Disease Management
  - First effort is Health Navigator Program targeting emergency department high utilizers
- Lead for the Substance Abuse Collaborative
- Cultural and Linguistic Committee is developing new P & P on translation, and also streamlining the requests that are received
- CL training will include speakers for the new benefits in Behavioral Health and Substance Abuse



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# Gold Coast Health Plan ER Health Navigator Program HE/CL Update



# Follow-up Phone Call Report

- As of December 4, 2013 a total of 315 phone calls were made from ER data file
  - A total of 109 were contacted with a rate of 35%
  - 206 “Unable to Reach” (UTR)
  - During the last 27 months from 7/1/11 through 10/31/13 the top 10 most frequent ER users ranged from 78 to 219 visits.
  - Of the top 10 only two were reachable – that of 219 and 159 – and they were for pain Mgm.
  - The other 8 were all either no answer or wrong numbers leaving message in only one.





## UTR Letters

### Next Steps:

1. Continue to follow up with member
2. Send UTR Letter after 3 attempt at calls
3. Follow-up with members after letters are sent

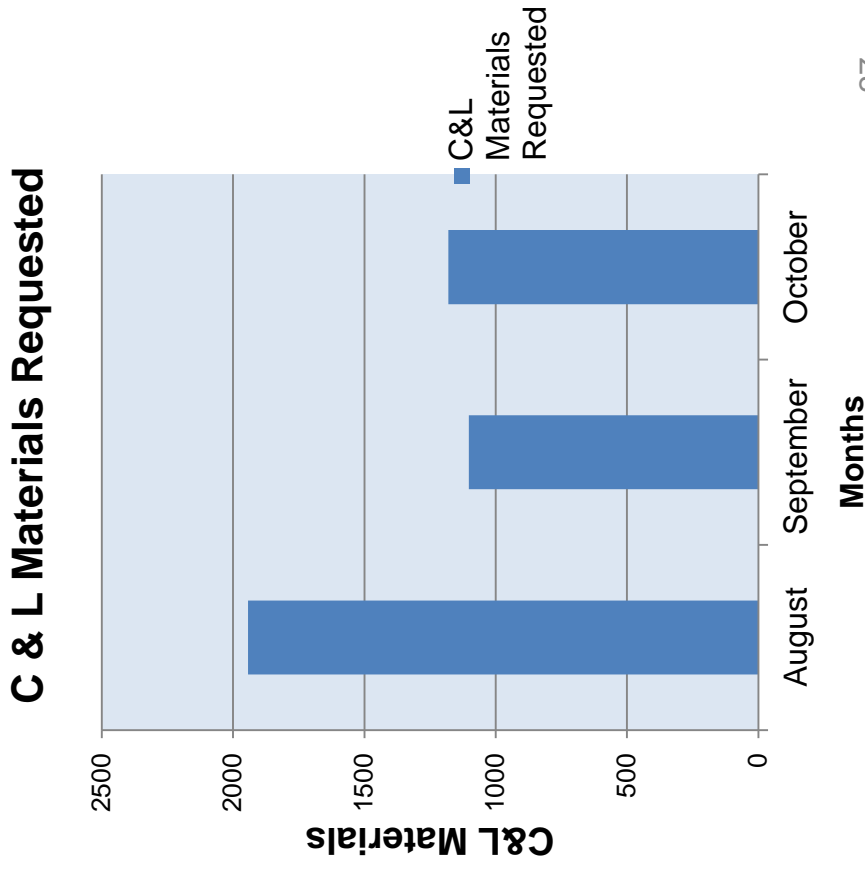


## Follow-up Care

1. Number one reason for ER visits was pain management including back pain and migraine headaches.
2. In the process of turning over those frequent ER users to the Care Coordinators at the Health Services for management

## Cultural and Linguistic Services Material Requests for 2013

- Cultural and Linguistic (C&L) materials delivered to Network Providers
- The majority of referrals for materials comes from Provider Relations
- All new Network Providers receive a packet of C&L materials



# Cultural and Linguistic Services

## C&L Materials

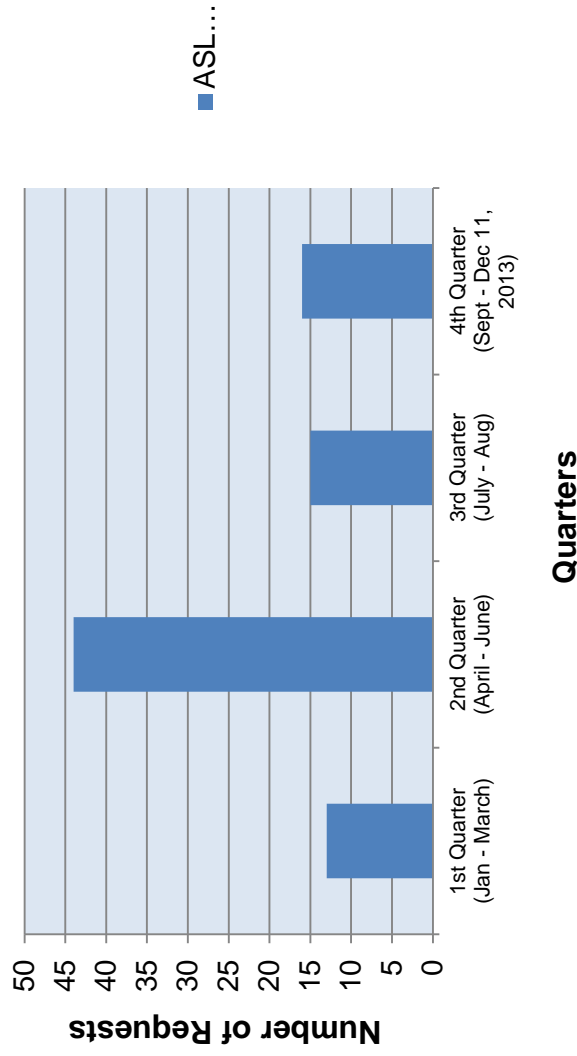
- GCHP Brochure
- GCHP Newsletter
- GCHP Community Resource Guide for Seniors
- GCHP Community Resource Guide – Ventura County
- GCHP C&L Request for Materials Form
- American Sign Language – Lifesigns Guide Book Handout
- Health Education Referral Form
- Pacific Interpreters Brochure and Poster
- Quick Reference Badge
- Quick Reference Card
- How to Sheet
- Language ID Poster
- 5 Pacific Interpreters Labels
- I speak Cards
- WIC Flyer
- CalFresh Bookmark
- Quit Smoking Letter, Flyer, and Postcard



# American Sign Language (ASL) Interpreter Request Quarterly Report 2013

- A total of 88 ASL Interpreter Request Forms were completed

ASL Interpreter Requests  
Quarterly Report 2013 - End of the Year Report  
(N=88)

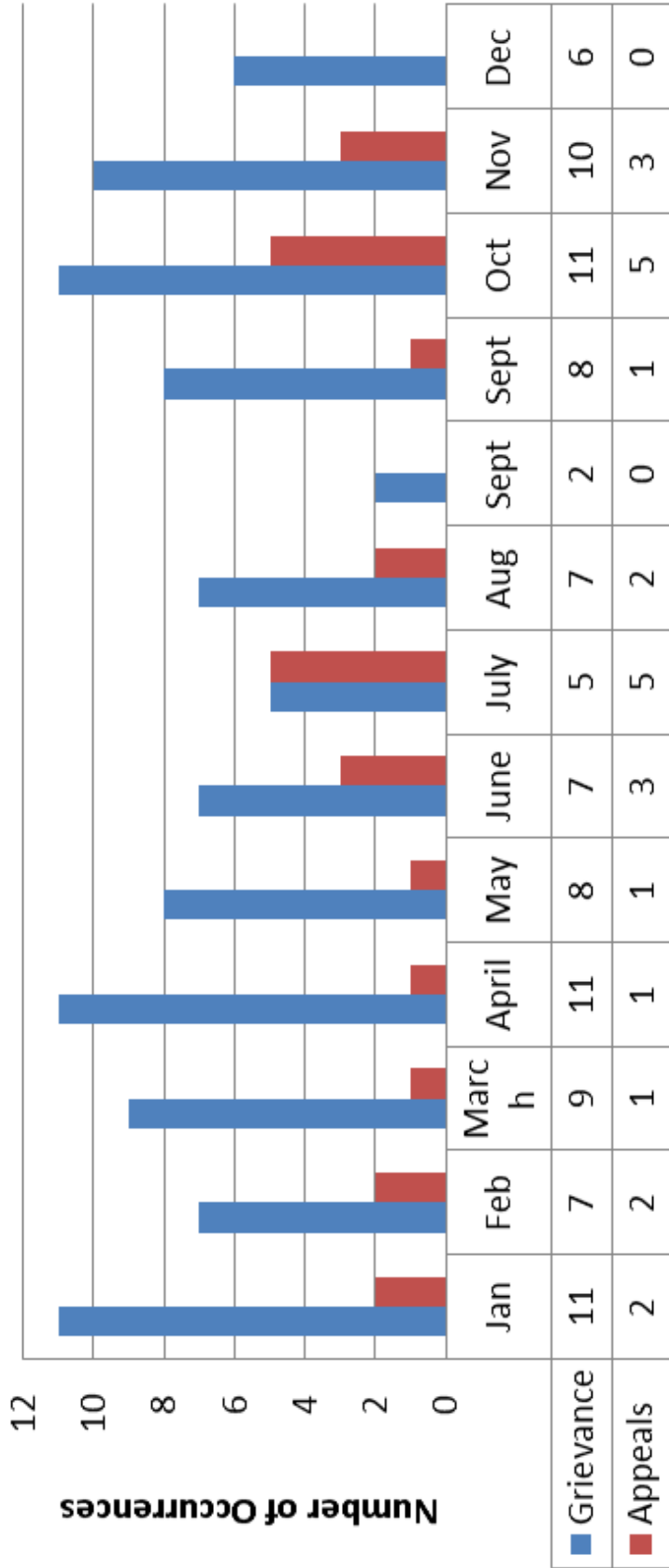


# Grievances & Appeals (G&A) Committee

- Established grievance categories are: Access to care; quality of care; appointment concerns; staff courtesy; claim issue; poor customer service; ID card, PCP change, eligibility issue, transportation issue, DME issue; pharmacy issue, and wrong diagnosis



## Member Grievance and Appeals 2013

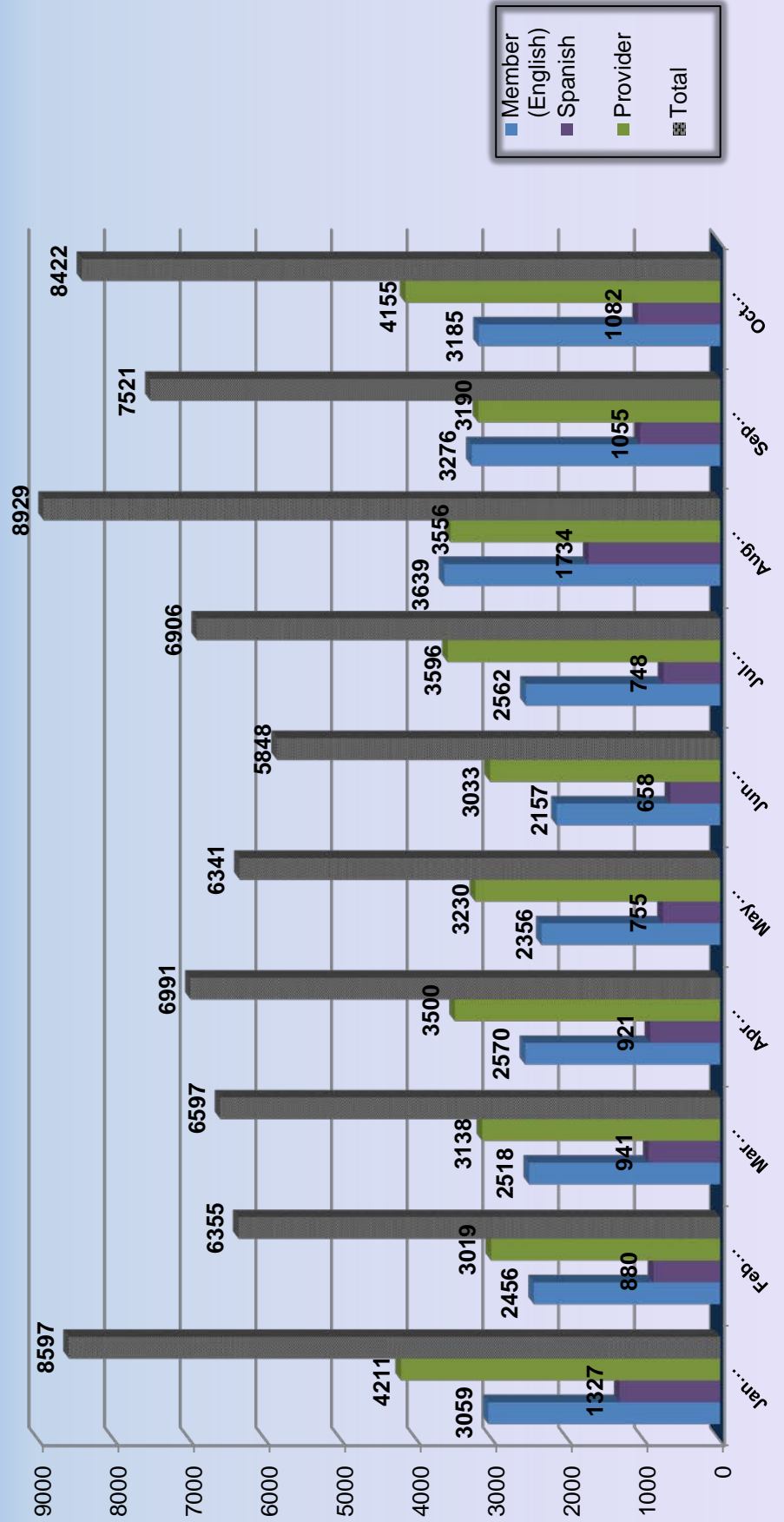


# Member Services Committee

- A new flyer has been created and distributed announcing Member Orientation meeting each month
- A new PCP selection form has been created and approved by the State, which is included on the Provider Website
- In preparation for the Healthy Families Transition, new call center staff members were hired to assist. These steps helped the patient selection of PCPs resulting in only 10% of our members requiring auto-assignment – a great outcome!
- The Committee is developing a binder to assist members with the covered California program working with Health Education/Linguistic Department staff
- The call center member calls have fluctuated month to month and has been between 7,500 to 8,900
- Member services continues to facilitate its initiative to identify members who qualify for Medicare and assist in obtaining applications for them

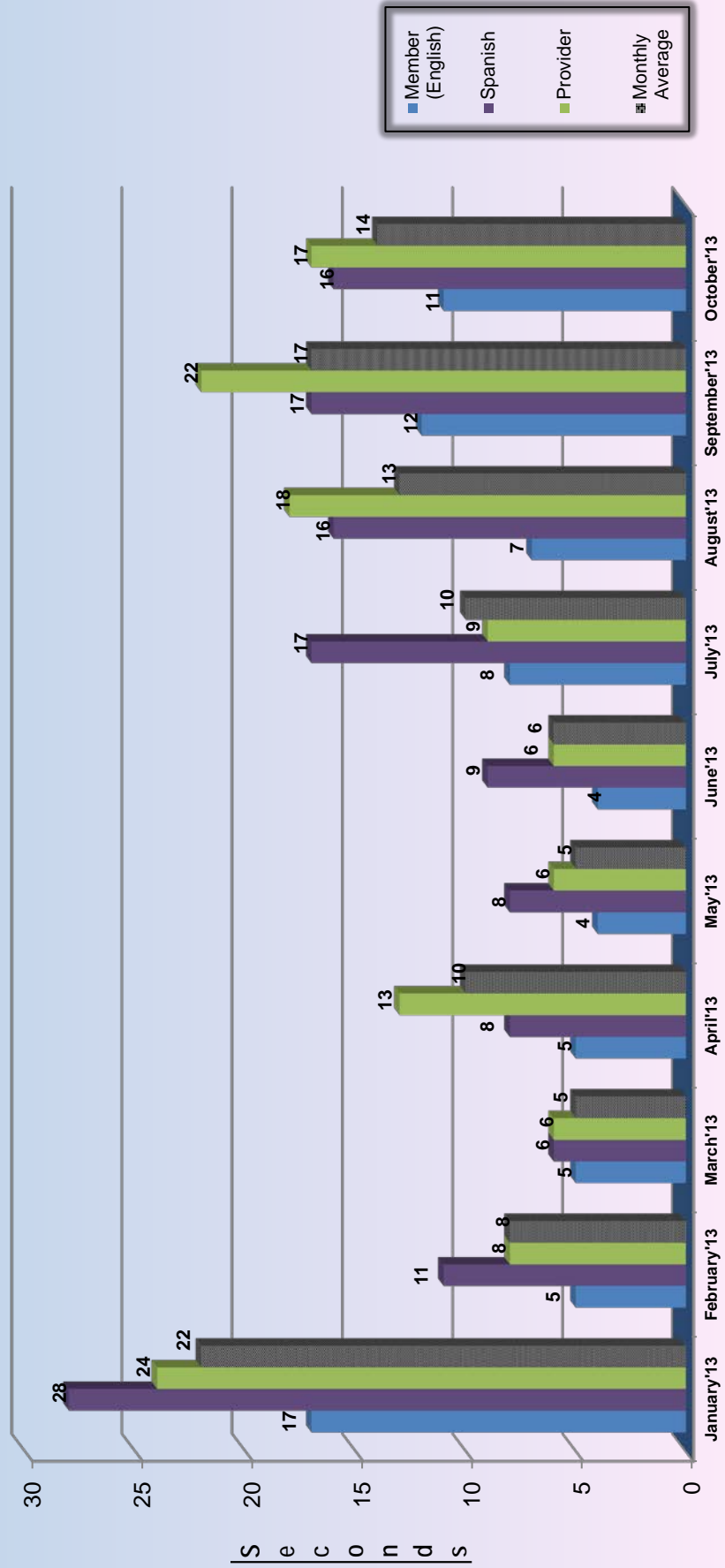


## Total Monthly Calls by Queue



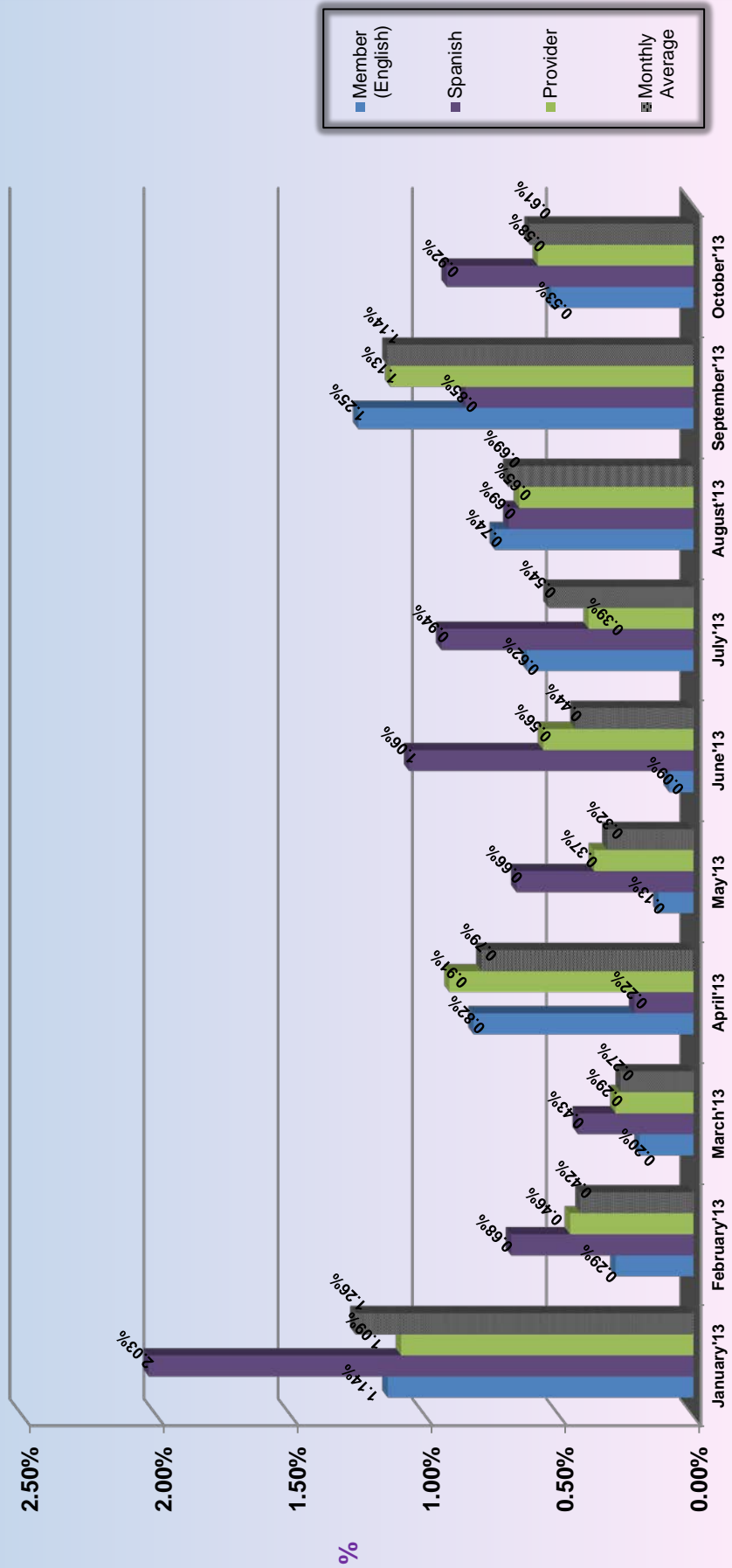


## Average Speed of Answer Goal $\leq 30$ seconds



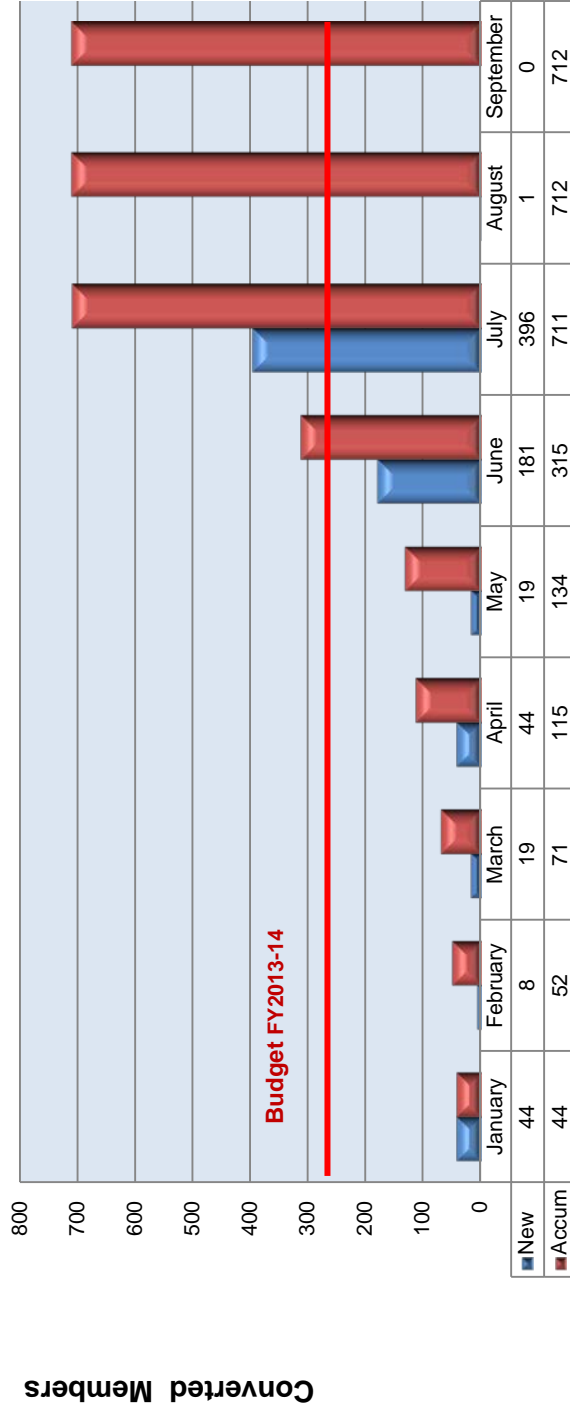


## Abandonment Rate Goal $\leq 5\%$



# Medicare Part A Monthly Conversions

Monthly Part A Conversions





## Credentials & Peer Review Committee

- 8 members include 3 CMOs of major hospitals, 2 Medical Directors of large group clinics, a leading physician from Clinicas, a local IPA Medical Director and a prominent local practicing ophthalmologist who provided us with expert credentialing process throughout the year.
- The Committee formulated a major policy in 2013 to define qualification of OB/GYN to become PCPs.

# Medical Advisory Committee (MAC)

- Formulated Policy and Procedures for Telehealth/Telemedicine
- Approved Guidelines for:
  - Preventive Care including mammography, Pap's smear, immunizations, etc.
  - Enteral Nutrition
  - Nursing Facility
  - Long Term Care
  - Decision-Making Resources
- Monitoring of the ER Health Navigator Program by the Health Education Department



# Utilization Management (UM) and Case Management (CM) Committee

- MedHok, the new utilization management system went live as scheduled on 12/7/13
- Behavioral Health benefit under the ACA became effective on 1/1/14, Beacon Health Strategies was selected to administer the program
- Hospital bed days/1000 and length of stay for the last 2 years have shown steady decline as shown below:
  - 2011: 332/1000 bed days and 4.8 days of length of stay
  - 2012: 291/1000 bed days and 4.56 days of length of stay
  - 2013: 219/1000 bed days and 4.52 days of length of stay
- The Health Services is devising a process of Provider on Audit to identify and audit over-utilizing providers. In this process when over-utilization pattern is identified, such provider is notified, after which all services' requests are prior authorized in order that all of these claims will undergo post service review.



# Network Management Committee

- This committee focused on the initiatives to become more provider friendly by conducting regular visits to provider offices, and
- Town-hall meetings to help providers understand the new Initial Health Assessment (IHA) and the ICD 10 changes among other issues
- Engaged Myers Group to conduct the provider satisfaction survey as well as accessibility and after-hour calls (the survey began on 10-15-13)





# Delegation Oversight Committee

- Moved to report to Compliance
- Continuing to develop policies and procedures for Health Networks the Specialty Contracts and the Kaiser Plan-to-Plan Contract
- Oversight of vendors such as VTS transportation service is being refined

# Any Comments and Questions?



**AGENDA ITEM 4a**

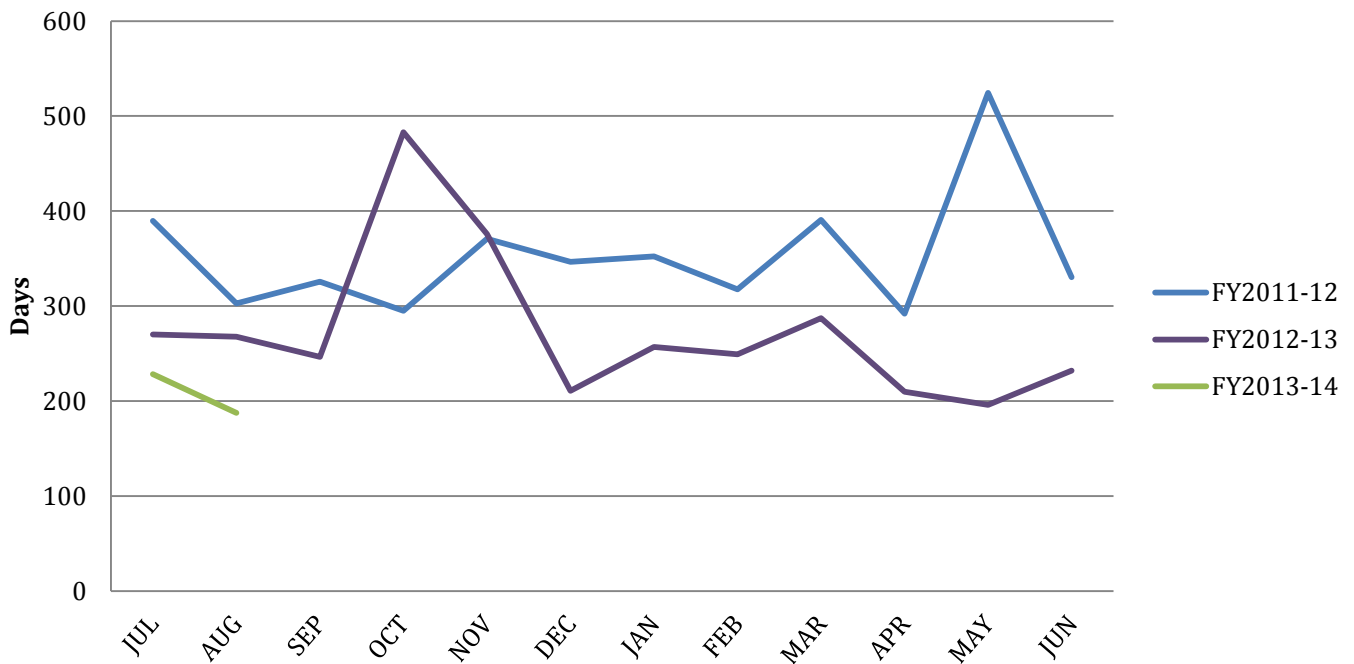
To: Gold Coast Health Plan Commissioners  
 From: Dr. Nancy Wharfield, Health Services Medical Director  
 Date: January 27, 2014  
 Re: Health Services Update

**Inpatient Utilization**

Inpatient days / 1000 members is shown in the graph below. Please note that skilled nursing facility stays and dual eligible members are excluded from this data.

Bed days/1000 continue to trend down and follow the general trend of lower bed days in summer months. There is a noticeable decrease in the bed days per 1000 between the first and second years of Plan operations due to improvements in systems and increased management.

**Bed Days Per 1000 by Month**



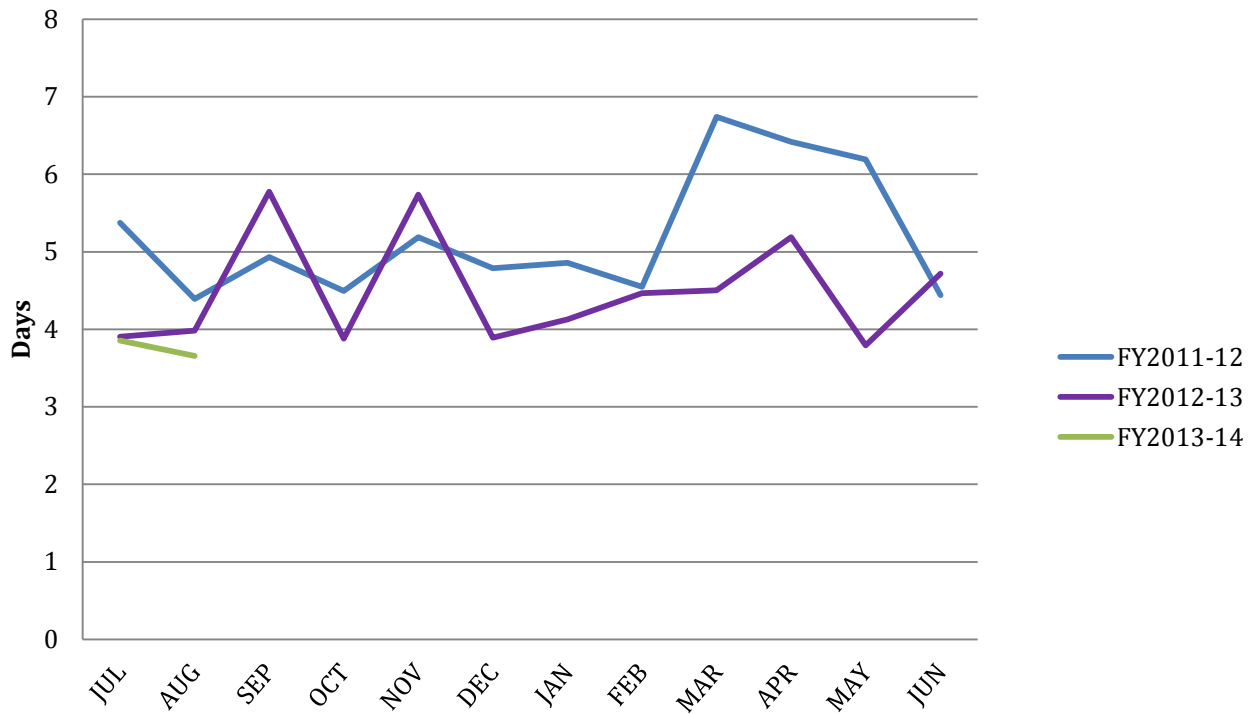
Per 1000 Calculation based on monthly membership data published in MedInsight.

### Average Length of Stay

Average length of stay continued below 4 the first two months of FY 2013-14. In FY 2012-13 increased average length of stay was seen in September, November and April.

As with the above graph, there is a noticeable decrease in the average length of stay between the first and second years of Plan operations.

### Average Length of Stay by Month



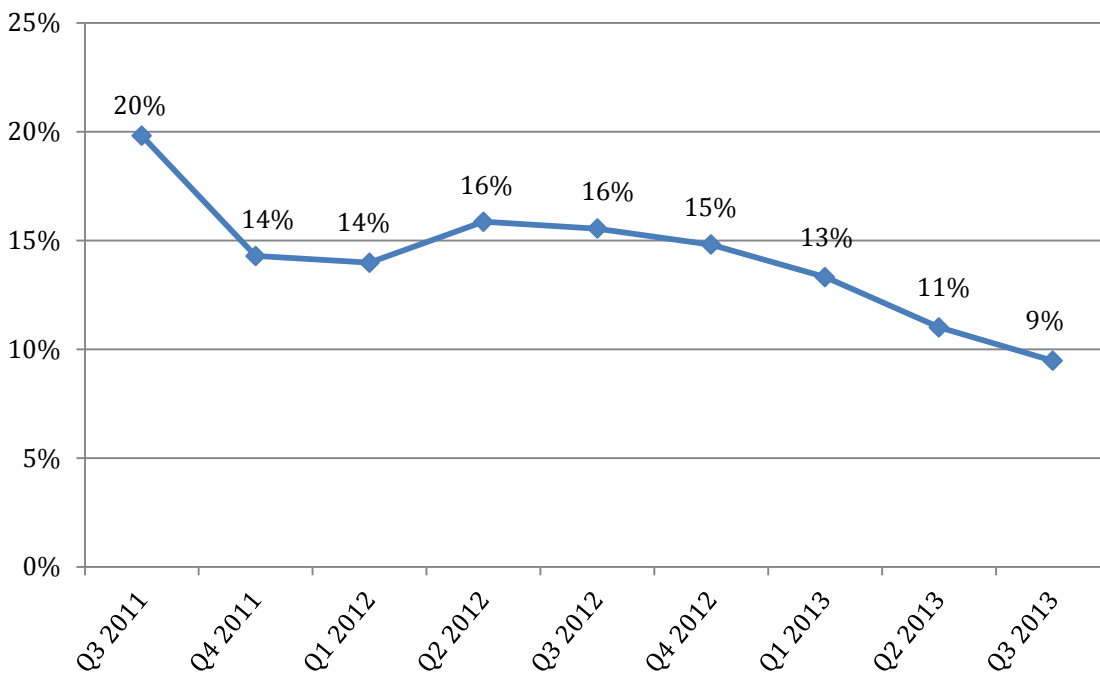
Dual eligible patients, Skilled Nursing Facilities (SNF), and Long Term Care (LTC) days are not included in this data.

**Readmission Rate**

The all cause 30 day readmission rate trend is shown below. Readmission rate for the last 2 quarters has plateaued in the 9% to 11% range.

Gold Coast Health Plan has posted a position for an onsite discharge nurse to facilitate Transition Care efforts.

**Readmission Rate by Quarter**

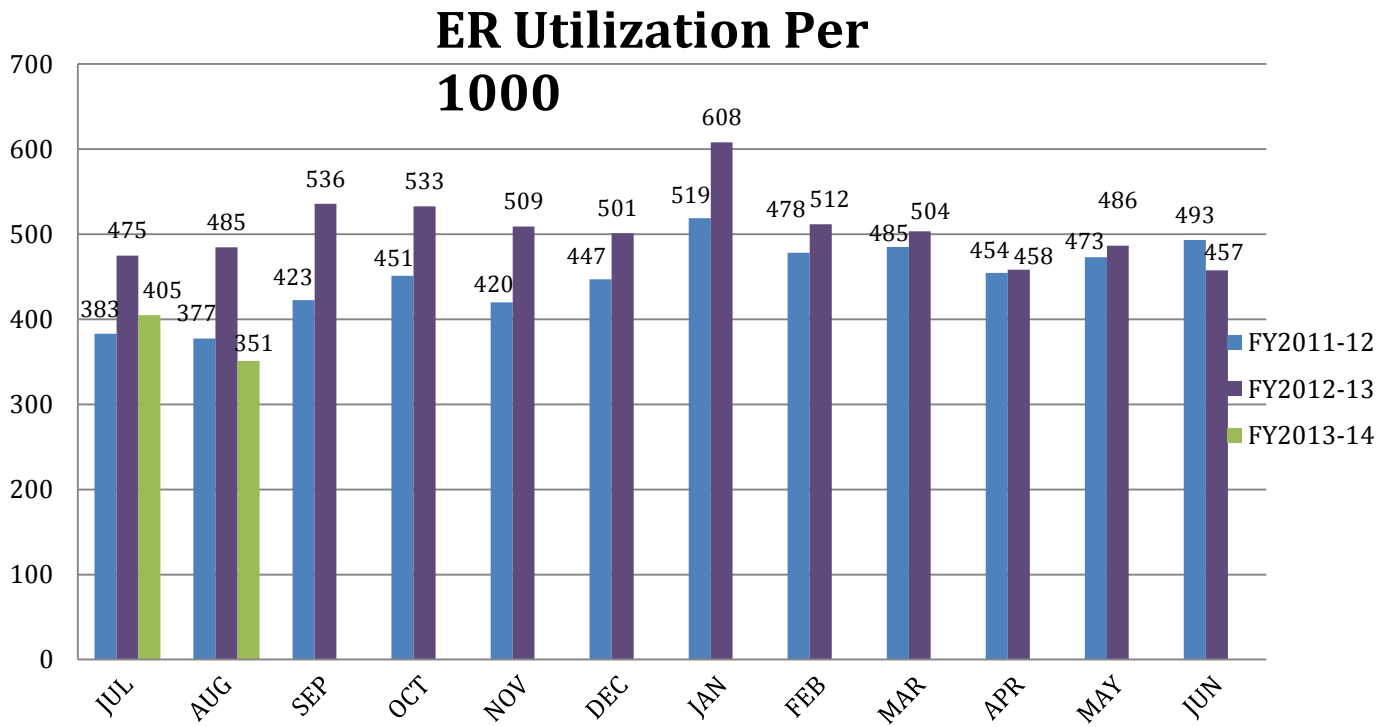


Readmission rate is calculated by the State Quality Improvement Project criteria.

**ER Utilization by Month by Fiscal Year**

ER Utilization trend continues down year by year. Utilization rises in the fall and peaks in January.

Care Navigators continue to contact high utilizing members to educate them regarding PCP and urgent care center availability and what constitutes emergency care.



Per 1000 Calculation based on monthly membership data published in MedInsight.



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# ACA Expansion Program

**Monday, January 27, 2014**

**Ruth Watson, Chief Operations Officer**  
**Dr. Nancy Wharfield, Medical Director**

# Objectives

- Provide Current Program Status
- ▶ Mental Health Expansion
  - ▶ LIHP/Optional Expansion
  - ▶ AB 85
  - ▶ CalFresh Program Express Lane Enrollment to Medi-Cal



# ACA's Essential Benefits

The ACA ensures that all Medi-Cal health plans offer a comprehensive package of services, known as essential health benefits.

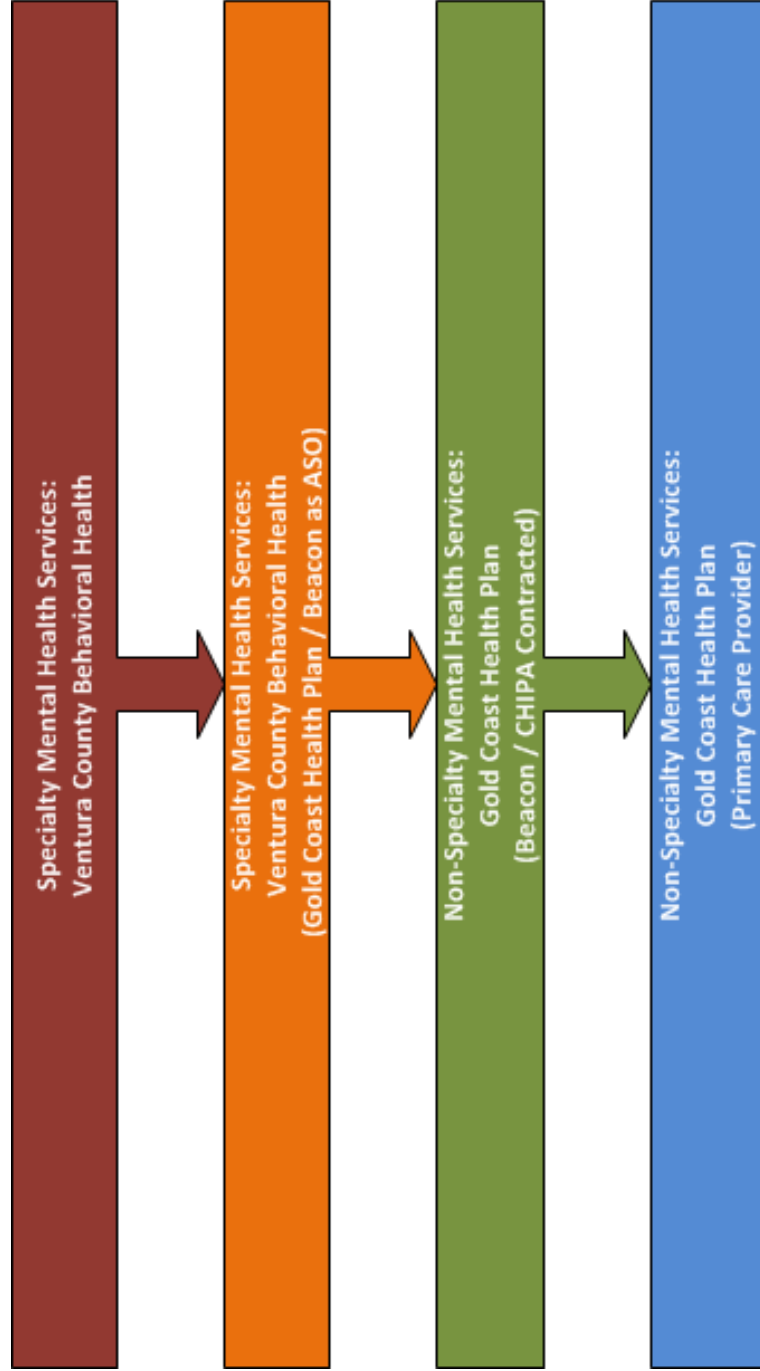
► Essential health benefits must include:

1. Ambulatory patient services
2. Emergency services
3. Hospitalization
4. Maternity and newborn care
5. **MH and Substance Use Disorder Services, as medically indicated:**
  - 1) Psychotherapy, 2) Psych Testing, 3) Psychiatrist consultation & Tx,
  - 4) Psych medications and labs
6. Prescription Drugs
7. Rehabilitative and Habilitative Services and devices
8. Laboratory services
9. Preventive and wellness services & chronic disease management
10. Pediatric services (including oral and vision care)

## Mental Health Benefits

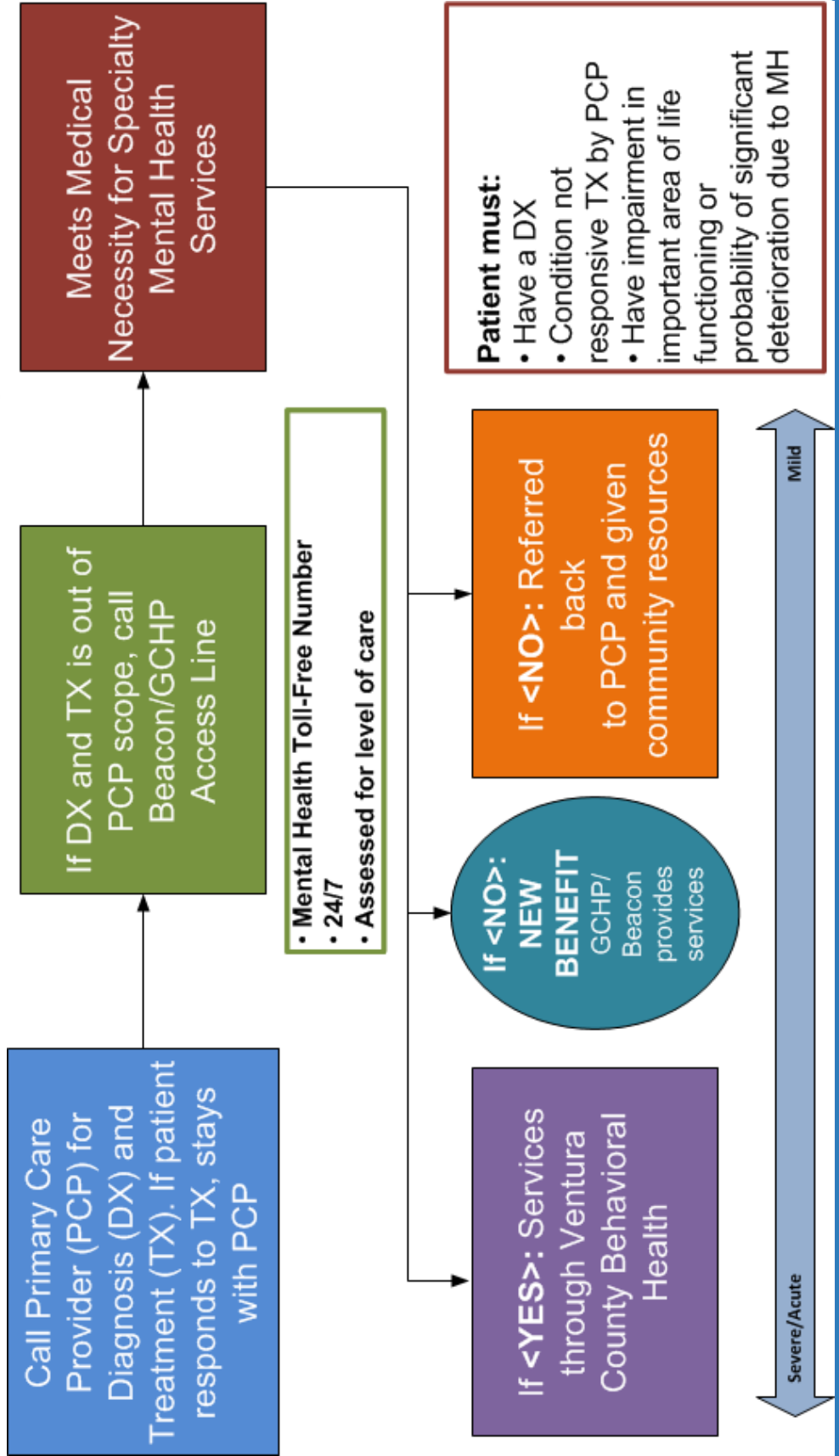
- As of January 1, 2014 all health plans must provide behavioral health benefits
- Mental health (MH) benefit will be covered by Medi-Cal Managed Care - GCHP
- Provides expanded benefits for mild to moderate behavioral health conditions
- Expanded substance use treatment benefit
- GCHP contracted with Beacon Health Strategies, a Managed Behavioral Health Organization (MBHO), to administer the MH benefit

# Levels of Care: Behavioral Health





# Medi-Cal After January 1, 2014



# Access Line



**Call Beacon: 1-800-765-9702**  
**For screening/assessment and  
referral to services as appropriate**



# MH and Substance Use Disorder Services

## Medi-Cal Managed Care Plan (Beacon / CHIPA / MCP)

- MCP services beginning 1/1/14**
- ✓ Individual/group mental health evaluation and treatment (psychotherapy)
  - ✓ Psychological testing when clinically indicated to evaluate a mental health condition
  - ✓ Psychiatric consultation for medication management
  - ✓ Outpatient laboratory, supplies and supplements
  - ✓ Drugs, excluding anti-psychotic drugs (which are covered by Medi-Cal FFS)
  - ✓ Screening and Brief Intervention (SBI)

## Mental Health Plan (Beacon / County)

- Outpatient Services**
- ✓ Mental Health Services (assessments plan development, therapy, rehabilitation and collateral)
  - ✓ Medication Support
  - ✓ Day Treatment Services and Day Rehabilitation
  - ✓ Crises Intervention and Crises Stabilization
  - ✓ Targeted Case Management
  - ✓ Therapeutic Behavior Services
- Residential Services**
- ✓ Adult Residential Treatment Services
  - ✓ Crisis Residential Treatment Services
- Inpatient Services**
- ✓ Acute Psychiatric Inpatient Hospital Services
  - ✓ Psychiatric Inpatient Hospital Professional Services
  - ✓ Psychiatric Health Facility services

## County Alcohol and Other Drug Programs (AOD)

- Outpatient Services**
- ✓ Outpatient Drug Free
  - ✓ Intensive Outpatient (newly expanded to additional populations)
  - ✓ Residential Services (newly expanded to additional populations)
  - ✓ Narcotic Treatment Program
  - ✓ Naltrexone
- New Services**
- ✓ Inpatient Detoxification Services
- Administrative linkage to County AOD still being discussed



## Project Status-MBHO/Beacon

- Enrollment
  - ▶ GCHP members transitioned to Beacon successfully for administration of new behavioral health benefit as of January 2014
- Claims
  - ▶ GCHP and Beacon systems are configured to process and direct claims to the appropriate entity
  - ▶ No claims received to date
- Customer Service
  - ▶ Week one: Beacon received 22 calls from members inquiring about the new MH benefits



# Project Status-MBHO/Beacon

- **Provider Network Status**
  - ▶ Clinicas and VCMC - Letter of Intent complete (11 total providers); contracts pending
  - ▶ CHIPA – Beacon’s network has 226 contracted providers
  - ▶ Community Based Organizations (CBO) - 9 verbal commitments; contracts pending
  - ▶ Beacon targeting to have all contracts in place with full network by March
  
- **Beacon has developed webinar training on new benefit for network providers**
  - ▶ Beacon coordinating with provider network
  - ▶ Training scheduled through end of January
  - ▶ Encourage all providers/office staff to take advantage of the training offered
  
- **Website**
  - ▶ Member - Can perform provider search only; all remaining content is under development
  - ▶ Provider-Currently under development





## LIHP / Optional Expansion

- 7,618 LIHP members transitioned to GCHP from County LIHP program (L1 aid code)
  - ▶ 97% received with assigned Medical Home
    - 1840 Members (24.15%) were assigned to Clinicas
    - 5,239 Members (68.77.%) were assigned to VCMC
    - 344 Members (4.52%) were Admin Members
    - 195 Members (2.56%) were out of County Medical Homes
      - These members will choose a PCP
- Materials have been mailed to new LIHP members (Welcome Letter, ID Card, EOC, FAQ's)



## LIHP / Optional Expansion

- Optional expansion members (M1) eligible for January 1, 2014 eligibility - 186
- Member Tracking -
  - ▶ All LIHP members should be in the system by February 2014
  - ▶ GCHP will track all L1, M1 and other expansion members for up to 12 months

## LIHP- Members Still in Process

- HSA/HCA Update
  - ▶ 1,788 LIHP members not included on January 1<sup>st</sup> file from state
    - 724 Members confirmed MCE LIHP (F7/8, L1)
    - 512 application in process
      - Per HSA, only 100 of these members likely eligible for Medi-Cal
  - ▶ Remaining 552 applications have been denied or determined not Medi-Cal eligible



## AB 85 Project

- System configuration to change the auto-assignment process is in process
  - ▶ January 2014-December 2016: 75% of L1 and M1 members who have not affirmatively selected a PCP will be assigned to VCMC
  - ▶ January 2017: 50% of L1 and M1 members who have not affirmatively selected a PCP will be assigned to VCMC
  - ▶ The remaining 25%/50%, as well as any new non-expansion members, will be assigned using GCHP's auto-assignment process (3:1 ratio to safety net providers)
- Auto Assignment: February 24, 2014

## **CalFresh Program Express Lane Enrollment to Medi-Cal**

- **CalFresh Program & Department of Health Care Services (DHCS)**
  - Express Lane Enrollment Project to streamline Medi-Cal enrollment for newly eligible adults
  - February 2014, DHCS to send an affirmation letter to all CalFresh members regarding enrollment opportunity
- **Statewide Targeted enrollment:**
  - Approximately 600,000
  - 67,937 are Ventura County residents enrolled in CalFresh
- **Members will have 12 months presumptive eligibility**



## CalFresh Program Express Lane Enrollment to Medi-Cal

- GCHP may begin to see these members March 1, 2014
- Criteria:
  - ▶ 19 – 64 years old
  - ▶ Not blind or disabled (these are identified with a Medi-Cal aid code)
  - ▶ Not enrolled in a Medi-Cal Aid Code
  - ▶ Not enrolled in a CMSP/LIHP Aid Code
  - ▶ Not enrolled in a HBEX Aid Code
  - ▶ Not enrolled in Medicare



Gold Coast  
Health Plan<sup>SM</sup>  
A Public Entity

# Questions / Next Steps

## **AGENDA ITEM 4c**

To: Gold Coast Health Plan Commissioners  
From: Guillermo Gonzalez, Government Relations Director  
Date: January 27, 2014  
Re: Governor's Proposed 2014-15 State Budget

### **SUMMARY:**

On Thursday, January 9, 2014 Governor Brown released his proposed state budget for FY 2014-15. As a result of the combined efforts of the Administration and the Legislature, the state General Fund (GF) year-end surplus is expected to increase from \$2.6 billion to \$3.3 billion.

### **BACKGROUND / DISCUSSION:**

Altogether the Governor's budget proposes total expenditures of \$73.9 billion (\$16.9 billion GF) for the Medi-Cal Program in FY 2014-15. This represents a 4.1 percent increase in GF spending from the prior year. It is projected that the Medi-Cal Program will serve about 10.1 million Medi-Cal eligible individuals by the end of 2014, an increase in caseload of about 10.2 percent from 2013, primarily due to the implementation of federal health care reform. The following are key line items included in the Governor's proposed FY 2014-15 budget that are relevant to Gold Coast Health Plan and the Medi-Cal Managed Care Program:

#### **AB 97 Provider Rate Reductions**

- The Governor's proposed budget forgives the retroactive portion of the AB 97 rate reductions for certain Medi-Cal fee-for-service providers including physicians, clinics, high cost drugs, dental, intermediate care facilities for the developmentally disabled (ICF-DD) and medical transportation.

#### **Pediatric Dental and Vision Services**

- Implements an outreach program related to dental and vision services for children ages 0-3 in Medi-Cal.
- \$17.5 million total (50% will come from Proposition 10 state funds)

#### **Pregnancy Coverage**

- Provides full-scope Medi-Cal coverage for pregnant women under 100% of the federal poverty level (FPL).
- Effective January 2015, subsidizes coverage for pregnant women between



100 and 208% FPL through Covered California.

### **ACA Expansion**

- The Governor's proposed budget estimates an additional 1.4 million people in Medi-Cal and 1.9 million in Covered California by the end of FY 2015-16.
- Net cost of \$867.4 million (\$404.9 million GF) for the mandatory expansion.
- Net cost of \$6.7 billion (federal funds) for the optional expansion.
- County savings estimated at \$300 million FY 2013-14 and \$900 million FY 2014-15 to be redirected to counties for use in CalWORKS programs.

### **Mental Health and Substance Use Disorder Services**

- Proposes 21 positions and \$2.2 million (\$1.1 million GF) for increased program integrity efforts for Drug Medi-Cal.

Medi-Cal stakeholders share an overall consensus that the Governor's proposed budget is generally neutral in impact, as there are no significant cuts or major program changes and reductions to Medi-Cal programs and services.

Advocates note that the budget underperforms on the implementation of new programs and restoration of budget cuts from years past, however the Governor's budget is demonstrably more positive towards Medi-Cal compared to budgets of the past few years.

### **CONCLUSION:**

Medi-Cal stakeholders share an overall consensus that the Governor's proposed budget is generally neutral in impact, as there are no significant cuts or major program changes and reductions to Medi-Cal programs and services.

Advocates note that the budget underperforms on the implementation of new programs and restoration of budget cuts from years past, however the Governor's budget is demonstrably more positive towards Medi-Cal compared to budgets of the past few years.

### **RECOMMENDATION:**

No action is requested at this time. This document is provided for information purposes.

### **CONCURRENCE:**

N/A

### **Attachments:**

None.



## **Gold Coast Health Plan Year-End Legislative Update**

by Don Gilbert, Mike Robson, and Trent Smith  
December 18, 2013

With the 2013 calendar year winding down, attention around the State Capitol begins to focus on the 2014 Legislative Session. The coming year promises to be an interesting year.

### Election Year

It is a gubernatorial election year which means all the statewide constitutional seats, including the office of the Governor, will be up for election. At this point, Governor Brown has not officially announced that he will run for re-election, but most observers believe he will run. Early polling indicates that should he run, he will most likely win. Another statewide seat of interest is the race for Controller which will pit Assembly Speaker John Perez (D-Los Angeles) against Board of Equalization member Democrat Betty Yee from the Bay Area.

All the Assembly seats and half the Senate seats will be in play as well. Candidates for the open legislative seats are already jockeying for position and seeking campaign financing for their races. This will be the second election cycle where the top-two vote getters in the primary, regardless of party, will move to the general election in November. Based on the meetings we have had with some of those running, we are beginning to see “moderate” candidates from both parties surface in safe Democrat and Republican seats. In the last election cycle there were only a few races where two candidates from one party made the November ballot. It will be interesting to see whether that increases in 2014 and whether those races impact public policy debates, such as the debate over the State Budget, in the Capitol.

### Budget

As we have previously reported, the non-partisan Legislative Analyst Office (LAO), projects that the state will close the 2013-14 fiscal year in June with a budget that is on pace to close with a \$2.4 billion surplus. The LAO attributes this surplus to the passage of Proposition 30 which increased sales and income taxes through 2018 and an upswing in revenue from capital gains. This surplus combined with continued economic recovery leads the LAO to project that, with no changes in spending policy, the state will end the 2014-2015 fiscal year with a \$5.6 billion surplus, and as much as a \$9.6 billion surplus by 2018.

However, the Legislature will not sit idly by and watch the surplus grow as projected. Already, the Assembly Democratic Caucus, led by Speaker John Perez and Budget

December 18, 2013  
Page Two

Chair Nancy Skinner (D-Berkeley), have released a “Blueprint for a Responsible Budget” (Blueprint) which outlines a short and long-term spending plan that utilizes and spends the projected revenue growth. Interestingly, the Assembly Democrats released this Blueprint well in advance of the Governor’s proposed budget on January 10, thus setting the stage for a possible showdown with the Governor on how to spend or not spend the budget surplus.

The Governor has already publicly stated that he will continue to urge fiscal restraint and is not interested in growing government or long-term spending programs. The Assembly Democrats state a desire to build a healthy budget reserve of \$8 billion and not to commit to ongoing programs. But, at the same time their Blueprint, though not specific on numbers, calls for more investment in transitional kindergarten, higher education, and Medi-Cal reimbursement, all of which would be high-cost ongoing programs.

We will know more about potential conflicts once the Governor releases his budget on January 10. Some questions of interest include: Will Speaker Perez, with a June election against another Democrat, use the budget debate to bolster his campaign for statewide office? Will rank and file Democrats follow the lead of the outgoing Speaker or the Governor in this debate? What role will moderate Democrats and Republicans play in the debate?

In the interim, the Legislature is gearing up for its return on January 6. Before the end of January, each house will need to clear those bills that were introduced in the house of origin but not passed in 2013. At the same time, legislators will begin introducing the thousand or so bills that are expected to be introduced in 2014. And, as discussed above, the Governor’s budget will be released on January 10.

We look forward to representing Gold Coast Health Plan in 2014 and will keep you apprised of developments that affect you.

In the meantime, we wish you a Happy New Year.