



**KERN HEALTH
SYSTEMS**

**FINANCE COMMITTEE
MEETING**

Friday, April 6, 2018

at

8:00 a.m.

**Kern Health Systems
5701 Truxtun Avenue, Suite 201
Bakersfield, CA 93309**

For more information, call (661) 664-5000

AGENDA

FINANCE COMMITTEE MEETING

KERN HEALTH SYSTEMS
5701 Truxtun Avenue, Suite 201
Bakersfield, California 93309

Friday, April 6, 2018

8:00 A.M.

All agenda item supporting documentation is available for public review at Kern Health Systems in the Administration Department, 9700 Stockdale Highway, Bakersfield, 93311 during regular business hours, 8:00 a.m. – 5:00 p.m., Monday through Friday, following the posting of the agenda. Any supporting documentation that relates to an agenda item for an open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available for review at the same location.

PLEASE REMEMBER TO TURN OFF ALL CELL PHONES, PAGERS OR ELECTRONIC DEVICES DURING MEETINGS.

COMMITTEE TO RECONVENE

Members: Deats, Casas, McGlew, Melendez, Rhoades

CONSENT AGENDA/OPPORTUNITY FOR PUBLIC COMMENT: ALL ITEMS LISTED WITH A "CA" ARE CONSIDERED TO BE ROUTINE AND NON-CONTROVERSIAL BY KERN HEALTH SYSTEMS STAFF. THE "CA" REPRESENTS THE CONSENT AGENDA. CONSENT ITEMS WILL BE CONSIDERED FIRST AND MAY BE APPROVED BY ONE MOTION IF NO MEMBER OF THE COMMITTEE OR AUDIENCE WISHES TO COMMENT OR ASK QUESTIONS. IF COMMENT OR DISCUSSION IS DESIRED BY ANYONE, THE ITEM WILL BE REMOVED FROM THE CONSENT AGENDA AND WILL BE CONSIDERED IN LISTED SEQUENCE WITH AN OPPORTUNITY FOR ANY MEMBER OF THE PUBLIC TO ADDRESS THE COMMITTEE CONCERNING THE ITEM BEFORE ACTION IS TAKEN.

STAFF RECOMMENDATION SHOWN IN CAPS

PUBLIC PRESENTATIONS

- 1) This portion of the meeting is reserved for persons to address the Committee on any matter not on this agenda but under the jurisdiction of the Committee. Committee members may respond briefly to statements made or questions posed. They may ask a question for clarification, make a referral to staff for factual information or request staff to report back to the Committee at a later meeting. Also, the Committee may take action to direct the staff to place a matter of business on a future agenda. **SPEAKERS ARE LIMITED TO TWO MINUTES. PLEASE STATE AND SPELL YOUR NAME BEFORE MAKING YOUR PRESENTATION. THANK YOU!**

COMMITTEE MEMBER ANNOUNCEMENTS OR REPORTS

- 2) On their own initiative, Committee members may make an announcement or a report on their own activities. They may ask a question for clarification, make a referral to staff or take action to have staff place a matter of business on a future agenda (Government Code Section 54954.2(a)(2))
- CA-3) Minutes for KHS Finance Committee meeting on February 2, 2018 -
APPROVE
- 4) Report by Daniells Phillips Vaughan & Bock on the audited financial statements of Kern Health Systems for the year ending December 31, 2017 (Fiscal Impact: None) –
RECEIVE AND FILE; REFER TO KHS BOARD OF DIRECTORS
- 5) Proposed Retroactive Amendment No. 40 to Hospital and Other Facility Services Agreement with Kern Medical for Base Rate and Rate Range for Services Provided to Medi-Cal Optional Expansion Enrollees for the period January 1, 2017 through June 30, 2017 for a maximum amount of \$8,014,366 for the Base Rate and \$580,320 for the Rate Range pursuant to the Intergovernmental Agreement regarding the transfer of public funds between the County of Kern and the California Department of Health Care Services (Fiscal Impact: None) –
APPROVE; REFER TO KHS BOARD OF DIRECTORS
- 6) Report on change of personnel managing the investment portfolio at UBS Financial Services, Inc. (Fiscal Impact: None) –
RECEIVE AND FILE
- 7) Proposed Agreement with Office Ally, to process and submit electronic medical claims from providers and institutions directly to KHS, from April 12, 2018 through April 12, 2021, in an amount not to exceed \$0.25 per claim (Fiscal Impact: \$175,000.00 estimated annually; Budgeted) –
APPROVE; REFER TO KHS BOARD OF DIRECTORS

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 Kern Health Systems

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- 8) Proposed Retroactive Agreement with McKesson, to provide ClaimCheck claims review software, maintenance and support, March 6, 2018 through October 5, 2018, in an amount not to exceed \$332,894.00 (Fiscal Impact: \$332,894.00; Budgeted) –
 APPROVE; REFER TO KHS BOARD OF DIRECTORS
- 9) Report on Kern Health Systems financial statements for December 2017 and January 2018 (Fiscal Impact: None) –
 RECEIVE AND FILE; REFER TO KHS BOARD OF DIRECTORS
- 10) Report on Accounts Payable Vendor Report, Administrative Contracts under \$100,000 budgeted and \$50,000 non-budgeted, and non-claims paid through QNXT system for December 2017 and January 2018 (Fiscal Impact: None) –
 RECEIVE AND FILE; REFER TO KHS BOARD OF DIRECTORS

ADJOURN TO FRIDAY, JUNE 8, 2018 AT 8:00 A.M.

AMERICANS WITH DISABILITIES ACT
(Government Code Section 54953.2)

The meeting facilities at Kern Health Systems are accessible to persons with disabilities. Disabled individuals who need special assistance to attend or participate in a meeting of the KHS Finance Committee may request assistance at the Kern Health Systems office, 9700 Stockdale Highway, Bakersfield, California, or by calling (661) 664-5000. Every effort will be made to reasonably accommodate individuals with disabilities by making meeting material available in alternative formats. Requests for assistance should be made five (5) working days in advance of a meeting whenever possible.

SUMMARY

FINANCE COMMITTEE MEETING

KERN HEALTH SYSTEMS
5701 Truxtun Avenue, Suite 201
Bakersfield, California 93309

Friday, February 2, 2018

8:00 A.M.

COMMITTEE RECONVENED AT 8:00 A.M.

Members present: Deats, McGlew, Melendez, Rhoades

Members absent: Casas

NOTE: The vote is displayed in bold below each item. For example, Rhoades-Deats denotes Director Rhoades made the motion and Director Deats seconds the motion.

CONSENT AGENDA/OPPORTUNITY FOR PUBLIC COMMENT: ALL ITEMS LISTED WITH A "CA" WERE CONSIDERED TO BE ROUTINE AND APPROVED BY ONE MOTION.

COMMITTEE ACTION SHOWN IN CAPS

PUBLIC PRESENTATIONS

- 1) This portion of the meeting is reserved for persons to address the Committee on any matter not on this agenda but under the jurisdiction of the Committee. Committee members may respond briefly to statements made or questions posed. They may ask a question for clarification, make a referral to staff for factual information or request staff to report back to the Committee at a later meeting. Also, the Committee may take action to direct the staff to place a matter of business on a future agenda. **SPEAKERS ARE LIMITED TO TWO MINUTES. PLEASE STATE AND SPELL YOUR NAME BEFORE MAKING YOUR PRESENTATION. THANK YOU!**
NO ONE HEARD

COMMITTEE MEMBER ANNOUNCEMENTS OR REPORTS

- 2) On their own initiative, Committee members may make an announcement or a report on their own activities. They may ask a question for clarification, make a referral to staff or take action to have staff place a matter of business on a future agenda (Government Code Section 54954.2(a)(2))
NO ONE HEARD

SUMMARY

Finance Committee Meeting
Kern Health Systems

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-
- CA-3) Minutes for KHS Finance Committee meeting on December 8, 2017 -
APPROVED
Rhoades-McGlew: 4 Ayes; 1 Absent - Casas
- 4) Report on KHS investment portfolio for the fourth quarter ending December 31, 2017
(Fiscal Impact: None) –
RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
Rhoades-Deats: 4 Ayes; 1 Absent - Casas
- 5) Report on 2017 annual review of KHS Investment Policy (Fiscal Impact: None) –
JON SAMPSON AND GARY SAMPSON, UBS FINANCIAL, HEARD;
RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
Rhoades-McGlew: 4 Ayes; 1 Absent - Casas
- 6) Report on 2017 annual travel report (Fiscal Impact: None) –
RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
Rhoades-Deats: 4 Ayes; 1 Absent - Casas
- 7) Proposed Agreement with Level 3 CenturyLink, for voice and data services for the
KHS Stockdale location from February 14, 2018 through February 13, 2019, in an
amount not to exceed \$112,843.20 (Fiscal Impact: \$112,843.20; Budgeted) –
APPROVED; REFERRED TO KHS BOARD OF DIRECTORS
Rhoades-McGlew: 4 Ayes; 1 Absent - Casas
- 8) Report on Kern Health Systems financial statements for November 2017 (Fiscal
Impact: None) –
RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
Rhoades-Deats: 4 Ayes; 1 Absent - Casas
- 9) Report on Accounts Payable Vendor Report, Administrative Contracts under
\$100,000 budgeted and \$50,000 non-budgeted, and non-claims paid through QNXT
system for November 2017 (Fiscal Impact: None) –
RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
Rhoades-McGlew: 4 Ayes; 1 Absent - Casas

ADJOURN TO FRIDAY, APRIL 6, 2018 AT 8:00 A.M.

Melendez



To: KHS Finance Committee

From: Robert Landis, CFO

Date: April 6, 2018

Re: Report by Daniells Phillips Vaughan & Bock Regarding the 2017 Audit

Representatives from the accounting firm Daniells Phillips Vaughan & Bock will be present to report on the 2017 audit. Attached for your review are the December 31, 2017 audited financial statements for Kern Health Systems.

Requested Action

Approve audited financial statements; Refer to the KHS Board of Directors



FINANCIAL REPORT

DECEMBER 31, 2017

KERN HEALTH SYSTEMS

FINANCIAL REPORT

DECEMBER 31, 2017

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NANCY C. BELTON

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kern Health Systems
Bakersfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of **Kern Health Systems**, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

-1-

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Kern Health Systems**, as of December 31, 2017 and 2016, and the changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of proportionate share of the net pension liability and the schedules of pension contributions on pages 3-8 and 34-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2018 on our consideration of the **Kern Health Systems'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **Kern Health Systems'** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Kern Health Systems'** internal control over financial reporting and compliance.

Daniells Phillips Vaughan & Bock

Bakersfield, California
March 29, 2018

KERN HEALTH SYSTEMS

Management's Discussion and Analysis

Our discussion and analysis of Kern Health Systems' ("KHS", "We", "Us", "Our") financial performance provides an overview of KHS' financial activities for the calendar years ended December 31, 2017 and 2016. Presentation of balances in the financial tables may differ from prior periods. Account balances have been reclassified to better present financial categories. Please read the discussion and analysis in conjunction with the KHS financial statements, which begin on page 9.

Overview:

KHS is a County health authority established for the purpose of providing health care services to meet the health care needs of low-income families and individuals in Kern County, California. As a managed care health plan, KHS manages health care services for an enrolled population that qualifies for Medi-Cal, which is California's Medicaid health care program. Medicaid was established in 1965 under the U.S. Social Security Act to provide health care and long-term care services and support to low-income Americans. Although jointly funded by federal and state governments, Medicaid is a state-operated and state-implemented program. Subject to federal laws and regulations, states have significant flexibility to structure their own programs in terms of eligibility, benefits, delivery of services, and provider payments. In 2017 and 2016, KHS received approximately 94% and 96%, respectively, of its revenue from the State of California. KHS is committed to continually improving the quality of care and service to its members, and to help them access the right care at the right time in the appropriate setting.

In general, KHS members are required to use the KHS provider network to receive care. KHS contracts with various health care providers for the provision of medical care services to its members. The provider network consists of primary and specialty care physicians, hospitals, ancillary providers and pharmacies. KHS compensates most of these providers on a fee for services basis. Under fee for service arrangements, KHS retains the financial responsibility for medical care provided and incurs costs based on the actual utilization of services. Additionally, KHS works with the provider network to operate efficiently by providing financial and utilization information, physician and patient educational programs, and disease and medical management programs. In 2017 and 2016, KHS paid approximately 92% and 88%, respectively, of its revenue to providers.

KHS seeks to improve the quality of care delivered by its network providers by continual focus on:

- Provider access
- Preventive health and wellness
- Care and disease management
- Provider credentialing
- Provider education and incentives for closing care gaps
- Member education and outreach
- Information technology initiatives related to the above activities
- Advocacy and community based programs.

KHS' mission is dedicated to improving the health status of its members through an integrated managed health care delivery system.

Financial Highlights:

- ❖ Our net position increased in 2017 by \$19,326,247 or approximately 11.29% while in 2016 our net position increased by \$61,282,145 or 55.74%. The Expansion population, which began to phase in as of 2014, experienced a 5% membership growth from the end of 2016 to the end of 2017, compared to a 15% membership growth from the of 2015 to the end of 2016.
- ❖ Our Medi-Cal enrollment growth showed an average monthly increase of 12,444 members or 5.5% in 2017 compared to 2016. This compared to an average monthly increase of 24,232 members or 11.9% in 2016 compared to 2015. The decrease in average monthly membership was largely due to the declining growth of the Expansion population in 2017. During 2017 we added approximately 2,734 additional Expansion members compared to 2016, which added approximately 7,126 additional Expansion members compared to 2015.
- ❖ We have a capitated arrangement required by the California Department of Health Care Services (DHCS) with another health plan which allows for that plan to provide health care services for assigned members. Assigned membership to this other health plan was approximately 7,890 members at the end of 2017 compared to 7,116 members at the end of 2016. As we have no obligation to provide care for this population, the Premiums earned amount reported for the years ended December 31, 2017 and 2016 is net of the \$14.4 million and \$12.2 million, respectively, of capitated expense associated and the member months shown have been adjusted to remove capitated member months.
- ❖ We reported an operating income of \$18,298,237 or \$6.36 PMPM in 2017 and operating income of \$61,120,944 or \$22.39 PMPM in 2016. The operating income in 2017 is largely due to the adequate reimbursement rate received for Expansion members from DHCS. The revenue received for Expansion members was \$282.2 million or approximately 39% of Premiums earned in 2017 compared to \$251.6 million or approximately 38% of Premium revenue in 2016. The MLR for the Expansion population was 83% for 2017 and 82% for 2016.
- ❖ Managed Care Organization (MCO) Tax Revenues of \$90,964,541 or \$31.60 PMPM are included in premiums earned in 2017 and \$58,966,477 or \$21.60 PMPM in 2016. Beginning July 1, 2016, under Senate Bill X2-2, the MCO tax methodology changed from a 3.9375% of premium revenue to a fixed \$30.13 PMPM for the period July 1, 2016 to June 30, 2017 and \$30.87 PMPM for the period July 1, 2017 to June 30, 2018. The tax amounts are based on projected membership and payable quarterly. MCO Tax Expense is reported as an operating expense and was \$89,469,376 or \$31.08 PMPM for 2017.
- ❖ The increase in non-operating income (expenses) of \$866,809 between 2017 and 2016 is primarily attributable to an increase in investment and other income of \$2,032,371 and an increase in Community Grant expense of \$1,148,852 for a net increase of \$883,519. The increase in Community Grant expense was due to payments of \$1,264,972 made in 2017 to contracted providers under the Health Home program.
- ❖ We continued with incentives and accrued approximately \$6.8 million to reward providers who demonstrate improved Healthcare Effectiveness Data and Information (HEDIS) outcomes.

Operational Highlights:

- ❖ We continued working with Kern Medical, Clinica Sierra Vista, Omni Family Health and selected other local providers to establish Health Home Delivery sites in geographically desirable areas throughout Kern County. Omni Family Health opened their first site during the fourth quarter of 2017. The Health Home program will improve the quality of care and services provided to KHS members and help them access the right care at the right time in the appropriate setting by offering preventive health, wellness and integrated care management models incorporating medical, behavioral, social and pharmacy programs.
- ❖ Implemented the new State mandated transportation benefit, expanding the availability for Non-Emergency Medical Transportation along with adding Non-Medical Transportation services for all members. This benefit will provide transportation for the member to all medical and pharmacy visits including non-covered services such as dental and mental health per new DHCS requirements.
- ❖ We continued our emphasis on disease management programs, with a comprehensive, multidisciplinary, and collaborative approach to combat chronic illnesses such as asthma and diabetes. Identification of high risk members for chronic illnesses through the application of predictive analysis promotes the development of programs designed to target specific populations to reinforce member engagement and foster positive health outcomes.
- ❖ We made significant technology investments in a new Medical Management system; Provider and Member web-portals; and a Corporate Document repository. These large systems have allowed KHS to migrate from the locally custom developed solutions to commercial enterprise systems. These systems will provide the KHS medical management teams with the ability to leverage best of class systems that will enhance its population health oversight. Additionally, KHS has begun its transformation of the centralized reporting and analytics team into a Business Intelligence (BI) Department that will support the organization in making data driven decisions with data and information.
- ❖ We extended the Provider Recruitment and Retention Grant Programs to recruit and retain physicians, mid-levels and specialists which will allow KHS to maintain and improve its network capacity.
- ❖ We began construction of the new corporate office which is expected to be completed during the summer of 2019.

Using this Annual Report

Our financial statements consist of three statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. These financial statements and related notes provide information about the activities of KHS.

The Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about our finances is, "Is KHS as a whole better or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about our resources and activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report our net position and changes in it. Our net position, the difference between the assets and liabilities, are one way to measure our financial health. Over time, increases or decreases in net position indicate whether our financial health is improving or deteriorating. Non-financial factors, however, such as changes in member base and measures of the quality of service to members should be considered in evaluating the overall health of KHS.

The Statements of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

Condensed Financial Information

Statements of Net Position

KHS' net position is the difference between its assets and liabilities reported in the Statement of Net Position. Our net position increased in 2017 and 2016 by \$19,326,247 and \$61,282,145, respectively. In 2015, with the required implementation of the Governmental Accounting Standards Board new authoritative pronouncement (GASB 68), a prior period adjustment was recognized that decreased beginning net position by \$4,554,410. Our Statements of Net Position as of December 31, 2017, 2016, and 2015 are as follows:

	2017	2016	2015
Assets			
Current assets	\$ 308,163,303	\$ 320,753,234	\$ 248,491,865
Capital assets, net	27,805,377	22,243,033	15,905,463
Other assets	985,084	300,000	300,000
Total Assets	\$ 336,953,764	\$ 343,296,267	\$ 264,697,328
Deferred Outflows of Resources	\$ 2,890,063	\$ 4,540,339	\$ 1,306,546
Liabilities			
Accrued medical services payable	\$ 133,579,261	\$ 110,076,289	\$ 138,059,525
Accrued expenses	9,369,046	59,935,224	12,573,372
Net pension liability	6,082,752	4,769,187	3,690,580
Total Liabilities	\$ 149,031,059	\$ 174,780,700	\$ 154,323,477
Deferred Inflows of Resources	\$ 270,949	\$ 1,840,334	\$ 1,746,970
Net Position			
Net investment in capital assets	\$ 27,805,377	\$ 22,243,033	\$ 15,905,463
Restricted	300,000	300,000	300,000
Unrestricted	162,436,442	148,672,539	93,727,964
Total Net Position	\$ 190,541,819	\$ 171,215,572	\$ 109,933,427

KHS' net position for 2017, 2016, and 2015 exceeded all regulatory requirements for Tangible Net Equity (TNE).

Statements of Revenues, Expenses and Changes in Net Position

Operating results and changes in our net position show an increase in net position of \$19,326,247 and \$61,282,145 for the years ended December 31, 2017 and 2016, respectively. The increases are made up of various different components as outlined below:

	2017	2016	2015	2017	2016	2015
Enrollment						
Total member months				2,970,826	2,804,130	2,491,983
Less non-risk capitated member months				(92,005)	(74,638)	(53,269)
Net member months				<u>2,878,821</u>	<u>2,729,492</u>	<u>2,438,714</u>
Average monthly members				239,902	227,458	203,226
Per Member Per Month in Dollars						
Operating Revenue						
Premiums earned	\$722,886,897	\$ 671,266,120	\$ 550,952,337	\$ 251.11	\$ 245.93	\$ 225.92
Other operating revenue	<u>58,089,533</u>	<u>39,889,034</u>	<u>24,746,763</u>	<u>20.18</u>	<u>14.61</u>	<u>10.15</u>
Total operating revenue	<u>780,976,430</u>	<u>711,155,154</u>	<u>575,699,100</u>	<u>271.29</u>	<u>260.54</u>	<u>236.07</u>
Operating Expenses						
Medical and hospital	637,678,266	560,776,058	493,688,468	221.51	205.45	202.44
MCO premium tax	89,469,376	58,966,477	23,574,449	31.08	21.60	9.67
Administrative	33,996,001	28,817,033	23,986,596	11.81	10.56	9.84
Depreciation	<u>1,534,550</u>	<u>1,474,642</u>	<u>1,029,556</u>	<u>0.53</u>	<u>0.54</u>	<u>0.42</u>
Total operating expenses	<u>762,678,193</u>	<u>650,034,210</u>	<u>542,279,069</u>	<u>264.93</u>	<u>238.15</u>	<u>222.37</u>
Operating income	18,298,237	61,120,944	33,420,031	6.36	22.39	13.70
Nonoperating Revenue (Expenses)						
Investment and other income	2,416,988	384,617	418,867	0.84	0.14	0.17
(Loss) on sale of assets	(19,721)	(3,011)	(5,458)	(0.01)	(0.00)	(0.00)
Community grants	<u>(1,369,257)</u>	<u>(220,405)</u>	<u>0</u>	<u>(0.48)</u>	<u>(0.08)</u>	<u>-</u>
Total nonoperating revenue (expenses)	<u>1,028,010</u>	<u>161,201</u>	<u>413,409</u>	<u>0.35</u>	<u>0.06</u>	<u>0.17</u>
Changes in net position	<u>19,326,247</u>	<u>61,282,145</u>	<u>33,833,440</u>	<u>6.71</u>	<u>22.45</u>	<u>13.87</u>
Net position, beginning, as previously stated						
	171,215,572	109,933,427	80,654,397	59.47	40.28	33.07
Prior period adjustment	-	-	(4,554,410)	-	-	(1.87)
Net position, beginning, as restated	<u>171,215,572</u>	<u>109,933,427</u>	<u>76,099,987</u>	<u>59.47</u>	<u>40.28</u>	<u>31.20</u>
Net position, ending	<u>\$ 190,541,819</u>	<u>\$ 171,215,572</u>	<u>\$ 109,933,427</u>	<u>\$ 66.18</u>	<u>\$ 62.73</u>	<u>\$ 45.07</u>

Operating Income and Losses

The first component of the overall change in net position is our operating income. This is the difference between the premiums earned and the cost of medical services. We earned operating income for the years ended December 31, 2017 and 2016 of \$18,298,237 and \$61,120,944, respectively.

The primary components of the operating income for 2017 are:

- ❖ Premiums earned increased \$51,620,777 or \$5.17 PMPM in 2017. Approximately \$19.6 million or \$6.82 PMPM is attributed to the increased Expansion revenue and approximately \$32 million or \$11.12 PMPM of the increase is due to increased MCO tax revenue received for 2017.

- ❖ The Medi-Cal average monthly membership increased by 12,444 members or 5.47% over 2016 due primarily to the increased Expansion membership.
- ❖ The medical and hospital services costs increased by \$76,902,208 and \$16.06 PMPM between 2017 and 2016. This increase is attributed to increased utilization of services, provider contract rate increases, and new requirements for KHS to cover new benefits and services. The Medical Loss ratio (Medical and Hospital Services expense as a percentage of Total Operating Revenue excluding MCO tax revenue) was 92% in 2017 and 86% in 2016.
- ❖ Administrative expenses increased by \$5,178,968 or \$1.25 PMPM over 2016 which are attributed to the increase in salaries and benefits for additional staff needed to meet the needs of the organization and regulatory requirements in 2017. Also included in 2017 Administrative Expense is unfavorable GASB 68 pension liability adjustments of \$1.6 million. Administrative expense as a percentage of total Operating Revenue (excluding MCO tax revenue) was 4.9% in 2017 compared to similar 4.4% in 2016.

Nonoperating Revenues and Expenses

Non-operating revenues and expenses consisted primarily of investment income and community grants. In 2017, though interest earnings from investments increased, due to higher interest rates and was offset by unrealized losses resulting in a \$1,956,598 net increase from 2016. Community grant expense increased \$1,148,852 in 2017 from 2016 due to additional approved enhanced provider obligations exceeding amounts previously accrued.

KHS' Cash Flow

Changes in KHS' cash flows are consistent with changes in operating income and non-operating revenues and expenses and are reflective of timing differences pertaining to payment of accrued medical services and paid rates.

General Economic and Political Environment Factors

Our continued growth may be affected by a variety of factors, including macro-economic conditions and enacted health care reforms that could affect our results of operations. Our operations depend primarily on the continuation of our contract with and funding by the State for the Two-Plan Model of the Medi-Cal Managed Care Program. We believe that the State and Federal Governments are committed to keeping these programs in place, but they will continue to look for budgetary savings through reductions in health care costs.

Contacting KHS' Financial Management

This financial report is designed to provide our members, providers, suppliers, regulatory agencies, taxpayers, and creditors with a general overview of KHS' finances and show KHS' accountability for the money it receives. If you have questions about this report or need additional financial information please contact Robert Landis, CFO, Kern Health Systems, at 9700 Stockdale Hwy, Bakersfield, California 93311.

KERN HEALTH SYSTEMS**STATEMENTS OF NET POSITION
December 31, 2017 and 2016**

	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 103,754,489	\$ 202,285,319
Investments (Notes 2 and 3)	148,230,601	88,167,704
Premiums receivable	53,282,986	28,440,297
Other receivables (Note 4)	1,649,590	974,319
Prepaid expenses	1,245,637	885,595
Total current assets	308,163,303	320,753,234
Capital Assets (Note 5)		
Land	4,876,562	4,851,562
Buildings and improvements	10,323,166	10,309,440
Furniture and equipment	15,702,228	15,744,591
Capital projects in process	9,713,334	3,382,739
	40,615,290	34,288,332
Less accumulated depreciation	12,809,913	12,045,299
	27,805,377	22,243,033
Other Assets		
Restricted investments (Notes 2, 3 and 9)	300,000	300,000
Split dollar life insurance (Note 6)	685,084	-
	985,084	300,000
Total assets	336,953,764	343,296,267
Deferred Outflows of Resources (Note 10)	2,890,063	4,540,339
Total assets and deferred outflows of resources	\$ 339,843,827	\$ 347,836,606
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Accrued medical services payable (Note 7)	\$ 133,579,261	\$ 110,076,289
Accrued expenses (Note 8)	9,369,046	59,935,224
Total current liabilities	142,948,307	170,011,513
Noncurrent Liabilities		
Net pension liability (Note 10)	6,082,752	4,769,187
Commitments and Contingencies (Note 12)		
Deferred Inflows of Resources (Note 10)	270,949	1,840,334
Net Position		
Net investment in capital assets	27,805,377	22,243,033
Restricted (Note 9)	300,000	300,000
Unrestricted	162,436,442	148,672,539
Total net position	190,541,819	171,215,572
Total liabilities, deferred inflows of resources and net position	\$ 339,843,827	\$ 347,836,606

See Notes to Financial Statements.

KERN HEALTH SYSTEMS**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
Years Ended December 31, 2017 and 2016

	2017	2016
Operating Revenue		
Premiums earned	\$ 722,886,897	\$ 671,266,120
Coordination of benefits/subrogation	45,057,212	36,677,970
Other operating income	10,784,967	2,563,661
Stop-loss insurance recoveries (Note 11)	2,247,354	647,403
Total operating revenue	780,976,430	711,155,154
Operating Expenses		
Medical and hospital	637,678,266	560,776,058
MCO premium tax	89,469,376	58,966,477
Administrative	33,996,001	28,817,033
Depreciation	1,534,550	1,474,642
Total operating expenses	762,678,193	650,034,210
Operating income	18,298,237	61,120,944
Non-operating Revenue (Expenses)		
Investment and other income	2,416,988	384,617
(Loss) on sale of assets	(19,721)	(3,011)
Community grants	(1,369,257)	(220,405)
Total non-operating revenue (expenses)	1,028,010	161,201
Change in net position	19,326,247	61,282,145
Net position, beginning	171,215,572	109,933,427
Net position, ending	\$ 190,541,819	\$ 171,215,572

See Notes to Financial Statements.

KERN HEALTH SYSTEMS**STATEMENTS OF CASH FLOWS**
Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Premiums received	\$ 677,653,424	\$ 689,837,645
Coordination of benefits/subrogation received	45,057,212	36,677,970
Stop-loss insurance recoveries	1,531,159	621,756
Other operating income	10,932,991	2,239,193
Medical and hospital payments	(614,175,294)	(588,759,294)
Administrative expenses paid	(38,981,737)	(22,006,584)
MCO premium tax expense paid	(113,624,620)	(38,186,505)
Net cash provided by (used in) operating activities	(31,606,865)	80,424,181
Cash Flows From Noncapital Financing Activities		
Community grants	(1,369,257)	(220,405)
Non-operating income	57,446	1,397
Net cash (used in) noncapital financing activities	(1,311,811)	(219,008)
Cash Flows From Capital And Related Financing Activities		
Acquisition of capital assets -		
Net cash (used in) capital and related financing activities	(7,116,615)	(7,815,223)
Cash Flows From Investing Activities		
Net purchases of investments	(1,438,858,903)	(112,933,351)
Proceeds from maturities of investments	1,381,137,890	87,909,858
Payment for split dollar life insurance	(774,526)	-
Net cash (used in) investing activities	(58,495,539)	(25,023,493)
Net increase (decrease) in cash and cash equivalents	(98,530,830)	47,366,457
Cash and cash equivalents:		
Beginning	202,285,319	154,918,862
Ending	\$ 103,754,489	\$ 202,285,319

See Notes to Financial Statements.

	2017	2016
Reconciliation of operating activities to net cash provided by (used in) operating activities		
Operating income	\$ 18,298,237	\$ 61,120,944
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	1,534,550	1,474,642
Loss on sale of assets	19,721	3,011
Changes in:		
Deferred outflows of resources	1,650,276	(3,233,793)
Net pension liability	1,313,565	1,078,607
Deferred inflows of resources	(1,569,385)	93,364
Changes in working capital components:		
(Increase) decrease in:		
Premiums receivable and other receivables	(25,430,581)	695,037
Prepaid expenses	(360,042)	(186,247)
Increase (decrease) in:		
Accrued medical services payable	23,502,972	(27,983,236)
Accrued expenses	(50,566,178)	47,361,852
Net cash provided by (used in) operating activities	\$ (31,606,865)	\$ 80,424,181

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of activities: Kern Health Systems (KHS) was originally formed on August 17, 1993, as a non-profit public benefit corporation. It was later dissolved and converted into a County health authority for the purpose of establishing and operating a comprehensive managed care system to provide health care services; to meet the health care needs of low-income families and individuals in the County of Kern; to demonstrate ways of promoting quality care and cost efficiency; to negotiate and enter into contracts authorized by Welfare and Institutions Code Section 14087.3; to arrange for the provision of health care services provided pursuant to Chapter 7, of Part 3, of Division 9 (commencing with Section 14000) of the Welfare and Institutions Code; and to do all things reasonably related or incidental to those purposes. On December 6, 1994, the County of Kern Board of Supervisors enacted Chapter 2.94 of the Ordinance Code, creating KHS as the County health authority.

A summary of KHS' significant accounting policies follows:

Accounting policies: KHS uses the accrual basis of accounting. The accompanying financial statements have been prepared in accordance with the standards of the Governmental Accounting Standards Board (GASB). In addition, KHS follows the provisions of the American Institute of Certified Public Accountants *Audit and Accounting Guide, Health Care Organizations*.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates with respect to KHS' financial statements include the various components of accrued medical services payable, the deferred outflows and inflows of resources, and the net pension liability.

Cash and cash equivalents: Cash and cash equivalents include highly liquid instruments with an original maturity of three months or less when purchased.

Investments valuation and income recognition: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of net position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for further discussion of fair value measurements.

Capital assets: Capital assets are stated at cost. Depreciation is computed by the straight line method over the estimated service lives of the related assets, which are as follows:

	<u>Years</u>
Buildings and improvements	10-40
Furniture and equipment	3-5

KHS' capitalization policy is to capitalize all items with a unit cost greater than \$1,000 with the exception of computer software which has a per unit capitalization of \$5,000 and an expected useful life of greater than one year. Items that do not meet KHS' capitalization policy and that do not have a useful life of greater than one year are expensed in the period incurred.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Accrued compensated absences: KHS employees earn personal time off (PTO) on a bi-weekly basis at various rates based on continuous years of service. Employees are allowed to accumulate up to two times their annual benefit rate before accruals cease. Unused PTO is carried forward into subsequent years. Any unused accumulated balance will be paid to the employee upon separation of service. Compensated balances are accrued and recorded in accordance with GASB Codification Section C60.

Net position: The basic financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- ❖ *Net investment in capital assets* consists of capital assets net of accumulated depreciation, reduced by the current balance of any outstanding borrowings used to finance the purchase or construction of those assets.
- ❖ *Restricted net position* is non-capital net position that must be used for a particular purpose, as specified by regulators, creditors, grantors, or contributors external to KHS.
- ❖ *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets or restricted*.

Operating revenues and expenses: KHS distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering services in connection with KHS' principal ongoing operations. The principal operating revenues of KHS are premium revenue received from the California Department of Health Care Services (DHCS). Operating expenses include the cost of medical and hospital services provided to members and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In 2013, KHS entered into a capitated agreement required by the DHCS with another Health Plan which allows for that plan to provide health care services for their assigned members. As KHS had no obligation to provide care for this population, the Premiums earned amount included as part of operating revenue is reported net of the capitated expense associated with assigned members. Capitated expense was \$14.4 million for 7,890 members assigned for the year ended December 31, 2017 and was \$12.2 million for 7,116 members assigned for the year ended December 31, 2016.

Premiums revenue: Premiums are due monthly and are recognized as revenues during the period in which KHS is obligated to arrange pay for manage health care services provided to KHS members. Premium revenue is fixed in advance of the periods covered on a per member per month (PMPM) basis and are generally not subject to significant accounting estimates. Premium payments received from DHCS are based on an eligibility list produced by DHCS. Premium payments are required to be returned if DHCS later discovers that the eligibility list contains individuals who were not eligible. KHS' PMPM rates are typically adjusted annually. KHS receives premium revenue in the form of a "maternity kick payment" which is a one-time payment for the delivery of a child. For the years ended December 31, 2017 and 2016 maternity kick payments in the amount of \$31.1 million or 4.3% and \$28.4 million or 4.2%, respectively, of total premium revenue were recognized. KHS also receives premium revenue in the form of a "Hepatitis C kick payment" based on the utilization of certain classes of Hepatitis C drugs prescribed. For the years ended December 31, 2017 and 2016 Hepatitis C payments in the amount of \$11.8 million or 1.6% and \$14 million or 2.1%, respectively, of total premium revenue were recognized. KHS also receives premium revenue in the form of a "Behavioral Health Treatment kick payment" based on the utilization by its members diagnosed with specific Autism criteria. For the years ended December 31, 2017 and 2016 Behavioral Health Treatment payments in the amount of \$4.5 million or 0.6% and \$1.4 million or 0.2%, respectively, of total premium revenue were recognized. Additionally, for the years ended December 31, 2017 and 2016, KHS recognized \$1.4 million and \$1.3 million, respectively, in pharmacy rebates from its pharmacy benefit manager that were received from pharmaceutical manufacturers which have been subtracted from pharmacy expense amounts.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Premiums are also subject to prior year retroactive rate adjustments based on actual and expected health care costs and are recognized when known in the current year. For the years ended December 31, 2017 and 2016 KHS recognized \$10.8 million and \$2.6 million, respectively, of premium revenue as a result of retroactive rate adjustments.

KHS' premiums may be periodically amended to include or exclude certain health benefits such as pharmacy and behavioral health services or to cover a new population of members such as seniors and persons with disabilities (SPD) or expansion members.

Health care service cost recognition: KHS contracts with various health care providers for the provision of certain medical care services to its members. The provider network consists of primary and specialty care physicians, hospitals, ancillary providers and pharmacies. KHS compensates most of these providers on a fee for services basis. Under fee for service arrangements, KHS retains the financial responsibility for medical care provided along with the costs incurred based on the actual utilization of services. The cost of health care services provided but unpaid is accrued in the period in which it is provided to a member based in part on estimates, including an accrual for medical services provided but not reported to KHS. KHS also includes certain medically-related administrative costs such as preventative health and wellness, care management, and other quality improvement costs under medical care services. KHS funds a provider performance quality incentive pool on a per member per month basis (PMPM). Provider participation is based on the similar Healthcare Effectiveness Data and Information Set (HEDIS) scores that DHCS uses to measure KHS in determining member assignment. KHS determines the level of provider participation based on HEDIS scores, with any remaining funds in the pool allocated to the following year incentive pool, community grants, or other quality improvement projects.

Income taxes: KHS is exempt from Federal and State income taxes pursuant to Internal Revenue Code (IRC) Section 115 and similar provisions of the California Franchise Tax Code and is also exempt from Federal and State income tax filing requirements.

Managed Care Organization Premium taxes: In 2009 California enacted the Managed Care Organization (MCO) tax under Senate Bill 78 (SB 78). Effective July 1, 2013, under Assembly Bill 1422 (AB 1422), the MCO tax rate was increased to 3.9375% and payable to the California State Board of Equalization. Premium taxes were assessed based on the premium revenue collected. Beginning July 1, 2016, under Senate Bill X2-2, the MCO tax rate is payable to DHCS on a quarterly basis based on projected annual membership. MCO Tax Revenue is received from DHCS monthly based on actual membership on a per member per month fixed dollar amount. The premium revenues received include the premium tax assessment. These amounts are reported on a gross basis and are included in total operating revenues with the MCO tax expense presented separate from all other medical and administrative expense.

Risk management: KHS is exposed to various risks of loss from Health Insurance Portability and Accountability Act (HIPAA) violations; data breaches from cyber-attacks; torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

Pass-through funding from DHCS: During the years ended December 31, 2017 and 2016, KHS received \$124.3 million and \$101.7 million, respectively, of supplemental fee revenue from DHCS. KHS passes these funds through to the designated hospitals and providers. This amount is not reflected in the statements of revenues, expenses and changes in net position for the years ended December 31, 2017 and 2016, as this pass through amount does not meet the requirements for revenue recognition under Government Accounting Standards.

Advertising: KHS expenses advertising costs as they are incurred. Advertising expense totaled \$549,671 and \$551,816 for the years ended December 31, 2017 and 2016, respectively.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Subsequent events: KHS has evaluated subsequent events through March 29, 2018, the date on which the financial statements were available to be issued. Management has identified a subsequent event which is described in Note 12.

Reclassifications: Certain items in the 2016 financial statements have been reclassified to conform to the 2017 presentation, with no effect on change in net position.

Change in accounting principles: KHS has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. For the year ended December 31, 2017, KHS implemented the following new standards issued by GASB:

- Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement No. 43, and Statement No. 50, Pension Disclosures.

- Statement No. 80, Blending Requirements for Certain Component Units – amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations are Component Units.
- In March 2016, the GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

- Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Authoritative pronouncements not yet adopted: The following statements issued by the Governmental Accounting Standards Board (GASB) are effective for year ends after December 31, 2017 and management is evaluating the impact of the implementation of these statements on their financial statements.

- In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

- In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance of this Statement.
 - This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs;
 - This Statement requires that recognition occur when the liability is both incurred and reasonably estimable;
 - This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred;
 - This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement;
 - This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually;

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

- This Statement requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays;
- This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

- In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

- In May 2017, the GASB issued Statement No. 86, Certain Debt Issuance Costs. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

- In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

KERN HEALTH SYSTEMS**NOTES TO FINANCIAL STATEMENTS**

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Early implementation is encouraged.

Note 2. Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments at December 31, 2017 are classified in the accompanying financial statements as follows:

Cash and cash equivalents:		
Deposits		\$ 9,138,986
LAIF and money market funds		94,615,303
Cash on hand		200
Total cash and cash equivalents		<u>\$103,754,489</u>
	Cost	Fair Value
Investments:		
Unrestricted:		
Certificates of deposit	\$ 2,250,000	\$ 2,245,565
Corporate bonds and notes	48,224,288	48,156,079
Municipal bonds and notes	7,773,074	7,807,906
Government agency bonds and notes	90,808,760	90,021,051
Total unrestricted	<u>149,056,122</u>	<u>148,230,601</u>
Restricted:		
Certificates of deposit	300,000	300,000
Total investments	<u>\$149,356,122</u>	<u>\$148,530,601</u>

Cash, cash equivalents and investments at December 31, 2016 are classified in the accompanying financial statements as follows:

Cash and cash equivalents:		
Deposits		\$101,241,115
LAIF and money market funds		101,044,004
Cash on hand		200
Total cash and cash equivalents		<u>\$202,285,319</u>
	Cost	Fair Value
Investments:		
Unrestricted:		
Certificates of deposit	\$ 7,500,000	\$ 7,501,356
Corporate bonds and notes	33,047,325	32,705,748
Municipal bonds and notes	12,173,925	12,012,000
Government agency bonds and notes	36,568,969	35,948,600
Total unrestricted	<u>89,290,219</u>	<u>88,167,704</u>
Restricted:		
Certificates of deposit	300,000	300,000
Total investments	<u>\$ 89,590,219</u>	<u>\$ 88,467,704</u>

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Investments are principally held in debt securities and are classified as current assets without regard to the securities' contractual dates because they may be readily liquidated. The securities are recorded at fair value with unrealized gains and losses, if any, recorded on a quarterly basis.

Deposits are carried at cost plus accrued interest. The bank balances are protected by a combination of FDIC insurance and the bank's collateral pool, in accordance with California Government Code.

Investments Authorized by KHS' Investment Policy

The investment portfolio is managed by KHS' Chief Financial Officer (CFO) to meet the short and long-term obligations of the business while maintaining liquidity and financial flexibility. Investments managed by the CFO are invested in accordance with KHS' investment policy and are reviewed by the KHS Board of Directors and the KHS Finance Committee quarterly. The investment policy stipulates the following order of investment objectives:

- Preservation of principal
- Liquidity
- Yield

Permitted investments are subject to a maximum maturity of five years. The investment portfolio is designed to attain a market-average rate of return through economic cycles given an acceptable level of risk. Additionally, under the supervision of the CFO, a portion of the investment portfolio is managed by an investment manager that adheres to the KHS investment policy.

The table below identifies the *cash equivalent and investment types* that are authorized by the KHS investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment of Portfolio of One Issuer	Allowed or Maximum Ratings
U.S. Treasury Obligations	5 years	100%	None	Not Rated
Federal Agencies and U.S. Government Enterprises	5 years	100%	35%	Not Rated
State of California and Local Agency Obligations	5 years	100%	5%	A-1
State and Local Agency Obligations outside of California	5 years	20%	5%	A-1
Banker's Acceptances	180 days	40%	(1)	A-1
Commercial Paper	270 days	25%	(2)	A-1
Negotiable Certificates of Deposit	5 years	30%	5% (7)	A-1
Government Repurchase Agreements	1 year	100%	(3)	A-1
Corporate Debt Securities	5 years	30%	(5)	A
Money Market Funds	5 years	20%	(4)	AAA
Mortgage or Asset-Backed Securities	5 years	20%	5%	(6)
Variable and Floating Rate Securities	5 years	30%	5%	AAA
Local Agency Investment Fund (LAIF)	5 years	50%	5%	Not Rated

(1) May not exceed the 5% limit of any one commercial bank and may not exceed the 5% limit for any security on any bank.

(2) May not exceed more than 10% of the outstanding commercial paper of the issuing corporation.

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- (3) May not exceed 50% if maturity is less than or equal to 7 days; 25% if maturity is greater than 7 days.
- (4) May not exceed more than 10% of the money market fund's assets.
- (5) Medium-term notes or other corporate security of any one corporate issuer must not exceed more than 5% of the portfolio.
- (6) Rated AAA by a nationally recognized rating service and issued by an issuer having an A or better rating for its long-term debt.
- (7) Maturities greater than one year and less than five years may not exceed the FDIC Insurance maximum at the time of purchase.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. Generally, investments will decrease in value if interest rates increase.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. KHS is required to disclose the rating for all investments. Cash invested in the Local Agency Investment Fund (LAIF) is considered "exempt from disclosure" under GASB Codification Section 150.

GASB Codification Section 150 requires disclosure of any investments of any single issuer in excess of 5% of its total investments, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments. There were no investments of any single issuer that exceeded 5% of its total investments as of December 31, 2017 or 2016.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, KHS will not be able to recover its deposits or not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, KHS will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and KHS' investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

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Cash Equivalents in State Investment Pool

KHS is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to be the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 3. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820 are described below:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that KHS has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">❖ Quoted prices for similar assets or liabilities in active markets;❖ Quoted prices for identical or similar assets or liabilities in inactive markets;❖ Inputs other than quoted prices that are observable for the asset or liability;❖ Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Certificates of deposit: Valued based on amortized cost or original cost plus accrued interest.

Corporate, Municipal and Government agency bonds and notes: Valued at the closing price reported on the active market on which the individual securities are traded.

All investments held by KHS at December 31, 2017 and 2016 are considered to be level 1 assets.

KERN HEALTH SYSTEMS**NOTES TO FINANCIAL STATEMENTS****Note 4. Other Receivables**

Other receivables consist of the following at December 31, 2017 and 2016:

	2017	2016
Reinsurance recoveries	\$ 1,049,052	\$ 332,857
Pharmacy rebates	295,800	505,300
Interest	196,931	109,552
Other	107,807	26,610
	<u>\$ 1,649,590</u>	<u>\$ 974,319</u>

Note 5. Capital Assets

Capital asset activity for the years ended December 31, 2017 and 2016 is as follows:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital Assets Not Being Depreciated:				
Land	\$ 4,851,562	\$ 25,000	\$ -	\$ 4,876,562
Capital Projects in Progress	3,382,739	6,330,595	-	9,713,334
Subtotal	<u>8,234,301</u>	<u>6,355,595</u>	<u>-</u>	<u>14,589,896</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	10,309,440	13,726	-	10,323,166
Furniture and Equipment	15,744,591	747,294	(789,657)	15,702,228
Subtotal	<u>26,054,031</u>	<u>761,020</u>	<u>(789,657)</u>	<u>26,025,394</u>
Accumulated Depreciation:				
Buildings and Improvements	3,330,935	334,266	-	3,665,201
Furniture and Equipment	8,714,364	1,200,284	(769,936)	9,144,712
Subtotal	<u>12,045,299</u>	<u>1,534,550</u>	<u>(769,936)</u>	<u>12,809,913</u>
Net Depreciable Capital Assets	<u>14,008,732</u>	<u>(773,530)</u>	<u>(19,721)</u>	<u>13,215,481</u>
Total Capital Assets	<u>\$ 22,243,033</u>	<u>\$ 5,582,065</u>	<u>\$ (19,721)</u>	<u>\$ 27,805,377</u>

KERN HEALTH SYSTEMS**NOTES TO FINANCIAL STATEMENTS**

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
Capital Assets Not Being Depreciated:				
Land	\$ 785,856	\$ 4,065,706	\$ -	\$ 4,851,562
Capital Projects in Progress	-	3,382,739	-	3,382,739
Subtotal	<u>785,856</u>	<u>7,448,445</u>	<u>-</u>	<u>8,234,301</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	10,309,440	-	-	10,309,440
Furniture and Equipment	15,488,985	366,778	(111,172)	15,744,591
Subtotal	<u>25,798,425</u>	<u>366,778</u>	<u>(111,172)</u>	<u>26,054,031</u>
Accumulated Depreciation:				
Buildings and Improvements	2,996,669	334,266	-	3,330,935
Furniture and Equipment	7,682,149	1,140,376	(108,161)	8,714,364
Subtotal	<u>10,678,818</u>	<u>1,474,642</u>	<u>(108,161)</u>	<u>12,045,299</u>
Net Depreciable Capital Assets	<u>15,119,607</u>	<u>(1,107,864)</u>	<u>(3,011)</u>	<u>14,008,732</u>
Total Capital Assets	<u>\$ 15,905,463</u>	<u>\$ 6,340,581</u>	<u>\$ (3,011)</u>	<u>\$ 22,243,033</u>

Note 6. Split Dollar Life Insurance

In October 2017, KHS entered into a split-dollar life insurance agreement with a key employee and his beneficiary, whereby the employee is eligible to receive distributions, and KHS will receive \$774,526 upon the death of the employee and his beneficiary or termination of the agreement. The policy had a cash surrender value of \$685,084 at December 31, 2017.

Note 7. Accrued Medical Services Payable

KHS accrues a liability of unpaid claims for medical services, including estimates of costs related to incurred but not yet reported (IBNR) claims using standard actuarial development methodologies based upon historical data including the period between the dates services are rendered and the dates claims are received and paid, expected medical cost inflation, utilization trends, seasonality patterns, prior authorization of medical services, provider contract changes and/or changes in Medi-Cal fee schedules and changes in membership. A key component of KHS' IBNR estimation process is the completion factor, which is a measure of how complete the claims paid to date are relative to the estimate of the claims for services rendered in a given period. The completion factors are more reliable for older service periods and are more volatile and less reliable for more recent periods, since a large portion of health care claims are not submitted to KHS until several months after services have been rendered. Accordingly, for the most recent months, the incurred claims are estimated from a trend analysis based on per member per month claims trends developed from the experience in preceding months.

The majority of the IBNR reserve balance held at year-end is associated with the most recent months' incurred services as these are the services for which the fewest claims have been paid. As mentioned in the preceding paragraph, the degree of uncertainty in the estimates of incurred claims is greater for the most recent months' incurred services.

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Additionally, KHS contracts with an independent actuary to review the IBNR estimates. The independent actuary provides KHS with a review letter that includes the results of their analysis of the IBNR reserve. Actuarial Standards of Practice generally require that the medical claims liability be adequate to cover obligations under moderately adverse conditions. Moderately adverse conditions are situations in which the actual claims are expected to be higher than the otherwise estimated value of such claims at the time of estimate. This analysis is used as additional information, together with management's judgment, to determine the assumptions used in the calculation of the IBNR reserve.

KHS consistently applies the IBNR estimation from period to period. Any adjustments from the prior year are included in the current period as a change in accounting estimate. As more complete additional information becomes known, KHS will adjust assumptions accordingly to change the IBNR estimate. KHS recognized \$3.0 million and \$4.7 million of favorable prior year IBNR adjustments for the years ended December 31, 2017 and 2016, respectively, due to lower than expected utilization.

Accrued medical services and related claims adjustment expenses payable consist of the following at December 31, 2017 and 2016:

	2017	2016
Estimated incurred but not reported claims	\$ 69,155,196	\$ 54,642,525
Expansion risk corridor	38,531,016	28,642,132
Claims payable	20,859,974	21,446,519
Provider performance quality incentive	2,708,218	3,418,439
Allowance for claims processing expense	2,324,857	1,926,674
	<u>\$133,579,261</u>	<u>\$110,076,289</u>

Note 8. Accrued Expenses

Accrued expenses consist of the following at December 31, 2017 and 2016:

	2017	2016
Community grants payable	\$ 5,007,014	\$ 9,637,955
Other administrative expenses	4,362,032	6,179,493
MCO tax expense	-	24,018,805
Pass-through liabilities	-	20,098,971
	<u>\$ 9,369,046</u>	<u>\$ 59,935,224</u>

Note 9. Restricted Investments and Tangible Net Equity

As required by the State of California's Department of Managed Health Care, Section 1300.76.1, KHS has acquired certificates of deposit with three financial institutions totaling \$300,000. These certificates of deposit have been assigned to the Director of the Department of Managed Health Care as part of the process of obtaining and maintain its Knox-Keene license, and are legally restricted for this purpose. These certificates of deposit mature in amounts of \$100,000 each on June 5, 2018, June 8, 2018, and July 30, 2019.

KHS is a fully licensed health-care service plan under the Knox-Keene Health Care Services Plan Act of 1975 (the "Act"). Under the Act, KHS is required to maintain a minimum level of tangible net equity. The required equity level was approximately \$31.2 million and \$28.1 million at December 31, 2017 and 2016, respectively. KHS' tangible net equity was approximately \$190.5 million and \$171.2 million at December 31, 2017 and 2016, respectively.

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Note 10. Employee Pension Plans

CalPERS

Plan description: All qualified permanent and probationary employees are eligible to participate in KHS' Miscellaneous Employee Pension Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at <http://www.calpers.ca.gov>.

Benefits provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to eligible employees. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 or 52 (classic miscellaneous members or PEPRA miscellaneous members, respectively) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at December 31, 2017 and 2016 are summarized as follows:

	2017			2016	
	Classic	PEPRA	Classic	Classic	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 60	2% @ 60	2% @ 62	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	52	50	52
Monthly benefits, as a % of eligible compensation	2%	2%	2%	2%	2%
Retirement employee contribution rates	7%	7%	6.25%	7%	6.25%
Required employer contribution rates	6.709% to 7.159%	7.159% to 7.200%	6.533% to 6.555%	6.709% to 7.159%	6.237% to 6.555%

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on the actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. KHS is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

KERN HEALTH SYSTEMS**NOTES TO FINANCIAL STATEMENTS**

For the years ended December 31, 2017 and 2016, the contributions recognized as part of pension expense were as follows:

	2017	2016
Contributions - employer	\$ 1,625,952	\$ 1,314,297
Contributions - employee (paid by employer)	\$ -	\$ -

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of December 31, 2017 and 2016, KHS reported net pension liability for its proportionate share of the net pension liability of \$6,082,752 and \$4,769,187, respectively.

KHS' net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. KHS' proportion of the net pension liability was based on a projection of KHS' long-term share of contributions to the plan relative to the projected contributions of all participating employers, actuarially determined. KHS' proportionate share of the net pension liability as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	0.1905%
Proportion - June 30, 2017	0.2115%
Change - Increase	0.0210%

KHS' net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. KHS' proportion of the net pension liability was based on a projection of KHS' long-term share of contributions to the plan relative to the projected contributions of all participating employers, actuarially determined. KHS' proportionate share of the net pension liability as of June 30, 2015 and 2016 was as follows:

Proportion - June 30, 2015	0.1748%
Proportion - June 30, 2016	0.1905%
Change - Increase	0.0157%

KERN HEALTH SYSTEMS**NOTES TO FINANCIAL STATEMENTS**

For the years ended December 31, 2017 and 2016, KHS recognized pension expense of \$1,625,952 and \$1,281,035, respectively. At December 31, 2017 and 2016, KHS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$1,145,788	\$ -	\$ 822,916	\$ -
Changes in assumptions	1,413,263	107,762	-	437,943
Differences between expected and actual experiences	11,390	163,187	46,290	10,606
Net differences between projected and actual earnings on pension plan investments	319,622	-	3,671,133	1,391,785
Total	\$2,890,063	\$ 270,949	\$4,540,339	\$1,840,334

\$1,145,788 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended December 31,

2018	\$ 342,735
2019	825,039
2020	495,317
2021	(189,765)
	<u>\$ 1,473,326</u>

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Actuarial Methods and Assumptions: The total pension liabilities in the June 30, 2016 and 2015 actuarial valuations were determined using the following actuarial assumptions:

	2017	2016
Valuation date	June 30, 2016	June 30, 2015
Measurement date	June 30, 2017	June 30, 2016
Actuarial cost method	Entry-Age Normal Cost Method	
Actuarial assumptions:		
Discount rate	7.15%	7.65%
Inflation	2.75%	2.75%
Payroll growth	3.00%	3.00%
Projected salary increase	Varies by Entry Age and Service	
Investment rate of return	7.50% (a)	
Mortality	Derived using CalPERS' Membership Data for all Funds (b)	

(a) Net of pension plan investment and administrative expenses; includes inflation

(b) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% and 7.65% as of June 30, 2016 and June 30, 2015, respectively. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates of 7.15% as of June 30, 2016 and 7.65% as of June 30, 2015 are adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% and 7.65%, respectively, will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website at <http://www.calpers.ca.gov>.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.15% and 7.65% as of June 30, 2016 and June 30, 2015, respectively, investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.30% and 7.80%, respectively. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class.

KERN HEALTH SYSTEMS**NOTES TO FINANCIAL STATEMENTS**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Long-Term Expected Rate of Return
Global Equity	43.8%	4.3%
Private Equity	8.0%	9.3%
Global Fixed Income	19.4%	6.5%
Real Estate	11.2%	-0.9%
Liquidity	4.8%	1.3%
Inflation Sensitive	7.8%	0.0%
Total plan level (a)	5.0%	4.4%
Total	<u>100%</u>	

(a) Includes multi-asset class, transaction, and plan level portfolios. These assets do not have targets because they are not components of the Total Fund Policy benchmark.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents KHS' proportionate share of the net pension liability, calculated using the discount rate, as well as what KHS' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2017	2016
1% Decrease	6.15%	6.65%
Net Pension Liability	\$ 9,482,118	\$ 7,430,268
Current Discount Rate	7.15%	7.65%
Net Pension Liability	\$ 6,082,752	\$ 4,769,187
1% Increase	8.15%	8.65%
Net Pension Liability	\$ 3,267,336	\$ 2,569,936

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

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Retirement Plan

Plan description and funding policy: KHS has a 401(a) retirement plan, which was approved by the IRS on August 15, 1996. All full-time employees are eligible to participate in the Plan. KHS matches 100% of contributions made by KHS employees to their 457 plan up to a maximum of 6% of the employee's salary. KHS contributions do not vest until the employee has been employed for three years when at such time the employee becomes 100% vested. Participants are not allowed to make contributions to the Plan; only employer contributions are allowable. Expense determined in accordance with the plan formula was \$985,442 and \$810,662 for the years ended December 31, 2017 and 2016, respectively.

Note 11. Stop-Loss Insurance

KHS purchases stop-loss insurance to reduce the risk associated with large losses on individual hospital claims. The premium costs are based on a deductible for each member in addition to a deductible layer for the plan referred to as an Aggregate Specific Retention amount.

For the year ended December 31, 2017 coverage provides reimbursement of approximately 95 percent of the cost of each member's acute care hospital admission(s) in excess of the deductibles, up to a maximum payable of \$2,000,000 per member per contract year. For the year ended December 31, 2016 coverage provides reimbursement of approximately 95% of the cost of each member's acute care hospital admission(s) in excess of the deductible, up to a maximum payable of \$1,000,000 per member per contract year.

For the year ended December 31, 2017 the premium coverage is \$0.44 per member per month with no minimum annual premium requirement. For the year ended December 31, 2016 the premium for coverage is \$0.80 per member per month with a minimum annual premium of \$100,000.

The deductible for each individual member was \$225,000 and the Aggregate Specific Retention deductible was \$0.22 per member per month (PMPM) for the year ended December 31, 2017. The deductible for each individual member was \$175,000 and the Aggregate Specific Retention deductible was \$0.33 per member per month (PMPM) for the year ended December 31, 2016.

Stop-loss insurance premiums of \$1,263,568 and \$2,169,266 are included in medical and hospital expense for the years ended December 31, 2017 and 2016, respectively. Stop-loss insurance recoveries of \$2,247,354 and \$647,403 are included in operating revenue for the years ended December 31, 2017 and 2016, respectively.

Note 12. Commitments and Contingencies/Subsequent Event

Litigation

KHS is subject to litigation claims that arise in the normal course of business. A provision for a legal liability is made when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions, if any, are reviewed and adjusted to reflect the impacts of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter. It is the opinion of management that there is no known existing litigation that would have a material adverse effect on the financial position, results of operations or cash flows of KHS.

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Professional Liability Insurance

KHS maintains Managed Care Errors and Omissions Liability Insurance for an act, error, or omission in the performance of any health care or managed care services rendered by KHS. In addition KHS maintains general liability insurance.

Regulatory Matters

The health-care industry is subject to numerous laws and regulations of federal, state and local governments. Violations of these laws and regulations could result in expulsion from government health-care programs together with the imposition of significant fines and penalties. KHS is subject to periodic financial and information reporting and comprehensive quality assurance evaluations from state regulators. Management believes that KHS is in compliance with fraud and abuse, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretations as well as regulatory actions unknown or unasserted at this time.

Changes in the regulatory environment and applicable laws and rules also may occur periodically in connection with the changes in a political party or administration at the state, federal or national level. For example, the federal administration and leaders in Congress continue to consider and propose numerous changes to modify the entitlement nature of the Medicaid program including moving from a match program to block grants, moving to a per-capita capitation system, modifying funding for ACA Medicaid Expansion, requiring Medicaid beneficiaries to work, and limiting the amount of lifetime benefits. The California Senate also continues to consider a single-payer healthcare system for California. It is not clear whether the proposed changes, if any, will be approved or when they will take effect.

Patient Protection and Affordable Care Act

In March 2010, the President signed into law the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively referred to as the Healthcare Reform Legislation), which considerably transforms the U.S. health-care system and increases regulations within the U.S. health insurance industry. This legislation is intended to expand the availability of health insurance coverage to millions of Americans. The Healthcare Reform Legislation contains provisions that take effect from 2010 through 2020, with most measures effective in 2014. Under the Healthcare Reform Legislation, Medi-Cal coverage expanded as of January 2014 to nearly all low-income people under age 65 with income at or below 138% of the federal poverty line. The federal government will pay the entire cost for Medicaid Expansion coverage for newly eligible beneficiaries from 2014 through 2016. Assuming that the current program remains unchanged, the 2017 federal share is scheduled to decline to 95%; in 2018 it would be 94%; in 2019 it would be 93%; and it would be 90% in 2020 and subsequent years. For the years ended December 31, 2017 and 2016, KHS served an average of 57,050 and 52,250 Medi-Cal Expansion members per month, respectively, which generated revenues of approximately \$282.2 million and \$251.6 million, respectively.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

CMS's Final Rule on Medicaid Managed Care

On May 6, 2016, CMS published regulations that overhauled Medicaid managed care requirements. These regulations include requirements that state Medicaid programs evaluate network adequacy standards; impose a requirement of managed care organizations ("MCO") to report medical loss ratios ("MLRs") annually to states; a requirement that states set MCO rates to reasonably achieve an MLR of greater than 85% as long as the capitation rates are actuarially sound, adds many consumer protections to improve the quality of care, and improves state accountability and transparency. These changes will be phased in over the course of three years with some regulations being effective immediately.

Lease Commitment

KHS leases office space under an operating lease that expires in December 2023. KHS has two options to terminate and cancel the lease effective 60 months or 90 months from December 2013. KHS is obligated to pay the landlord the unamortized amount of tenant improvements and real estate commissions outstanding at the time of termination of the lease. Rental expense for the years ended December 31, 2017 and 2016 was \$382,830 and \$299,353, respectively. At December 31, 2017 total future annual rental commitments are as follows:

Years ending December 31,	
2018	\$ 309,684
2019	318,276
2020	326,880
2021	335,484
2022	344,088
Later years	352,692
	<u>\$ 1,987,104</u>

Contract Commitment

In September 2014 KHS entered into a ten year contract with a vendor to supply software, licensing, support and maintenance, including a migration process from the existing software. Expenses are paid annually and are subject to change based on changes to the Consumer Price Index and changes in membership. At December 31, 2017 the total future contract commitments are as follows:

Years ending December 31,	
2018	\$ 658,210
2019	658,210
2020	658,210
2021	658,210
2022	386,142
Later years	772,284
	<u>\$ 3,791,266</u>

Construction Commitments

As of December 31, 2017 KHS had \$4.1 million of construction commitments relating to the new corporate office. In addition, subsequent to December 31, 2017, additional contracts were signed totaling \$20 million, related to the same project.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Note 13. Concentration of Revenue

KHS' operating revenue is primarily derived from the California Department of Health Care Services (DHCS). KHS' current contract term with DHCS is to provide health care services through December 31, 2020, and is subject to cancellation upon giving at least six months written notice. For the years ended December 31, 2017 and 2016 approximately 94% and 96%, respectively, of KHS' total operating revenues were received from DHCS. Future levels of funding and premium rates received by KHS could be impacted by state and federal budgetary constraints.

REQUIRED SUPPLEMENTARY INFORMATION

KERN HEALTH SYSTEMS

**SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
As of December 31, 2017**

	2017	2016	2015
<i>CalPERS - Miscellaneous Classic Plan- Last 10 Years*</i>			
Proportion of the net pension liability	0.21146%	0.19046%	0.17122%
Proportionate share of the net pension liability	\$ 6,082,752	\$ 4,769,187	\$ 3,104,717
Covered - employee payroll	\$ 17,150,840	\$ 17,364,146	\$ 9,949,051
Proportionate share of the net pension liability as a percentage of covered-employee payroll	35.47%	27.47%	31.21%
Plan's fiduciary net position	\$ 12,074,499,781	\$ 10,923,476,287	\$ 10,923,476,287
Plan fiduciary net position as a percentage of the total pension liability	75.39%	75.87%	79.89%

* Fiscal year 2015 was the first year of implementation, therefore only three years are shown. For the fiscal year ended December 31, 2016 CalPERS combined the Classic and Pepra Plans into one plan. Therefore, the information presented for 2017 and 2016 for the miscellaneous Classic Plan includes the Pepra Plan.

CalPERS - Miscellaneous PEPPRA Plan - Last 10 Years**

Proportion of the net pension liability	0.00362%
Proportionate share of the net pension liability	\$ (30,922)
Covered - employee payroll	\$ 6,909,343
Proportionate share of the net pension liability as a percentage of covered-employee payroll	-0.45%
Plan's fiduciary net position	\$ 10,639,461,174
Plan fiduciary net position as a percentage of the total pension liability	79.89%

** Fiscal year 2015 was the first year of implementation, therefore only one year is shown. For the fiscal year ended December 31, 2016 CalPERS combined the Classic and Pepra Plans into one plan. Therefore, there is no information reported for the Pepra Plan subsequent to the year ended December 31, 2015.

KERN HEALTH SYSTEMS**SCHEDULES OF PENSION CONTRIBUTIONS****Year Ended December 31, 2017**

	2017	2016	2015
CalPERS - Miscellaneous Classic Plan - Last 10 Years*			
Contractually required contribution (actuarially determined)	\$ 1,625,952	\$ 1,314,297	\$ 841,252
Contributions in relation to the actuarially determined contributions	1,625,952	1,314,297	841,252
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 17,150,840	\$ 17,364,146	\$ 9,949,051
Contributions as a percentage of covered-employee payroll	9.48%	7.57%	8.46%

Notes to Schedule

Valuation date:	June 30, 2016	June 30, 2015	June 30, 2014
-----------------	---------------	---------------	---------------

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-Age Normal Cost Method		
Amortization method	Level percentage of assumed future payrolls		
Remaining amortization period	27 years	28 years	29 years
Asset valuation method	5-year smoothed market		
Inflation	2.75%	2.75%	2.75%
Salary increases	3.00%	3.00%	3.00%
Investment rate of return (a)	7.15%	7.65%	7.50%
Retirement age	50 years and 5 years of service		
Mortality	20 years of projected on-going mortality improvement using Scale BB published by the Society of Actuaries		

(a) Net of pension plan investment and administrative expenses; includes inflation

* Fiscal year 2015 was the first year of implementation, therefore only three years are shown. For the fiscal year ended December 31, 2016 CalPERS combined the Classic and Pepra Plans into one plan. Therefore, the information presented for 2017 and 2016 for the miscellaneous Classic Plan includes the Pepra Plan.

KERN HEALTH SYSTEMS

**SCHEDULES OF PENSION CONTRIBUTIONS
Year Ended December 31, 2017**

	2015
<i>CalPERS - Miscellaneous PEPRA Plan - Last 10 Years*</i>	
Contractually required contribution (actuarially determined)	\$ 367,525
Contributions in relation to the actuarially determined contributions	367,525
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 6,909,343
Contributions as a percentage of covered-employee payroll	5.32%

Notes to Schedule

Valuation date: June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-Age Normal Cost Method
Amortization method	Level percentage of assumed future payrolls
Remaining amortization period	29 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.00%
Investment rate of return (a)	7.50%
Retirement age	52 years and 5 years of service
Mortality	20 years of projected on-going mortality improvement using Scale BB published by the Society of Actuaries

* Fiscal year 2015 was the first year of implementation, therefore only one year is shown. For the fiscal year ended December 31, 2016 CalPERS combined the Classic and Pepra Plans into one plan. Therefore, there is no information reported for the Pepra Plan subsequent to the year ended December 31, 2015.

OTHER INDEPENDENT AUDITOR'S REPORT



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Private Companies Practice Section

NANCY C. BELTON

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Kern Health Systems
Bakersfield, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of **Kern Health Systems**, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise **Kern Health Systems'** basic financial statements, and have issued our report thereon dated March 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Kern Health Systems'** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Kern Health Systems'** internal control. Accordingly, we do not express an opinion on the effectiveness of **Kern Health Systems'** internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Kern Health Systems'** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Daniells Phillips Vaughan & Bock

Bakersfield, California
March 29, 2018

KERN HEALTH SYSTEMS

Report to the Finance Committee

March 29, 2018



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Finance Committee
Kern Health Systems

Attention: Wayne Deats Jr., Finance Committee Chair

We are pleased to present this report related to our audit of the financial statements of **Kern Health Systems** for the year ended December 31, 2017. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for **Kern Health Systems**' financial reporting process.

This report is intended solely for the information and use of the Board of Directors, Finance Committee and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to **Kern Health Systems**.

Daniells Phillips Vaughan & Bock

March 29, 2018

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Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<p>Our Responsibilities with regard to the Financial Statement Audit</p>	<p>Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated May 2, 2017.</p>
<p>Overview of the Planned Scope and Timing of the Financial Statement Audit</p>	<p>We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.</p>
<p>Accounting Policies and Practices</p>	<p>Preferability of Accounting Policies and Practices</p> <p>Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p>Adoption of, or Change in, Accounting Policies</p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Organization. Following is a description of significant accounting policies or their application that were either initially selected or changed during the year.</p> <ul style="list-style-type: none"> • Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. • Statement No. 80, Blending Requirements for Certain Component Units – amendment of GASB Statement No. 14. • Statement No. 81, Irrevocable Split-Interest Agreements. • Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73. <p>Significant or Unusual Transactions</p>

Area	Comments
Audit Adjustments	<p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Management's Judgments and Accounting</p> <p>Estimates</p> <p>Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Significant Accounting Estimates."</p> <p>There were no audit adjustments, proposed by us, made to the original trial balance presented to us to begin our audit.</p>
Uncorrected Misstatements	<p>There were no uncorrected misstatements identified.</p>
Disagreements with Management	<p>We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.</p>
Consultations with Other Accountants	<p>We are not aware of any consultations management had with other accountants about accounting or auditing matters.</p>
Significant Issues Discussed with Management	<p>No significant issues arising from the audit were discussed with or were the subject of correspondence with management.</p>
Significant Difficulties Encountered in Performing the Audit	<p>We did not encounter any significant difficulties in dealing with management during the audit.</p>
Certain Written Communications between Management and Our Firm	<p>Copies of certain written communications between our firm and the management of the Organization, including the representation letter provided to us by management, are attached as Exhibit A.</p>

KERN HEALTH SYSTEMS

Summary of Significant Accounting Estimates Year Ended December 31, 2017

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Organization's December 31, 2017 financial statements:

Estimate	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Estimated claims payable	Estimates are based on historical information for total claims received and paid	Estimate is in accordance with accounting principles generally accepted in the United States of America
Risk sharing payable	Estimates are based on historical information for total claims received and paid	Estimate is in accordance with accounting principles generally accepted in the United States of America
Incurred but not reported claims	Estimates are based on historical information for total claims received and paid	Estimate is in accordance with accounting principles generally accepted in the United States of America
Net pension liability	Estimate is based on actuarial reports provided by CalPERS	Estimate is in accordance with accounting principles generally accepted in the United States of America

Exhibit A
Representation Letter



March 29, 2018

Daniells Phillips Vaughan & Bock
300 New Stine Road
Bakersfield, California 93309

This representation letter is provided in connection with your audits of the basic financial statements of **Kern Health Systems** as of and for the years ended December 31, 2017 and 2016 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of March 29, 2018:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated May 2, 2017, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
9. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.

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www.kernhealthsystems.com

The Heart of Kern Family Health Care 

Daniells Phillips Vaughan & Bock
March 29, 2018
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10. We have no knowledge of any uncorrected misstatements in the financial statements.
11. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Compliance with bond indentures or other debt instruments;
 - b. Disclosures related to third-party payer agreements and settlements;
 - c. Disclosures related to professional liability coverages;
 - d. Disclosures related to self-insured risks.
12. Management is responsible for making the accounting estimates included in the financial statements. Those estimates reflect management's judgment based on knowledge and experience about past and current events and assumptions about conditions management expects to exist and course of action they expect to take. These include:
 - a. Estimated adjustments to revenue, such as retroactive adjustments by the Department of Health Care Services;
 - b. Obligations related to third-party payer contracts, including risk sharing and contractual settlements;
 - c. Audit and other adjustments by the Department of Health Care Services;
 - d. Obligations related to providing future services under prepaid health care service contracts;
 - e. Medical malpractice obligations expected to be incurred with respect to services provided through December 31, 2016.
13. Data submitted to the Department of Health Care Services complies in all respects with applicable coding principles and laws and regulations (including those dealing with Medicare antifraud and abuse), and only reflect charges for services that were medically necessary, properly approved by regulatory bodies and properly rendered.
14. Recorded receivable valuation allowances are necessary, appropriate, and properly supported.
15. With respect to reports submitted to the Department of Health Care Services:
 - a. All required Medi-Cal and similar reports have been filed;
 - b. Management is responsible for the accuracy and propriety of all reports filed;
 - c. All costs reflected on such reports are appropriate, allowable under applicable reimbursement rules and regulations, patient-related, and properly allocated;
 - d. The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations;
 - e. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the report;

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March 29, 2018
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- f. Recorded settlements include differences between filed (and to be filed) reports and calculated settlements, which are necessary based upon historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the entity is entitled to all amounts claimed on the reports, management also believes the amounts of these differences are appropriate;
- g. The specialist used by management in preparing medical services payable estimates and reserves had a sufficient level of competence and experience in cost reporting. Management recognizes responsibility for estimated settlement amounts and balances and, that all such amounts are fairly presented.

Information Provided

- 16. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
 - b. Additional information that you have requested from us for the purpose of the audits;
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
 - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 17. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 18. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
- 19. We have no knowledge of allegations of fraud or suspected fraud affecting the entity's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
- 20. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators, short sellers or others.
- 21. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
- 22. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
- 23. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.

Daniells Phillips Vaughan & Bock
March 29, 2018
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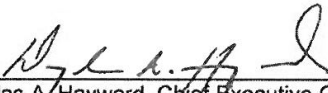
24. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect **Kern Health System's** ability to record, process, summarize and report financial data.
25. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
26. The following have been made available to you:
 - a. Contracts with all significant third-party payers or other providers;
 - b. Reports of regulatory examinations that are currently in process. Management is not aware of any allegations of noncompliance that should be considered for disclosure or as a basis for recording a loss contingency.
27. There are no:
 - a. Violations or possible violations of laws or regulations, such as those related to the Medi-Care and Medi-Caid antifraud and abuse statutes, including but not limited to the Medi-Care and Medi-Caid Anti-Kickback Statute, Limitations on Certain Physician Referrals (the Stark law), and the False Claims Act, in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Communications, whether oral or written, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, including those related to the Medi-Care and Medicaid antifraud and abuse statutes, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
28. During the course of your audits, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

29. With respect to management's discussion and analysis, schedules of proportionate share of the net pension liability and schedules of pension contributions presented as required by accounting principles generally accepted in the United States of America to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.

Daniells Phillips Vaughan & Bock
March 29, 2018
Page 5

Kern Health Systems



Douglas A. Hayward, Chief Executive Officer



Robert Landis, Chief Financial Officer



To: KHS Finance Committee

From: Robert Landis, CFO

Date: April 6, 2018

Re: Kern Medical Voluntary Participation in IGT Funding Distribution Relating to the Base Rate and Rate Range for Services Provided to Medi-Cal Optional Expansion Enrollees

Background

Department of Health Care Services (DHCS) is providing Kern Medical with the opportunity to participate in a voluntary IGT distributions relating to the Base Rate and Rate Range for Services Provided to Medi-Cal Optional Expansion Enrollees for the period January 1, 2017 through June 30, 2017 for a maximum amount of \$8,014,366 for the Base Rate and \$580,320 for the Rate Range.

Agenda item 5 relates to retro-active amendment (attached) to our Kern Medical agreement which will require retro-active approval by the Board in order to facilitate the transfer of such funds.

Requested Action

Retro-active Approval; Refer to KHS Board of Directors

HEALTH PLAN-PROVIDER AGREEMENT
HOSPITAL AND OTHER FACILITY SERVICES AGREEMENT
AMENDMENT NO. 40

This Amendment is made this 8th day of March, 2018 (month/year), by and between Kern Health Systems, a county health authority, hereinafter referred to as "PLAN", and the Kern County Hospital Authority, a local unit of government, which owns and operates Kern Medical Center, hereinafter referred to as "PROVIDER".

RECITALS:

WHEREAS, PLAN and PROVIDER have previously entered into an Agreement effective January 1, 2001;

WHEREAS, Section 10.02 of such Agreement provides for amending such Agreement;

WHEREAS, PLAN is a county health authority formed pursuant to Welfare and Institutions Code section 14087.38 and Chapter 2.94 of the Ordinance Code of Kern County;

WHEREAS, PROVIDER is a general acute care hospital licensed by the state of California pursuant to Division 2, Chapter 2, Article 2 of the Health and Safety Code;

WHEREAS, PLAN and PROVIDER desire to amend the Agreement to provide for base rate and 75 percent rate range (rate range) increases to PROVIDER with respect to services for Medi-Cal Optional Expansion (OE) enrollees of PLAN as a result of Medi-Cal managed care capitation rate amounts to PLAN funded in part by intergovernmental transfers ("IGTs"), pursuant to Section 14199.2 and 14301.5 of the Welfare and Institutions Code, from the Kern County Hospital Authority ("Governmental Funding Entity") to the California Department of Health Care Services ("State DHCS") to help assure the availability of Medi-Cal health care services to Medi-Cal beneficiaries.

NOW, THEREFORE, PLAN and PROVIDER hereby agree as follows:

1. Article X, section 10.14 shall be made part of the Agreement as follows:

OE MEDI-CAL MANAGED CARE BASE RATE AND RATE RANGE INCREASES

1. OE Base Rate and Rate Range Increases to PROVIDER

A. Payment

Pursuant to subdivision (e) of Section 14199.2, and subdivision (b) of Section 14301.5 of the Welfare and Institutions Code, should PLAN receive any OE Medi-Cal Managed Care Rate Payments ("OE MMCR Payments") from State DHCS, the nonfederal share of which

is funded in any part by the Kern County Hospital Authority specifically pursuant to the Intergovernmental Agreement Regarding Transfer of Public Funds, #16-93918 ("Intergovernmental Agreement") effective for the period of January 1, 2017 through June 30, 2017, all of the provisions below shall apply.

(1) PLAN shall pay to PROVIDER, for services provided during the term of this Amendment, the rates for services set forth in this Agreement, which shall be no less than the rates in effect as of July 1, 2017.

(2) PLAN shall pay to PROVIDER as "OE Base Rate" a maximum amount of eight million, fourteen thousand, three hundred sixty-six dollars (\$8,014,366) and as "Rate Range Increase Payments," a maximum amount of five hundred eighty thousand, three hundred twenty dollars (\$580,320) for the period of January 1, 2017 through June 30, 2017, from the OE MMCR Payments (net of the Health Plan Retention described in paragraph 1.B) received from State DHCS, in accordance with paragraph 1.E below regarding the form and timing of Payments for services provided by the PROVIDER to Medi-Cal beneficiaries. Notwithstanding the foregoing, payments to PROVIDER and other providers by PLAN from OE MMCR Payments (net of Health Plan Retention) for the relevant period shall be adjusted as appropriate to ensure that all such OE MMCR Payments received by PLAN are distributed, and in no case shall exceed the total amount of OE MMCR Payments. PLAN payments shall be based on actual OE MMCR Payments included in the HEALTH PLAN's monthly capitation payment or a lump-sum payment received from DHCS. OE Base Rate and Rate Range Increase Payments paid to PROVIDER shall not replace or supplant any other amounts paid or payable to PROVIDER by PLAN.

B. Health Plan Retention

PLAN will not retain any other portion of the OE MMCR Payments received from the State DHCS.

C. Conditions for Receiving OE Base Rate and Rate Range Increase Payments

As a condition for receiving OE Base Rate and Rate Range Increase Payments, PROVIDER shall, as of the date the particular payment is due:

- (1) remain a provider of [as applicable] primary and specialty hospital and non-hospital services in the PLAN, to provide capacity for meeting the complex conditions of OE Medi-Cal beneficiaries;
- (2) remain a participating provider in the PLAN and not issue a notice of termination of the Agreement;
- (3) maintain its current emergency room licensure status and not close its emergency room;

(4) maintain its current inpatient surgery suites and not close these facilities.

D. Schedule and Notice of Transfer of Non-Federal Funds

(1) PROVIDER shall provide PLAN with a copy of the schedule regarding the transfer of Kern County Hospital Authority funds to the State DHCS, referred to in the Intergovernmental Agreement, within 15 days of establishing such schedule with the State DHCS. Additionally, PROVIDER shall notify PLAN, in writing, no less than seven (7) calendar days prior to any changes to an existing schedule including, but not limited to, changes in the amounts specified therein.

(2) PROVIDER shall provide PLAN with written notice of the amount and date of the transfer within seven (7) calendar days after transferring Kern County Hospital Authority funds to the State DHCS for use as the nonfederal share of the OE Base Rate and Rate Range Increase Payments.

E. Form and Timing of Payments

PLAN agrees to pay OE Base Rate and Rate Range Increase Payments to PROVIDER in the following form and according to the following schedule:

(1) PLAN agrees to pay the OE Base Rate and Rate Range Increase Payments to PROVIDER using the same mechanism through which compensation and payments are normally paid to PROVIDER (e.g., electronic transfer).

(2) PLAN will pay the OE Base Rate and Rate Range Increase Payments to PROVIDER no later than thirty (30) calendar days after receipt of the OE MMCR Payments from State DHCS.

F. Consideration

(1) As consideration for the OE Base Rate and Rate Range Increase Payments, PROVIDER shall use the OE Base Rate and Rate Range Increase Payments for the following purposes and shall treat the OE Base Rate and Rate Range Increase Payments in the following manner:

(a) The OE Base Rate and Rate Range Increase Payments shall represent compensation for Medi-Cal services rendered to Medi-Cal PLAN members by PROVIDER during the State fiscal year to which the OE Base Rate and Rate Range Increase Payments apply.

(b) To the extent that total payments received by PROVIDER for any State fiscal year under this Amendment exceed the cost of Medi-Cal services provided to Medi-Cal beneficiaries by PROVIDER during that fiscal year, any remaining OE Base Rate and Rate Range Increase Payment amounts shall be retained by PROVIDER to be expended for health care services. Retained OE Base Rate and Rate Range Increase Payment amounts may be used

by the PROVIDER in either the State fiscal year for which the payments are received or subsequent State fiscal years.

(2) For purposes of subsection (1) (b) above, if the retained OE Base Rate and Rate Range Increase Payments, if any, are not used by PROVIDER in the State fiscal year received, retention of funds by PROVIDER will be established by demonstrating that the retained earnings account of PROVIDER at the end of any State fiscal year in which it received payments based on OE Base Rate and Rate Range Increase Payments funded pursuant to the Intergovernmental Agreement, has increased over the unspent portion of the prior State fiscal year's balance by the amount of OE Base Rate and Rate Range Increase Payments received, but not used. These retained PROVIDER funds may be commingled with other Kern County Hospital Authority funds for cash management purposes provided that such funds are appropriately tracked and only the depositing facility is authorized to expend them.

(3) Both parties agree that none of these funds, either from the Kern County Hospital Authority or federal matching funds will be recycled back to the Kern County Hospital Authority general fund, the State, or any other intermediary organization. Payments made by the health plan to providers under the terms of this Agreement or Amendment constitute patient care revenues.

G. PLAN's Oversight Responsibilities

PLAN's oversight responsibilities regarding PROVIDER's use of the OE Base Rate and Rate Range Increase Payments shall be limited as described in this paragraph. PLAN shall request, within thirty (30) calendar days after the end of each State fiscal year in which OE Base Rate and Rate Range Increase Payments were transferred to PROVIDER, a written confirmation that states whether and how PROVIDER complied with the provisions set forth in Paragraph 1.F above. In each instance, PROVIDER shall provide PLAN with written confirmation of compliance within thirty (30) calendar days of PLAN's request.

H. Cooperation Among Parties

Should disputes or disagreements arise regarding the ultimate computation or appropriateness of any aspect of the OE Base Rate and Rate Range Increase Payments, PROVIDER and PLAN agree to work together in all respects to support and preserve the OE Base Rate and Rate Range Increase Payments to the full extent possible on behalf of the safety net in Kern County.

I. Reconciliation

Within one hundred twenty (120) calendar days after the end of each of PLAN's fiscal years in which OE Base Rate and Rate Range Increase Payments were made to PROVIDER, PLAN shall perform a reconciliation of the OE Base Rate and Rate Range Increase Payments transmitted to the PROVIDER during the preceding fiscal year to ensure that the supporting amount of OE MMCRs were received by PLAN from State DHCS. PROVIDER agrees to return to PLAN any overpayment of OE Base Rate and Rate Range Increase Payments made in error to PROVIDER within thirty (30) calendar days after receipt from PLAN of a

written notice of the overpayment error, unless PROVIDER submits a written objection to PLAN. Any such objection shall be resolved in accordance with the dispute resolution processes set forth in Section 10.04 of the Agreement. The reconciliation processes established under this paragraph are distinct from the indemnification provisions set forth Section J below. PLAN agrees to transmit to the PROVIDER any underpayment of OE Base Rate and Rate Range Increase Payments within thirty (30) calendar days of PLAN's identification of such underpayment.

J. Indemnification

Both parties agree to indemnify, defend and hold harmless the other party and their officers, agents, and employees from any and all claims, demands, judgments, damages, costs, liabilities or losses arising from, or in any way relating to, any losses or delays in capitation payments as a result of intergovernmental transfers from the Kern County Hospital Authority to the State DHCS for the provision of OE Base Rate and Rate Range Increase Payments to PLAN.

2. Term

The term of this Amendment shall commence on January 1, 2017 and shall terminate on September 30, 2019.

All other terms and provisions of said Agreement shall remain in full force and effect so that all rights, duties and obligations, and liabilities of the parties hereto otherwise remain unchanged; provided, however, if there is any conflict between the terms of this Amendment and the Agreement, then the terms of this Amendment shall govern.

SIGNATURES

HEALTH PLAN: Kern Health Systems

Date: 3/7/18

By: Title: Chief ^{Financial} Executive Officer Robert J. Smith

PROVIDER: Kern County Hospital Authority

Date: 3/3/18

By: Title: Chief Executive Officer [Signature]

APPROVED AS TO FORM:
LEGAL SERVICES DEPARTMENT

By Karen S. Barnes
Karen S. Barnes, Esq.
Vice President & General Counsel
Kern County Hospital Authority



To: KHS Finance Committee

From: Robert Landis, CFO

Date: April 6, 2018

Re: Report on Change of Personnel Managing the KHS Investments at UBS Financial Services, Inc.

Background

Kern Health Systems (“KHS”) currently utilizes UBS Financial Services, Inc. (“UBS”) as the Investment Manager for the long-term investment portfolio (“Portfolio”). Sampson Wealth Management (Gary and Jon Sampson) have been the individuals managing the Portfolio until their recent departure to another financial institution. The KHS account has been assigned to Ira Cohen at the UBS Bakersfield office. Ira Cohen will be present to provide an overview of his investment experience and capabilities and to answer questions.

Requested Action

Receive and file

Proposed administrative contract over \$100,000, April 12, 2018.

1. Operational Expenditure with Office Ally, Inc.

a. Recommended Action

Approve; Authorize Chief Executive Officer to Sign

b. Contact

Robin Dow-Morales; Director of Claims

c. Background

In 2009 Kern Health Systems engaged multiple claims clearinghouses to provide various alternatives for the community to submit electronically. Office Ally provides KHS with the 837i and 837p claims transactions. Electronic data transactions increase the accuracy of the data and eliminate the need for paper processes and storage.

d. Discussion

Office Ally provides KHS with approximately 30% of the professional claims that are submitted electronically to the health plan. Office Ally does not charge the submitting provider for the transaction rather KHS. The fees are based on a per transaction basis, and the rate will be constant for a three year period. The current price per claims is \$0.25; this price has remained the same for the last nine years.

e. Fiscal Impact

Not to exceed \$0.25 per claim.

f. Risk Assessment

The potential risk of not receiving electronic claims would result in a backlog in claims and an increase in staffing budget. Without electronic submission we would need staff to open, prepare and scan the claims, as well as support staff to verify and validate that claims were read correctly in the OCR process. Electronic submission ensures that accurate data was received which helps in the auto-adjudication process. Also, if auto adjudication decreased, there would be a need for more claims examiners to process the claims.

g. Attachments

An Agreement at a Glance form and the agreement are attached.

h. Reviewed by Chief Compliance Officer and/or Legal Counsel

This contract has been approved by legal per PSA.



KERN HEALTH SYSTEMS

- Contract
- Purchase

AGREEMENT AT A GLANCE

Department Name: Claims Department Head: Robin Dow-Morales
 Contract Vendor: Office Ally, Inc.
 Vendor contact Name & e-mail: Daniel Wojta daniel.wojta@officeally.com
 What services will this vendor provide to KHS? Office Ally, Inc. will process and submit electronic medical claims from providers and institutions directly to KHS.

Description of Contract

Type of Agreement: Professional Services Background: Office Ally, Inc. provides clearinghouse functions for providers and hospitals to submit electronic medical claims. The clearinghouse works with providers, typically free of charge, and charge KHS a \$0.25 per transaction fee to process and deliver the electronic claims.

- | | |
|---|---|
| <input checked="" type="checkbox"/> Establish a new agreement
<input type="checkbox"/> Amendment
<input type="checkbox"/> Continuation of an Existing Contract
<input type="checkbox"/> Replacement
<input type="checkbox"/> Addendum
<input type="checkbox"/> Retroactive Agreement
Retroactive Date _____ | Previous Agreement No. _____ Or Amendment No. _____
Date Agreement Began _____
Brief Explanation <u>Office Ally, Inc. will process and submit electronic medical claims from providers and institutions directly to KHS.</u>
Reason for delay in approval: _____ |
|---|---|

Summary of Quotes and/or Bids attached. *Pursuant to KHS Policy #8.11-1, KHS will secure competitive quotes and bids to obtain the maximum value from the expenditures. Electronic (e-mail/fax) solicitation may be used for purchases of up to Fifty Thousand Dollars or more if not budgeted (\$50,000.00) and One Hundred Thousand Dollars or more if budgeted (\$100,000.00) but must be documented on the RFQ form (Attachment A). Actual bid, sole or single source justification and/or cost price analysis documents are required for purchases over Fifty Thousand Dollars or more if not budgeted (\$50,000.00) and One Hundred Thousand Dollars or more if budgeted (\$100,000.00). Request for Proposal (RFP) shall be used to solicit bids for professional services over Fifty Thousand Dollars (\$50,000). Lowest bid price not accepted must be fully explained and justified in writing. All bids will be treated as a not to exceed amount with "change orders" used to track any changes.*

Brief vendor selection justification: _____
 Sole source – no competitive process can be performed.

Brief reason for sole source: KHS currently uses four different clearinghouse vendors (Emdeon, Office Ally, Inc., SSI, and Relay Health).

- Conflict of Interest Form is required for this Contract
- HIPAA Business Associate Agreement is required for this Contract

Fiscal Impact

KHS Governing Board previously approved this expense in KHS' FY 2018 Administrative Budget NO YES

Form updated 11/28/16

Will this require additional funds?

NO YES

Maximum cost of this agreement not to exceed: \$0.25 per claim

Notes: _____

Contract Terms and Conditions

Effective date: 4/12/18

Termination date: 4/12/21

Explain extension provisions, termination conditions and required notice: _____

Approvals

Contract Owner:

[Signature]

Department Head

3/22/18

Date

Purchasing:

[Signature]

Director of Procurement

3/15/18

Date

Reviewed as to Budget:

[Signature]

Chief Financial Officer or Controller

3/23/18

Date

Recommended by the Executive Committee:

[Signature]

Committee Chairman

3-23-18

Date

Compliance Review:

Chief Compliance Officer

Date

Legal Review:

Legal Counsel

Date

Chief Executive Officer Approval:

Chief Executive Officer

Date

Board of Directors approval is required on all contracts over \$50,000 if not budgeted and \$100,000 if budgeted.

KHS Board Chairman

Date

Proposed administrative contract over \$100,000, April 12, 2018.

1. Operational Agreement with McKesson/Change Health

a. Recommended Action

Approve; Authorize Chief Executive Officer to Sign

b. Contact

Richard Pruitt, Chief Information Officer

c. Background

KHS is required to perform claims auditing on all billed CMS-1450/CMS-1500 medical claims forms. This requirement is done with several manual and automated processes. With the purchase of the TriZetto QNXT software, KHS has the opportunity to use two products (Optum and McKesson) for medical claim review.

d. Discussion

McKesson will provide KHS with the ClaimCheck software with seven (7) month period to include the software license; maintenance; and technical support.

e. Fiscal Impact

Not to exceed \$332,894.00 per seven months.

f. Risk Assessment

The software has been in place for many years and in 2014 saved the company approximately \$1.5M with its dynamic auditing process. KHS is required, by contract, to audit its claims and the McKesson ClaimCheck software is one method in which the organization fulfills that responsibility.

g. Attachments

An Agreement at a Glance form and the agreement are attached.

h. Reviewed by Chief Compliance Officer and/or Legal Counsel

This contract is pending Legal review.



KERN HEALTH SYSTEMS

- Contract
- Purchase

AGREEMENT AT A GLANCE

Department Name: Claims Department Head: Robin Morales-Dow

Contract Vendor: McKesson

Vendor contact Name & e-mail: Gary Girvin, gary.girvin@mckesson.com

What services will this vendor provide to KHS? McKesson will provide KHS with the ClaimCheck claims review software for a seven (7) month period to include software maintenance and support.

Description of Contract	
Type of Agreement: <u>Software</u>	Background: <u>KHS is required to perform claims auditing on all billed CMS-1450/CMS-1500 medical claims forms. This requirement is done with several manual and automated processes. KHS has used the McKesson ClaimCheck software for many years. With the purchase of the TriZetto QNXT software, KHS has the opportunity to use two products (Optum and McKesson) for medical claim review.</u>
<input type="checkbox"/> Establish a new agreement	Previous Agreement No. <u>26887</u> or Amendment No. _____
<input type="checkbox"/> Amendment	Date Agreement Began _____
<input checked="" type="checkbox"/> Continuation of an Existing Contract	Brief Explanation: <u>In 2017, KHS published an RFP for the ClaimsCheck software. After evaluating vendors on their proposals KHS selected OptumInsight, Inc. as the vendor for the ClaimsCheck software. Migration to this platform will occur after termination of current contract with McKesson.</u>
<input type="checkbox"/> Replacement	
<input type="checkbox"/> Addendum	
<input type="checkbox"/> Retroactive Agreement	Reason for delay in approval: _____
Retroactive Date _____	
<input type="checkbox"/> Summary of Quotes and/or Bids attached. <i>Pursuant to KHS Policy #8.11-1, KHS will secure competitive quotes and bids to obtain the maximum value from the expenditures. Electronic (e-mail/fax) solicitation may be used for purchases of up to Fifty Thousand Dollars or more if not budgeted (\$50,000.00) and One Hundred Thousand Dollars or more if budgeted (\$100,000.00) but must be documented on the RFQ form (Attachment A). Actual bid, sole or single source justification and/or cost price analysis documents are required for purchases over Fifty Thousand Dollars or more if not budgeted (\$50,000.00) and One Hundred Thousand Dollars or more if budgeted (\$100,000.00). Request for Proposal (RFP) shall be used to solicit bids for professional services over Fifty Thousand Dollars (\$50,000). Lowest bid price not accepted must be fully explained and justified in writing. All bids will be treated as a not to exceed amount with "change orders" used to track any changes.)</i>	
Brief vendor selection justification: _____	
<input checked="" type="checkbox"/> Sole source – no competitive process can be performed.	
Brief reason for sole source: <u>McKesson is the current vendor for the ClaimsCheck product.</u>	
<input type="checkbox"/> Conflict of Interest Form is required for this Contract	
<input type="checkbox"/> HIPAA Business Associate Agreement is required for this Contract	

Fiscal Impact

KHS Governing Board previously approved this expense in KHS' FY 2018 Administrative Budget NO YES

Budgeted Cost Center 230 GL# 5410

Will this require additional funds? NO YES

Maximum cost of this agreement not to exceed: \$332,894.00 per project

Notes: _____

Contract Terms and Conditions

Effective date: 3/6/2018 Termination date: 10/5/2018

Explain extension provisions, termination conditions and required notice: _____

Approvals

Contract Owner:

[Signature]
Department Head

3/23/18
Date

Purchasing:

[Signature]
Director of Procurement

3/23/18
Date

Reviewed as to Budget:

[Signature]
Chief Financial Officer or Controller

3/23/18
Date

Recommended by the Executive Committee:

[Signature]
Committee Chairman

3-23-18
Date

Compliance Review:

Chief Compliance Officer

Date

Legal Review:

Legal Counsel

Date

Chief Executive Officer Approval:

Chief Executive Officer

Date

Board of Directors approval is required on all contracts over \$50,000 if not budgeted and \$100,000 if budgeted.

KHS Board Chairman

Date



McKesson Claim Check

April 2018

Richard M. Pruitt

Agenda

- Overview
- Timeline
- Current Contract
- Board Request

Overview

In 2017, KHS planned to migrate from the McKesson ClaimCheck software to the Optum Claims Editing System. The KHS Board of Directors approved the migration and contract at the December 2017 meeting for a 2018 implementation.

In order to maintain the existing system, until the migration to the new Optum solution is complete, a contract extension is necessary to ensure system continuity. This presentation provides a timeline of events, summary of the current contract, and the Board of Director's request.

Timeline

- 2017 – KHS RFP for New Claims Audit Systems
- December 2017 – KHS Board of Directors Approved the Optum Claims Editing System (CES) for \$2.6M
- January 2018 – Optum / KHS Project Kick Off
- April 2018 – Project Status Update
- June 2018 – Anticipated Cutover to New System

Current Contract

- McKesson ClaimCheck Current System Installed
- Current Contract Expires March 6, 2018
- Contract Extension with two Three-Month Options
 - (March– June) \$190,225
 - (July – October) \$142,669
- KHS Actively Monitoring Project Status

Board Request

- Authorize the CEO to approve contract to extend the McKesson Claim Check Software in the amount not to exceed **\$332,894** in operating expenses to provide continuous functionality of the Claim Check software until the replacement with the Optum Claims Editing System.

Questions

Please contact:

Richard M. Pruitt

661-664-5078

richard.pruitt@khs-net.com



To: KHS Finance Committee

From: Robert Landis, CFO

Date: April 6, 2018

Re: December 2017 Financial Results

The December results reflect a \$2,890,419 Net Decrease in Net Position (primarily due to \$2.7 million of non-operating items related to required year-end accounting entries described in 1C and 3A below) which is a \$3,001,697 unfavorable variance to the budget. Listed below are the major variances for the month:

- 1) Total Revenues reflect a \$1.4 million unfavorable variance primarily due to:
 - A) \$1.5 million unfavorable variance relating to Family and Other primarily due to lower than expected enrollment (\$.7 million) and a lower than expected budgeted rate increase from the State effective July 1, 2017 (\$.8 million).
 - B) \$.6 million favorable variance relating to Expansion primarily due to higher than expected enrollment (\$.3 million), a lower than expected budgeted rate decrease effective July 1, 2017 (\$.7 million) and lower than expected Maternity revenue (\$.4 million).
 - C) \$.7 million unfavorable variance relating to Other Income (Expense) primarily due to marking the investment portfolio to market.

- 2) Total Medical Costs reflect a \$.7 million favorable variance primarily due to:
 - A) \$1.0 million unfavorable variance in Physician Services primarily due to higher than expected utilization of Referral Specialty Services.
 - B) \$.9 million favorable variance in Emergency Room primarily due to lower than expected utilization.
 - C) \$1.0 million favorable variance in Pharmacy primarily due to lower than expected HEP-C utilization.

- 3) Total Administrative Expense Expenses reflect a \$1.9 million unfavorable variance primarily due to:
 - A) \$2.0 million unfavorable variance in Administrative Expense Adjustment relating to an unfavorable net pension liability expense adjustment for the period July 1, 2016 to June 30, 2017 reported in accordance with Governmental Accounting Standards Board (GASB) statement 68 (\$1.6 million) and the annual true-up of the Statutory Allowance for Claims Processing (\$.4 million).

The December Medical Loss Ratio is 94.5% which is unfavorable to the 92.9% budgeted amount. The December Administrative Expense Ratio is 9.6 % which is unfavorable to the 6.0% budgeted amount. The Administrative Expense Ratio is 5.9% excluding the items listed in 3A above.

The results for the 12 months ended December 31, 2017 reflect a Net Increase in Net Position of \$19,326,248. This is a \$11,990,561 favorable variance to budget and includes approximately \$10.4 million of favorable adjustments from the prior year. The year-to-date Medical Loss Ratio is 92.1% which is equal to the 92.1% budgeted amount. The year-to-date Administrative Expense Ratio is 5.1% which is favorable to the 5.8% budgeted amount.

**Kern Health Systems
Financial Packet
December 2017**

KHS – Medi-Cal Line of Business

Comparative Statement of Net Position	Page 1
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KHS Group Health Plan – Healthy Families Line of Business

Comparative Statement of Net Position	Page 13
Statement of Revenue, Expenses, and Changes in Net Position	Page 14

KHS Administrative Analysis and Other Reporting

Monthly Member Count	Page 15
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KERN HEALTH SYSTEMS MEDI-CAL STATEMENT OF NET POSITION AS OF DECEMBER 31, 2017			
ASSETS	DECEMBER 2017	NOVEMBER 2017	INC(DEC)
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 100,362,355	\$ 82,573,360	\$ 17,788,995
Short-Term Investments	151,622,734	170,126,739	(18,504,005)
Pass-through Monies Held for Future Payment	-	3,898,765	(3,898,765)
Premiums Receivable - Net	53,574,800	58,652,907	(5,078,107)
Interest Receivable	196,931	376,001	(179,070)
Other Receivables	1,436,406	2,039,928	(603,522)
Prepaid Expenses & Other Current Assets	1,261,892	846,127	415,765
Total Current Assets	\$ 308,455,118	\$ 318,513,827	\$ (10,058,709)
RESTRICTED ASSETS	\$ 300,000	\$ 300,000	\$ -
CAPITAL ASSETS - NET OF ACCUM DEPRES:			
Land	4,876,562	4,876,562	-
Furniture and Equipment	6,539,717	6,637,920	(98,203)
Automobile - Net	17,799	18,190	(391)
Building and Building Improvements - Net	6,657,965	6,685,820	(27,855)
Capital Projects in Process	9,713,334	8,759,917	953,417
Total Capital Assets	\$ 27,805,377	\$ 26,978,409	\$ 826,968
LONG TERM ASSETS:			
Officer Life Insurance Receivables	685,084	774,526	(89,442)
Total Long Term Assets	\$ 685,084	\$ 774,526	\$ (89,442)
DEFERRED OUTFLOWS OF RESOURCES	\$ 2,890,063	\$ 4,540,339	\$ (1,650,276)
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 340,135,642	\$ 351,107,101	\$ (10,971,459)
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Accounts Payable	\$ 24,932	\$ 24,212	720
Accrued Salaries and Employee Benefits	2,463,257	2,685,501	(222,244)
Accrued Other Operating Expenses	2,165,654	1,331,801	833,853
Accrued Taxes and Licenses	-	15,162,152	(15,162,152)
Other Medical Liabilities - Nonoperating Passthrough	-	3,898,765	(3,898,765)
Claims Payable (Reported)	20,859,975	12,457,107	8,402,868
IBNR - Inpatient Claims	31,872,671	31,155,081	717,590
IBNR - Physician Claims	15,801,809	14,756,407	1,045,402
IBNR - Accrued Other Medical	21,480,717	22,740,352	(1,259,635)
Risk Pool and Withholds Payable	2,708,218	2,140,535	567,683
Statutory Allowance for Claims Processing Expense	2,324,857	1,926,674	398,183
Other Liabilities	43,538,030	43,036,350	501,680
Total Current Liabilities	\$ 143,240,120	\$ 151,314,937	\$ (8,074,817)
NONCURRENT LIABILITIES:			
Net Pension Liability	6,082,752	4,519,591	1,563,161
TOTAL NONCURRENT LIABILITIES	\$ 6,082,752	\$ 4,519,591	\$ 1,563,161
DEFERRED INFLOWS OF RESOURCES	\$ 270,949	\$ 1,840,334	\$ (1,569,385)
NET POSITION:			
Net Position - Beg. of Year	171,215,573	171,215,573	-
Increase (Decrease) in Net Position - Current Year	19,326,248	22,216,666	(2,890,418)
Total Net Position	\$ 190,541,821	\$ 193,432,239	\$ (2,890,418)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 340,135,642	\$ 351,107,101	\$ (10,971,459)

CURRENT MONTH MEMBERS			KERN HEALTH SYSTEMS MEDI-CAL - ALL COA STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION FOR THE MONTH ENDED DECEMBER 31, 2017			YEAR-TO-DATE MEMBER MONTHS		
						ACTUAL	BUDGET	VARIANCE
ENROLLMENT								
163,974	169,100	(5,126)	Family Members	1,963,604	1,989,600	(25,996)		
57,562	56,700	862	Expansion Members	684,388	667,200	17,188		
14,320	14,050	270	SPD Members	166,203	165,300	903		
5,711	4,275	1,436	Other Members	63,775	49,650	14,125		
7,890	7,275	615	Kaiser Members	92,005	85,650	6,355		
249,457	251,400	(1,943)	Total Members - MCAL	2,969,975	2,957,400	12,575		
REVENUES								
20,910,809	22,449,894	(1,539,085)	Title XIX - Medicaid - Family and Other	254,541,398	262,130,197	(7,588,799)		
20,131,172	19,567,840	564,132	Title XIX - Medicaid - Expansion Members	249,760,999	239,263,363	10,497,636		
11,017,790	10,895,266	122,524	Title XIX - Medicaid - SPD Members	124,586,445	127,019,734	(2,433,289)		
7,651,559	7,355,486	296,073	Premium - MCO Tax	90,964,541	86,525,828	4,438,714		
320,014	158,043	161,971	Interest /Dividends	3,335,940	1,859,130	1,476,810		
217,296	107,415	109,881	Reinsurance Recoveries	1,123,866	1,263,570	(139,704)		
2,458,885	2,881,524	(422,639)	COB/Subrogation Collections	45,057,212	33,894,866	11,162,346		
52,721	-	52,721	Rate/Income Adjustments	14,941,971	-	14,941,971		
(708,938)	-	(708,938)	Other Income (Expense)	(938,672)	-	(938,672)		
62,051,308	63,414,669	(1,363,360)	TOTAL REVENUES	783,373,700	751,956,686	31,417,014		
EXPENSES								
Medical Costs:								
13,358,821	12,316,560	(1,042,261)	Physician Services	163,830,796	144,893,852	(18,936,944)		
2,810,522	2,703,860	(106,662)	Other Professional Services	33,282,905	31,932,277	(1,350,628)		
3,888,819	4,799,426	910,607	Emergency Room	53,399,387	56,459,886	3,060,499		
14,316,486	13,792,513	(523,973)	Inpatient	173,014,732	162,264,300	(10,750,432)		
105,351	107,415	2,064	Reinsurance Expense	1,263,568	1,263,570	2		
5,457,541	5,733,570	276,029	Outpatient Hospital	71,549,049	67,452,699	(4,096,350)		
2,482,691	2,569,217	86,527	Other Medical	26,346,293	30,307,745	3,961,452		
8,546,330	9,506,652	960,322	Pharmacy	103,712,347	111,845,648	8,133,301		
567,682	573,694	6,012	Pay for Performance Quality Incentive	6,765,229	6,748,613	(16,617)		
(105,403)	-	105,403	IBNR, Incentive, Paid Claims Adjustment	4,503,050	-	(4,503,050)		
51,428,840	52,102,907	674,067	Total Medical Costs	637,667,356	613,168,589	(24,498,767)		
10,622,469	11,311,762	(689,294)	GROSS MARGIN	145,706,344	138,788,097	6,918,247		
Administrative:								
2,047,251	1,941,376	(105,875)	Compensation	21,803,482	23,273,573	1,470,091		
659,696	544,621	(115,075)	Purchased Services	5,707,421	6,748,727	1,041,306		
(329,638)	147,386	477,025	Supplies	816,018	1,779,182	963,165		
815,737	711,615	(104,122)	Other Administrative Expenses	5,172,309	7,125,101	1,952,792		
2,042,235	-	(2,042,235)	Administrative Expense Adjustment	2,042,235	-	(2,042,235)		
5,235,280	3,344,997	(1,890,283)	Total Administrative Expenses	35,541,464	38,926,583	3,385,118		
56,664,120	55,447,904	(1,216,216)	TOTAL EXPENSES	673,208,820	652,095,172	(21,113,648)		
5,387,188	7,966,765	(2,579,576)	OPERATING INCOME (LOSS) BEFORE TAX	110,164,880	99,861,514	10,303,365		
7,652,171	7,355,486	(296,685)	MCO TAX	89,469,376	86,525,828	(2,943,549)		
(2,264,983)	611,279	(2,876,261)	OPERATING INCOME (LOSS) NET OF TAX	20,695,504	13,335,687	7,359,817		
NONOPERATING REVENUE (EXPENSES)								
(23,172)	-	(23,172)	Reserve Fund Projects/Community Grants	(104,284)	-	(104,284)		
(602,264)	(500,000)	(102,264)	Health Home	(1,264,972)	(6,000,000)	4,735,028		
(625,436)	(500,000)	(125,436)	TOTAL NONOPERATING REVENUES (EXPENSES)	(1,369,256)	(6,000,000)	4,630,744		
(2,890,419)	111,279	(3,001,697)	NET INCREASE (DECREASE) IN NET POSITION	19,326,248	7,335,687	11,990,561		
94.5%	92.9%	-1.6%	MEDICAL LOSS RATIO	92.1%	92.1%	0.0%		
9.6%	6.0%	-3.7%	ADMINISTRATIVE EXPENSE RATIO	5.1%	5.8%	0.7%		

CURRENT MONTH			KERN HEALTH SYSTEMS MEDI-CAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - PMPM FOR THE MONTH ENDED DECEMBER 31, 2017			YEAR-TO-DATE		
ENROLLMENT								
163,974	169,100	(5,126)	Family Members	1,963,604	1,989,600	(25,996)		
57,562	56,700	862	Expansion Members	684,388	667,200	17,188		
14,320	14,050	270	SPD Members	166,203	165,300	903		
5,711	4,275	1,436	Other Members	63,775	49,650	14,125		
7,890	7,275	615	Kaiser Members	92,005	85,650	6,355		
249,457	251,400	(1,943)	Total Members - MCAL	2,969,975	2,957,400	12,575		
REVENUES								
123.23	129.49	(6.25)	Title XIX - Medicaid - Family and Other	125.55	128.54	(2.99)		
349.73	345.10	4.63	Title XIX - Medicaid - Expansion Members	364.94	358.61	6.33		
769.40	775.46	(6.07)	Title XIX - Medicaid - SPD Members	749.60	768.42	(18.82)		
31.67	30.13	1.54	Premium - MCO Tax	31.61	30.13	1.48		
1.32	0.65	0.68	Interest /Dividends	1.16	0.65	0.51		
0.90	0.44	0.46	Reinsurance Recoveries	0.39	0.44	(0.05)		
10.18	11.80	(1.62)	COB/Subrogation Collections	15.66	11.80	3.85		
0.22	0.00	0.22	Rate/Income Adjustments	5.19	0.00	5.19		
(2.93)	0.00	(2.93)	Other Income (Expense)	(0.33)	0.00	(0.33)		
256.87	259.76	(2.89)	TOTAL REVENUES	272.20	261.85	10.35		
EXPENSES								
Medical Costs:								
55.30	50.45	(4.85)	Physician Services	56.93	50.45	(6.47)		
11.63	11.08	(0.56)	Other Professional Services	11.56	11.12	(0.45)		
16.10	19.66	3.56	Emergency Room	18.55	19.66	1.11		
59.27	56.50	(2.77)	Inpatient	60.12	56.50	(3.61)		
0.44	0.44	0.00	Reinsurance Expense	0.44	0.44	0.00		
22.59	23.49	0.89	Outpatient Hospital	24.86	23.49	(1.37)		
10.28	10.52	0.25	Other Medical	9.15	10.55	1.40		
35.38	38.94	3.56	Pharmacy	36.04	38.95	2.91		
2.35	2.35	0.00	Pay for Performance Quality Incentive	2.35	2.35	(0.00)		
(0.44)	0.00	0.44	IBNR, Incentive, Paid Claims Adjustment	1.56	0.00	(1.56)		
212.90	213.43	0.53	Total Medical Costs	221.57	213.52	(8.05)		
43.97	46.34	(2.36)	GROSS MARGIN	50.63	48.33	2.30		
Administrative:								
8.47	7.95	(0.52)	Compensation	7.58	8.10	0.53		
2.73	2.23	(0.50)	Purchased Services	1.98	2.35	0.37		
(1.36)	0.60	1.97	Supplies	0.28	0.62	0.34		
3.38	2.91	(0.46)	Other Administrative Expenses	1.80	2.48	0.68		
8.45	0.00	(8.45)	Administrative Expense Adjustment	0.69	0.00	(0.69)		
21.67	13.70	(7.97)	Total Administrative Expenses	12.33	13.56	1.23		
234.57	227.13	(7.44)	TOTAL EXPENSES	233.90	227.07	(6.82)		
22.30	32.63	(10.33)	OPERATING INCOME (LOSS) BEFORE TAX	38.28	34.77	3.50		
31.68	30.13	(1.55)	MCO TAX	31.09	30.13	(0.96)		
(9.38)	2.50	(11.88)	OPERATING INCOME (LOSS) NET OF TAX	7.19	4.64	2.55		
NONOPERATING REVENUE (EXPENSES)								
(0.10)	0.00	0.10	Reserve Fund Projects/Community Grants	(0.04)	0.00	0.04		
(2.49)	(2.05)	0.45	Health Home	(0.44)	(24.58)	(24.14)		
(2.59)	(2.05)	0.54	TOTAL NONOPERATING REVENUES (EXPENSES)	(0.48)	(24.58)	(24.10)		
(11.97)	0.46	(12.42)	NET INCREASE (DECREASE) IN NET POSITION	6.72	2.55	4.16		
94.5%	92.9%	-1.6%	MEDICAL LOSS RATIO	92.1%	92.1%	0.0%		
9.6%	6.0%	-3.7%	ADMINISTRATIVE EXPENSE RATIO	5.1%	5.8%	0.7%		

KERN HEALTH SYSTEMS MEDICAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION BY MONTH - ROLLING 12 MONTHS THROUGH DECEMBER 31, 2017	DECEMBER 2016	JANUARY 2017	FEBRUARY 2017	MARCH 2017	APRIL 2017	MAY 2017	JUNE 2017	JULY 2017	AUGUST 2017	SEPTEMBER 2017	OCTOBER 2017	NOVEMBER 2017	DECEMBER 2017	13 MONTH TOTAL
	ENROLLMENT													
Members-MCAL	234,491	234,963	237,323	240,308	241,178	241,282	241,716	239,716	239,363	240,564	240,556	239,434	241,567	3,112,461
REVENUES														
Title XIX - Medicaid - Family and Other	20,429,201	21,026,665	20,048,215	21,940,850	21,818,166	21,057,784	21,560,930	21,061,787	21,157,058	21,889,455	20,639,049	21,430,630	20,910,809	274,970,599
Title XIX - Medicaid - Expansion Members	20,105,649	20,905,352	21,131,189	22,045,879	21,650,071	21,883,761	21,316,549	20,420,390	20,057,872	20,019,384	20,016,706	20,222,674	20,131,172	269,866,648
Title XIX - Medicaid - SPD Members	9,940,753	9,966,872	9,618,941	9,939,770	10,055,941	9,972,611	10,383,303	10,531,094	10,667,756	10,934,072	10,978,907	10,859,865	11,017,790	134,827,198
Premium - MCO Tax	10,065,534	7,491,128	7,405,842	7,470,551	7,507,968	7,504,758	7,517,457	7,674,906	7,622,484	8,087,180	7,402,479	7,628,229	7,651,559	101,030,075
Interest/Dividends	194,711	181,883	176,794	264,732	267,435	376,466	265,238	243,800	385,982	302,348	302,348	268,899	320,014	3,330,651
Reinsurance Recoveries	(210,968)	-	-	-	-	-	-	-	-	-	-	124,814	217,296	912,808
COB/Subcontract Collections	2,839,103	4,060,955	3,306,877	4,696,164	2,789,187	3,514,662	3,698,257	3,234,724	5,392,339	3,431,408	3,148,842	5,324,912	2,458,885	47,896,315
Rate/Income Adjustments	2,736,951	2,016,975	2,016,975	413,545	93,756	(3,949)	(340,730)	(84,108)	1,061,917	9,476,726	126,333	2,138,785	52,721	17,678,922
Other Income (Expense)	(1,262,113)	37,570	121	46,740	(11,110)	(18,814)	(18,406)	104	378	(185,865)	378	(20,460)	(708,938)	(2,200,785)
TOTAL REVENUES	64,838,821	63,670,423	63,704,954	66,799,408	64,178,550	64,266,102	64,312,190	63,064,185	66,345,512	73,614,708	62,741,067	68,625,290	62,051,308	848,213,521
EXPENSES														
Medical Costs:														
Physician Services	11,369,024	12,342,816	12,684,849	13,156,118	13,305,167	13,797,185	15,174,897	14,423,866	13,877,006	14,239,482	12,862,609	14,607,980	13,358,821	175,199,820
Other Professional Services	2,850,615	2,642,041	2,246,962	2,496,217	2,479,295	2,992,395	2,903,026	2,989,487	2,851,866	2,920,876	2,920,876	3,065,669	2,810,522	36,133,520
Emergency Room	4,106,435	4,687,780	4,450,889	4,100,250	4,012,665	3,942,442	4,764,752	4,665,069	5,099,658	4,696,197	3,995,827	5,095,039	3,888,819	57,505,822
Inpatient	12,926,841	13,999,552	14,812,384	15,281,823	14,524,702	14,725,286	14,193,273	13,361,803	13,546,637	13,852,008	13,575,463	16,815,315	14,316,486	185,941,573
Reinsurance Expense	187,380	103,176	103,384	103,399	105,736	107,515	106,164	106,355	105,475	105,320	105,848	105,845	108,351	1,450,948
Outpatient Hospital	6,388,140	5,477,940	5,813,468	6,116,559	5,765,474	5,787,957	6,293,878	5,430,584	6,154,715	6,213,267	5,886,144	7,151,522	5,457,541	77,937,189
Other Medical	1,515,058	2,097,824	2,007,506	2,214,713	2,373,420	2,730,233	2,620,808	1,975,195	1,890,207	1,883,596	2,362,997	1,797,103	2,482,691	27,861,351
Pharmacy	8,098,176	8,128,455	7,616,304	9,063,123	8,149,210	8,855,628	9,035,094	8,935,333	8,228,934	8,958,655	8,669,446	8,546,330	111,810,523	
Pay for Performance Quality Incentive	566,068	552,163	559,709	564,724	566,768	567,013	568,032	563,333	562,503	565,325	565,307	562,670	567,682	7,331,297
Expansion Risk Corridor Expense	413,346	-	-	-	-	-	-	-	-	-	-	-	-	413,346
IBNR, Incentive, Paid Claims Adjustment	1,045,552	(141,866)	111,013	(585,473)	(232,581)	(744,814)	(2,727,790)	(28,273)	1,034,615	7,973,649	332,212	(382,239)	(105,403)	5,548,602
Total Medical Costs	49,466,635	49,889,881	50,406,468	52,511,453	51,049,856	52,353,094	53,321,503	52,356,793	54,695,536	60,619,644	51,565,938	57,488,330	51,428,840	687,133,991
GROSS MARGIN														
Administrative	15,372,186	13,780,544	13,298,486	14,287,955	13,728,694	11,913,008	10,990,687	10,727,392	11,649,976	12,995,064	11,175,129	11,136,940	10,622,469	161,078,530
Compensation	1,748,853	1,667,274	1,550,593	1,806,555	1,650,173	1,904,742	1,869,066	1,816,065	1,962,751	1,762,043	1,869,031	1,897,938	2,047,251	23,552,335
Purchased Services	470,957	268,436	450,657	436,052	442,046	344,437	364,323	354,712	371,842	523,883	539,809	952,528	659,696	6,178,378
Supplies	53,867	66,872	36,371	86,926	99,813	89,505	30,984	65,825	131,877	168,244	208,982	160,257	(329,638)	869,885
Other Administrative Expenses	423,090	359,822	363,606	484,727	365,239	432,721	492,918	298,544	393,233	325,962	394,228	445,572	815,737	5,595,399
Administrative Expense Adjustment	(1,290,549)	-	-	-	-	-	-	-	-	-	-	-	-	81,686
Total Administrative Expenses	736,218	2,362,404	2,401,227	2,814,260	2,557,271	2,771,405	2,757,291	2,535,146	2,859,703	2,779,132	3,012,050	3,456,295	5,235,280	36,277,682
TOTAL EXPENSES	50,202,853	52,252,385	52,807,695	55,325,713	53,607,127	55,134,499	56,078,794	54,871,939	57,555,239	63,398,776	54,877,988	60,944,645	56,664,120	723,411,673
OPERATING INCOME (LOSS) BEFORE TAX	14,635,968	11,418,140	10,897,259	11,473,695	10,571,423	9,141,603	8,233,396	8,192,246	8,790,273	10,215,932	8,163,079	7,680,645	5,387,188	(2,280,338)
MCO TAX	10,065,534	7,491,128	6,911,096	7,199,396	7,304,569	7,198,592	7,197,359	7,674,900	7,775,859	8,059,738	7,454,395	7,650,173	7,652,171	99,584,910
OPERATING INCOME (LOSS) NET OF TAX	4,570,434	3,927,012	3,986,163	4,274,299	3,266,854	1,943,011	1,036,037	517,346	1,014,414	2,156,194	708,684	30,472	(2,264,983)	25,265,938
TOTAL NONOPERATING REVENUE (EXPENSES)	-	-	-	(33,174)	-	(11,588)	-	(23,175)	-	(23,175)	(662,708)	-	-	(625,436)
NET INCREASE (DECREASE) IN NET POSITION	4,570,434	3,927,012	3,986,163	4,241,125	3,266,854	1,931,423	1,036,037	494,171	1,014,414	2,133,019	45,976	30,472	(2,890,419)	23,896,682
MEDICAL LOSS RATIO	90.3%	88.8%	89.5%	88.5%	90.1%	92.2%	93.9%	94.5%	93.1%	92.5%	93.2%	94.2%	94.5%	92.0%
ADMINISTRATIVE EXPENSE RATIO	13.7%	4.2%	4.3%	4.7%	4.5%	4.9%	4.9%	4.6%	4.9%	4.2%	5.4%	5.7%	9.0%	4.3%

KERN HEALTH SYSTEMS MEDICAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION BY MONTH - PMPM ROLLING 13 MONTHS THROUGH DECEMBER 31, 2017													
E N R O L L M E N T													
M e m b e r s - M C A L													
DECEMBER 2016	JANUARY 2017	FEBRUARY 2017	MARCH 2017	APRIL 2017	MAY 2017	JUNE 2017	JULY 2017	AUGUST 2017	SEPTEMBER 2017	OCTOBER 2017	NOVEMBER 2017	DECEMBER 2017	13 MONTH TOTAL
234,491	234,963	237,323	240,308	241,178	241,282	241,716	239,716	239,363	240,564	240,556	239,434	241,567	3,112,461
R E V E N U E S													
122.95	126.64	119.60	129.31	128.39	124.01	126.74	124.89	125.53	129.26	122.06	126.92	123.23	125.35
566.70	577.32	575.41	586.18	575.46	576.19	569.16	556.43	551.84	550.11	552.46	559.17	549.73	565.07
736.02	736.98	717.78	734.16	740.65	743.39	749.37	764.45	772.58	754.83	748.37	760.39	769.40	748.58
42.93	31.88	31.21	31.09	31.13	31.10	32.02	32.02	31.84	33.62	30.77	31.86	31.67	32.46
0.83	0.77	0.74	1.02	1.10	1.56	1.10	1.02	1.61	1.26	1.26	1.12	1.32	1.13
(0.90)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.52	3.27	0.90	0.29
12.11	17.28	13.93	19.54	11.56	14.57	15.30	13.49	22.53	14.26	13.09	22.24	10.18	15.39
11.67	0.00	0.39	1.72	0.39	0.02	(1.41)	(0.35)	4.44	39.39	0.53	8.89	0.22	5.68
(5.38)	0.16	0.00	0.19	(0.00)	0.00	(0.37)	(0.08)	0.00	(0.77)	0.00	(0.09)	(2.93)	(0.71)
276.51	270.98	268.43	277.97	266.10	266.35	266.07	263.08	277.18	306.01	266.82	286.61	256.87	272.52
E X P E N S E S													
Medical Costs:													
48.48	52.53	53.45	54.75	55.17	57.18	62.78	60.17	57.97	59.19	53.47	61.01	55.30	56.29
12.16	11.24	9.47	10.39	10.28	10.71	13.62	12.11	12.49	11.85	12.14	12.80	11.63	11.61
17.51	19.95	18.75	17.06	16.64	16.34	19.71	19.46	21.31	19.52	16.61	21.28	16.10	18.48
55.13	59.58	62.41	63.50	60.22	61.03	58.72	55.74	56.59	57.62	56.43	70.23	59.27	59.74
0.80	0.44	0.44	0.43	0.44	0.45	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.47
27.24	23.31	24.50	25.35	23.91	23.99	26.04	22.05	25.71	25.83	23.47	29.87	22.59	25.04
6.46	8.93	8.46	9.22	8.84	11.32	10.84	8.24	7.52	7.83	9.82	7.51	10.28	8.95
34.54	34.59	32.09	37.71	33.79	36.70	37.38	37.28	39.79	34.21	37.24	36.21	35.38	35.92
2.41	2.35	2.36	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.36
1.76	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.13
4.46	(0.60)	0.47	(2.44)	(0.96)	(3.09)	(11.29)	(0.12)	4.32	33.15	1.38	(1.60)	(0.44)	1.78
210.95	212.33	212.40	218.52	211.67	216.98	220.60	218.33	228.50	251.99	214.36	240.10	212.90	220.77
65.56	58.65	56.04	59.46	54.44	49.37	45.47	44.75	48.07	54.02	46.46	46.51		51.75
GROSS MARGIN													
Administrative:													
7.46	7.10	6.53	7.52	6.84	7.89	7.73	7.58	8.20	7.32	7.77	7.93	8.47	7.57
2.01	1.14	1.90	1.81	1.83	1.43	1.81	1.48	1.55	2.17	2.24	3.98	2.73	1.99
0.23	0.28	0.15	0.36	0.41	0.37	0.13	0.27	0.55	0.70	0.87	0.67	(1.36)	0.28
1.80	1.53	1.53	2.02	1.51	1.79	2.04	1.25	1.64	1.35	1.64	1.86	3.38	1.80
(8.36)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.45	0.03
3.14	10.05	10.12	11.71	10.60	11.49	11.41	10.58	11.95	11.55	12.52	14.44	21.67	11.66
214.09	222.39	222.51	230.23	222.27	228.47	232.00	228.90	240.45	263.54	226.88	254.54	234.57	232.42
62.42	48.60	45.92	47.75	43.83	37.89	34.06	34.17	36.72	42.47	33.93	34.08	23.50	40.10
42.93	31.88	29.12	29.96	29.87	29.83	29.78	32.02	32.49	31.50	30.99	31.95	31.96	31.98
19.49	16.71	16.80	17.79	13.96	8.05	4.29	2.16	4.24	8.96	2.95	0.13	(9.40)	8.12
0.00	0.00	0.00	(0.10)	0.00	(0.05)	0.00	(0.10)	(0.10)	(0.10)	(2.75)	0.00	(2.59)	(0.10)
19.49	16.71	16.80	17.69	13.96	8.00	4.29	2.06	4.24	8.87	0.19	0.13	(12.05)	8.02
90.3%	88.8%	89.5%	88.5%	90.1%	92.3%	93.9%	94.5%	93.1%	92.5%	92.2%	94.2%	94.5%	92.0%
1.3%	4.2%	4.3%	4.7%	4.5%	4.9%	4.9%	4.6%	4.9%	4.2%	5.4%	5.7%	9.6%	4.9%
ADMINISTRATIVE EXPENSE RATIO													

CURRENT MONTH		YEAR-TO-DATE	
ACTUAL	BUDGET	ACTUAL	BUDGET
VARIANCE		VARIANCE	
KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF REVENUES - ALL COA FOR THE MONTH ENDED DECEMBER 31, 2017			
REVENUES			
Title XIX - Medicaid - Family & Other			
18,446,350	19,948,874	224,801,033	232,467,652
	(1,502,524)		(7,666,619)
2,139,734	2,114,859	25,958,020	25,129,500
	24,875		828,520
112,305	223,684	1,167,577	2,630,987
	(111,379)		(1,463,410)
121,998	66,541	1,514,582	782,664
	55,457		731,918
90,422	95,936	1,100,186	1,119,396
	(5,514)		(19,210)
20,910,809	22,449,894	254,541,398	262,130,199
	(1,539,085)		(7,588,801)
Title XIX - Medicaid - Expansion Members			
19,515,623	18,523,934	238,267,675	226,716,200
	991,689		11,551,475
213	379,240	3,224,959	4,735,315
	(379,027)		(1,510,356)
583,985	629,846	7,873,259	7,411,526
	(45,861)		461,733
31,351	34,020	395,106	400,320
	(2,669)		(5,214)
20,131,172	19,567,040	249,760,999	239,263,361
	564,132		10,497,638
Title XIX - Medicaid - SPD Members			
10,432,168	10,206,394	119,170,256	118,915,080
	225,774		255,176
314,454	531,195	2,852,375	6,249,572
	(216,741)		(3,397,197)
271,168	157,677	2,563,814	1,855,081
	113,491		708,733
11,017,790	10,895,266	124,586,445	127,019,733
	122,524		(2,433,288)

CURRENT MONTH		YEAR-TO-DATE			
ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS - ALL COA FOR THE MONTH ENDED DECEMBER 31, 2017					
PHYSICIAN SERVICES					
2,755,936	3,436,427	680,491	33,973,576	40,424,639	6,451,063
9,786,283	8,206,891	(1,579,392)	116,778,422	96,549,667	(20,228,755)
807,302	663,931	(143,371)	12,969,298	7,810,046	(5,159,252)
9,300	9,310	10	109,500	109,500	-
13,358,821	12,316,560	(1,042,261)	163,830,796	144,893,852	(18,936,944)
OTHER PROFESSIONAL SERVICES					
239,434	251,035	11,601	2,871,715	2,953,040	81,325
777,398	790,155	12,757	8,272,093	9,440,534	1,168,441
126,905	130,241	3,336	1,311,649	1,499,923	188,274
80,998	79,850	(1,148)	760,711	940,454	179,743
97,037	91,173	(5,864)	1,068,542	1,090,446	21,904
50,123	44,427	(5,696)	505,176	500,538	(4,638)
64,279	68,256	3,977	665,567	816,665	151,098
422,435	224,218	(198,217)	4,875,830	2,637,749	(2,238,081)
75,287	91,607	16,320	1,659,867	1,077,714	(582,153)
876,626	932,898	56,272	11,291,755	10,975,214	(316,541)
2,810,522	2,703,860	(106,662)	33,282,905	31,932,277	(1,350,628)
3,888,819	4,799,426	910,607	53,399,387	56,459,886	3,060,499
14,316,486	13,792,513	(523,973)	173,014,732	162,264,300	(10,750,432)
105,351	107,415	2,064	1,263,568	1,263,570	2
5,457,541	5,733,570	276,029	71,549,049	67,452,699	(4,096,350)
OTHER MEDICAL					
356,742	337,970	(18,772)	4,041,630	3,975,704	(65,926)
386,909	370,658	(16,251)	4,447,561	4,360,699	(86,862)
348,092	313,890	(34,202)	1,860,451	3,774,657	1,914,206
843,200	1,011,821	168,621	11,245,895	11,904,398	658,503
-	244,125	244,125	125,401	2,871,750	2,746,349
547,748	290,754	(256,994)	4,625,355	3,420,537	(1,204,817)
2,482,691	2,569,217	86,527	26,346,293	30,307,745	3,961,452
PHARMACY SERVICES					
7,458,778	7,689,667	230,889	87,719,416	90,468,064	2,748,648
705,637	1,384,725	679,088	10,015,736	16,292,083	6,276,347
623,595	500,258	(123,337)	6,760,377	5,885,501	(874,876)
(241,680)	(67,998)	173,682	(783,182)	(800,000)	(16,818)
8,546,330	9,506,652	960,322	103,712,347	111,845,648	8,133,301
567,682	573,694	6,012	6,765,229	6,748,613	(16,617)
(105,403)	-	105,403	4,503,050	-	(4,503,050)
51,428,840	52,102,907	674,067	637,667,356	613,168,589	(24,498,767)

* Medical costs per DMHC regulations

KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS - ALL COA - PMPM FOR THE MONTH ENDED DECEMBER 31, 2017				YEAR-TO-DATE		
ACTUAL	CURRENT MONTH		ACTUAL	BUDGET		VARIANCE
	BUDGET	VARIANCE		BUDGET	VARIANCE	
11.41	14.08	2.67	11.80	14.08	2.27	
40.51	33.62	(6.89)	40.58	33.62	(6.96)	
3.34	2.72	(0.62)	4.51	2.72	(1.79)	
0.04	0.04	(0.00)	0.04	0.04	0.00	
55.30	50.45	(4.85)	56.93	50.45	(6.47)	
PHYSICIAN SERVICES						
0.99	1.03	0.04	1.00	1.03	0.03	
3.22	3.24	0.02	2.87	3.29	0.41	
0.53	0.53	0.01	0.46	0.52	0.07	
0.34	0.33	(0.01)	0.26	0.33	0.06	
0.40	0.37	(0.03)	0.37	0.38	0.01	
0.21	0.18	(0.03)	0.18	0.17	(0.00)	
0.27	0.28	0.01	0.23	0.28	0.05	
1.75	0.92	(0.83)	1.69	0.92	(0.78)	
0.31	0.38	0.06	0.58	0.38	(0.20)	
3.63	3.82	0.19	3.92	3.82	(0.10)	
11.63	11.08	(0.56)	11.56	11.12	(0.45)	
16.10	19.66	3.56	18.55	19.66	1.11	
59.27	56.50	(2.77)	60.12	56.50	(3.61)	
0.44	0.44	0.00	0.44	0.44	0.00	
22.59	23.49	0.89	24.86	23.49	(1.37)	
OTHER MEDICAL						
1.48	1.38	(0.09)	1.40	1.38	(0.02)	
1.60	1.52	(0.08)	1.55	1.52	(0.03)	
1.44	1.29	(0.16)	0.65	1.31	0.67	
3.49	4.14	0.65	3.91	4.15	0.24	
0.00	1.00	1.00	0.04	1.00	0.96	
2.27	1.19	(1.08)	1.61	1.19	(0.42)	
10.28	10.52	0.25	9.15	10.55	1.40	
PHARMACY SERVICES						
30.88	31.50	0.62	30.48	31.50	1.02	
2.92	5.67	2.75	3.48	5.67	2.19	
2.58	2.05	(0.53)	2.35	2.05	(0.30)	
(1.00)	(0.28)	0.72	(0.27)	(0.28)	(0.01)	
35.38	38.94	3.56	36.04	38.95	2.91	
2.35	2.35	0.00	2.35	2.35	0.00	
(0.44)	0.00	0.44	1.56	0.00	(1.56)	
212.90	213.43	0.53	221.57	213.52	(8.05)	

* Medical costs per DMHC regulations

KERN HEALTH SYSTEMS MEDICAL SCHEDULE OF MONTHLY EXPENSES BY MONTH THROUGH DECEMBER 31, 2017	JANUARY 2017	FEBRUARY 2017	MARCH 2017	APRIL 2017	MAY 2017	JUNE 2017	JULY 2017	AUGUST 2017	SEPTEMBER 2017	OCTOBER 2017	NOVEMBER 2017	DECEMBER 2017	YEAR TO DATE 2017
PHYSICIAN SERVICES													
Physician Professional Services	3,466,859	3,070,267	2,608,777	2,931,046	2,448,254	3,973,942	3,579,473	2,637,450	3,037,843	2,471,832	2,792,197	2,755,936	33,973,576
- Ambulatory Care	879,311	879,311	879,311	879,311	879,311	879,311	879,311	879,311	879,311	879,311	879,311	879,311	10,551,722
- Hospital Care & Med Home/Reside	1,855,484	1,651,520	1,457,655	1,682,200	1,409,300	2,594,600	2,343,853	1,431,859	1,740,913	1,197,663	1,310,760	1,310,760	17,629,298
- Hospital Admit/Transf Team	8,288	8,288	9,400	10,856	9,400	10,856	9,400	10,856	9,400	10,856	9,400	9,400	109,500
TOTAL PHYSICIAN SERVICES	12,442,846	12,454,849	13,156,118	13,305,167	13,271,185	15,177,187	14,423,866	13,879,666	14,439,482	12,862,699	14,607,980	13,188,821	163,816,796
OTHER PROFESSIONAL SERVICES													
310 - Health Services - Utilization Management - UM Allocation *	341,491	341,491	341,491	341,491	341,491	341,491	341,491	341,491	341,491	341,491	341,491	341,491	4,097,892
311 - Health Services - Quality Improvement - UM Allocation *	659,472	659,472	659,472	659,472	659,472	659,472	659,472	659,472	659,472	659,472	659,472	659,472	7,913,664
312 - Health Services - Quality Improvement - UM Allocation *	101,672	101,672	101,672	101,672	101,672	101,672	101,672	101,672	101,672	101,672	101,672	101,672	1,220,064
313 - Health Services - Education - UM Allocation *	55,923	55,923	55,923	55,923	55,923	55,923	55,923	55,923	55,923	55,923	55,923	55,923	671,076
314 - Health Services - Pharmacy - UM Allocation *	86,242	76,174	87,191	81,001	86,064	86,064	90,504	90,609	90,460	94,849	97,430	97,037	1,168,512
315 - Health Services - Pharmacy - UM Allocation *	19,018	28,633	40,298	48,254	40,895	40,488	38,342	44,575	55,832	49,477	49,239	50,123	508,516
616 - Disease Management - UM Allocation *	367,728	38,463	51,455	54,901	178,748	61,237	58,411	65,553	60,086	57,024	58,515	64,279	665,567
Behavior Health Treatment	300,000	131,003	334,411	249,875	178,748	735,000	476,002	678,877	392,215	405,181	572,383	423,435	4,875,830
Mental Health Services	320,889	119,474	38,619	87,789	371,077	89,362	174,894	87,624	138,353	264,428	94,321	75,287	1,659,867
Other Professional Services	927,483	875,268	886,636	975,044	832,946	1,173,903	984,905	812,234	1,038,425	905,448	1,006,737	876,626	11,291,755
TOTAL OTHER PROFESSIONAL SERVICES	2,642,041	2,546,962	2,496,217	2,479,295	2,584,649	3,292,394	2,903,026	2,999,387	2,851,866	2,920,876	3,065,669	2,810,522	33,282,905
EMERGENCY ROOM	4,697,790	4,450,889	4,180,290	4,012,665	3,912,442	4,764,752	4,665,069	5,079,658	4,676,127	3,925,827	5,095,039	3,888,819	53,379,387
INPATIENT HOSPITAL	13,929,552	14,812,384	15,281,823	14,524,702	14,725,266	14,932,273	13,361,803	13,546,637	13,865,008	13,575,463	16,815,315	14,316,406	173,014,732
REINSURANCE EXPENSE PREMIUM	103,384	103,384	103,384	103,384	103,384	103,384	103,384	103,384	103,384	103,384	103,384	103,384	1,240,608
OUTPATIENT HOSPITAL SERVICES	5,477,920	5,813,468	6,116,859	5,765,474	5,297,957	6,293,879	5,430,584	6,154,715	6,213,267	5,886,144	7,151,522	5,457,541	71,539,049
OTHER MEDICAL													
321 - Ambulance	321,788	349,619	341,345	346,373	336,918	309,509	304,335	351,374	318,449	363,734	341,444	356,742	4,041,630
Home Health Services & CBAS	370,547	381,856	383,407	379,863	360,563	515,541	352,169	305,183	340,709	446,058	325,156	386,919	4,447,561
Utilization and Quality Review Expenses	67,616	115,998	142,141	133,314	155,745	141,184	207,396	179,271	192,871	173,786	109,957	348,092	1,900,451
Other Medical Services	1,021,842	820,973	961,497	1,172,012	1,443,187	1,061,050	788,463	603,671	825,648	1,054,845	649,651	843,200	11,248,895
Non-Medical Transportation	31,883	340,520	366,333	441,238	433,850	431,464	332,832	360,248	359,672	324,571	361,391	547,248	4,655,355
TOTAL OTHER MEDICAL	2,097,352	2,097,506	2,214,713	2,373,220	2,270,232	2,420,808	1,975,195	1,800,207	1,883,506	2,362,597	1,797,103	2,482,691	26,346,293
PHARMACY SERVICES													
RX - Drugs & OTC	7,157,012	6,565,755	7,810,438	6,736,832	7,588,219	6,993,768	7,079,657	7,901,664	7,215,260	7,801,406	7,430,627	7,458,778	87,719,416
RX - HEP-C	561,001	672,985	971,845	944,297	787,421	1,429,338	1,079,244	982,856	598,614	611,425	678,513	705,637	10,015,736
RX - DME	476,382	443,564	609,108	531,081	545,988	677,988	537,548	600,868	411,935	611,824	636,306	623,595	6,760,377
RX - Pharmacy Rebates	(66,000)	(66,000)	(597,668)	(66,000)	(66,000)	(66,000)	(66,000)	(66,000)	(66,000)	(66,000)	(66,000)	(66,000)	(660,000)
TOTAL PHARMACY SERVICES	8,128,452	7,016,301	9,003,123	8,149,210	8,855,628	9,035,094	8,935,453	9,525,133	8,229,934	8,928,655	8,669,446	8,546,330	103,713,347
PAY FOR PERFORMANCE QUALITY INCENTIVE	552,169	559,709	564,224	566,768	567,013	568,032	563,333	562,383	565,325	565,307	562,670	567,682	6,765,229
IBNR INCENTIVE AND PAID CLAIMS ADJUSTMENT	(11,366)	(11,013)	(688,473)	(232,581)	(744,814)	(282,729)	(282,729)	(282,729)	(282,729)	(282,729)	(282,729)	(282,729)	(2,827,229)
Total Medical Costs	49,889,881	50,406,468	52,511,452	51,049,856	52,353,044	55,321,503	52,336,293	54,693,536	60,619,644	51,565,938	57,488,350	51,428,840	637,667,293

KERN HEALTH SYSTEMS MEDICAL SCHEDULE OF MEDICAL COSTS BY MONTH - PMPM THROUGH DECEMBER 31, 2017													
	JANUARY 2017	FEBRUARY 2017	MARCH 2017	APRIL 2017	MAY 2017	JUNE 2017	JULY 2017	AUGUST 2017	SEPTEMBER 2017	OCTOBER 2017	NOVEMBER 2017	DECEMBER 2017	YEAR TO DATE 2017
PHYSICIAN SERVICES													
Primary Care Physician Services	14.50	12.94	11.11	12.15	10.98	12.30	10.76	11.02	12.63	10.28	11.66	11.41	11.30
Referral Specialty Services	34.44	37.73	36.77	38.48	40.19	46.65	45.08	40.93	42.60	39.58	43.80	40.51	40.58
Urgent Care & After Hours Advice	3.56	2.75	6.84	4.50	5.98	3.79	4.29	5.99	3.23	3.58	5.51	3.34	4.51
Hospital Admitting Team	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
TOTAL PHYSICIAN SERVICES	53.53	53.45	54.75	55.17	57.18	62.78	60.17	57.97	59.19	53.47	61.01	55.30	56.93
OTHER PROFESSIONAL SERVICES													
Vision Service Capitation	1.00	0.99	0.99	1.00	1.00	1.00	1.01	1.00	1.00	1.00	1.00	0.99	1.00
310 - Health Services - Utilization Management - UM Allocation *	2.81	2.52	2.73	2.43	2.87	2.87	2.82	3.28	2.78	2.98	3.17	3.22	2.87
311 - Health Services - Quality Improvement - UM Allocation *	0.43	0.40	0.47	0.43	0.46	0.46	0.44	0.49	0.44	0.48	0.48	0.53	0.46
312 - Health Services - Pharmacy - UM Allocation *	0.24	0.22	0.24	0.22	0.23	0.22	0.23	0.23	0.27	0.29	0.30	0.34	0.26
313 - Health Services - Pharmacy - UM Allocation *	0.37	0.32	0.36	0.34	0.38	0.36	0.38	0.38	0.38	0.39	0.41	0.40	0.37
314 - Health Homes - UM Allocation *	0.08	0.12	0.17	0.20	0.17	0.17	0.16	0.19	0.23	0.17	0.21	0.21	0.18
616 - Disease Management - UM Allocation *	0.16	0.16	0.21	0.23	0.25	0.25	0.24	0.23	0.25	0.24	0.23	0.27	0.23
Behavior Health Treatment	1.28	0.55	1.39	1.04	3.04	1.74	1.99	2.84	1.63	1.68	2.39	1.75	1.69
Mental Health Services	0.94	0.50	0.16	0.36	1.13	0.37	0.73	0.37	0.56	1.10	0.39	0.31	0.58
Other Professional Services	3.95	3.69	3.66	4.04	3.45	4.86	4.11	3.39	4.32	3.76	4.21	3.63	3.92
TOTAL OTHER PROFESSIONAL SERVICES	11.24	9.47	10.39	10.28	10.71	13.62	12.11	12.49	11.85	12.14	12.80	11.63	11.56
EMERGENCY ROOM	19.95	18.75	17.06	16.64	16.34	19.71	19.46	21.31	19.52	16.61	21.28	16.10	18.55
INPATIENT HOSPITAL	59.58	62.41	63.59	60.22	61.03	58.72	55.74	56.59	57.62	56.43	70.23	59.27	60.12
REINSURANCE EXPENSE PREMIUM	0.44	0.44	0.43	0.44	0.45	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44
OUTPATIENT HOSPITAL SERVICES	23.31	24.50	25.45	23.91	23.99	26.04	22.65	25.71	25.83	24.47	29.87	22.59	24.86
OTHER MEDICAL													
Ambulance	1.37	1.47	1.42	1.44	1.40	1.47	1.27	1.47	1.32	1.51	1.43	1.48	1.40
Home Health Services & CBAS	1.58	1.61	1.60	1.16	1.49	2.13	1.47	1.27	1.42	1.85	1.36	1.60	1.55
Utilization and Quality Review Expenses	0.29	0.49	0.59	0.55	0.65	0.58	0.87	0.75	0.36	0.72	0.46	1.44	0.65
Long Term/SNF/Hospice	4.35	3.46	4.00	4.86	5.98	4.39	3.29	2.52	3.43	4.39	2.71	3.49	3.91
Enhanced Medical Benefits	0.00	0.00	0.00	0.00	0.00	0.67	0.00	0.00	(0.19)	0.00	0.04	0.00	0.04
Non-Medical Transportation	1.34	1.43	1.61	1.83	1.80	1.79	1.35	1.51	1.49	1.35	1.51	2.27	1.61
TOTAL OTHER MEDICAL	8.93	8.46	9.22	9.84	11.32	10.84	8.24	7.52	7.83	9.82	7.51	10.28	9.15
PHARMACY SERVICES													
RX - Drugs & OTC	30.46	27.67	32.50	27.93	31.45	28.93	29.45	33.01	29.99	32.43	31.03	30.88	30.48
RX - HEP-C	2.39	2.84	4.04	3.92	3.26	5.91	4.47	4.11	2.49	2.54	2.83	2.92	3.48
RX - DME	2.03	1.87	2.78	2.21	2.26	2.80	2.24	2.51	1.72	2.54	2.62	2.58	2.35
RX - Pharmacy Rebates	(0.28)	(0.28)	(1.61)	(0.27)	(0.27)	(0.27)	1.11	0.17	0.00	(0.27)	(0.28)	(1.00)	(0.27)
TOTAL PHARMACY SERVICES	34.59	32.09	37.71	33.79	36.70	37.38	37.38	39.79	34.21	37.24	36.21	35.38	36.04
PAY FOR PERFORMANCE QUALITY INCENTIVE	2.35	2.36	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35
IBNR INCENTIVE AND PAID CLAIMS ADJUSTMENT	(0.60)	0.47	(2.44)	(0.96)	(3.09)	(11.29)	(0.12)	4.32	33.15	1.38	(1.60)	(0.44)	1.56
Total Medical Costs	212.33	212.40	218.52	211.67	216.98	220.60	218.13	228.50	251.99	214.36	240.10	212.90	221.57

CURRENT MONTH		YEAR-TO-DATE	
ACTUAL	BUDGET	ACTUAL	BUDGET
VARIANCE		VARIANCE	
KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF ADMINISTRATIVE EXPENSES BY DEPT FOR THE MONTH ENDED DECEMBER 31, 2017			
245,687	256,867	2,600,700	3,074,462
	11,180		473,762
157,267	144,867	1,542,653	1,726,023
	(12,400)		183,370
685,685	569,551	6,421,132	6,796,200
	(116,134)		375,068
198,220	212,501	1,543,211	2,550,012
	14,281		1,006,801
523,452	497,260	5,738,347	6,046,780
	(26,192)		308,433
79,416	83,913	822,561	1,004,266
	4,497		181,705
811	44,976	20,426	539,700
	44,165		519,274
(9,377)	3,929	13,058	47,155
	13,306		34,097
(143,510)	-	3,714	7,300
	143,510		3,586
91,481	81,300	1,036,236	1,007,560
	(10,181)		(28,676)
(29,682)	7,550	11,997	90,600
	37,232		78,603
166	-	268	150
	(166)		(118)
238,876	194,556	2,101,785	2,328,718
	(44,320)		226,933
565,359	501,106	5,079,953	5,998,774
	(64,253)		918,821
249,301	477,461	3,400,558	4,308,708
	228,160		908,150
53,789	49,562	638,876	602,887
	(4,227)		(35,989)
96,289	44,350	370,431	532,200
	(51,939)		161,769
73,622	56,291	636,824	672,594
	(17,331)		35,770
116,193	118,957	1,516,499	1,592,493
	2,764		75,994
2,042,235	-	2,042,235	-
	(2,042,235)		(2,042,235)
5,235,280	3,344,997	35,541,464	38,926,583
	(1,890,283)		3,385,118

KERN HEALTH SYSTEMS MEDICAL SCHEDULE OF ADMIN EXPENSES BY DEPT BY MONTH FOR THE MONTH ENDED DECEMBER 31, 2017	JANUARY 2017	FEBRUARY 2017	MARCH 2017	APRIL 2017	MAY 2017	JUNE 2017	JULY 2017	AUGUST 2017	SEPTEMBER 2017	OCTOBER 2017	NOVEMBER 2017	DECEMBER 2017	YEAR TO DATE 2017
110 - Executive	279,907	177,920	209,756	191,067	192,888	255,274	163,765	177,814	230,607	264,103	211,912	245,687	2,600,700
210 - Accounting	110,185	137,255	124,511	103,181	126,637	140,068	122,652	129,600	135,127	132,384	123,786	157,267	1,542,653
220 - Management Information Systems (MIS)	408,164	408,429	469,937	432,868	512,776	498,673	472,585	503,659	477,209	488,983	1,062,164	685,685	6,431,132
225 - Infrastructure	3,723	152,258	173,666	83,611	126,901	100,980	85,853	174,702	198,602	123,413	121,282	198,220	1,543,211
230 - Claims	409,956	432,879	463,333	510,387	472,762	472,980	455,935	486,766	453,521	517,795	538,581	523,452	5,738,347
240 - Project Management	63,772	68,960	70,610	54,103	58,554	57,008	64,015	71,003	56,182	86,687	92,251	79,416	872,561
310 - Health Services - Utilization Management	159	2,491	(435)	280	1,637	178	6,178	(1,402)	1,968	-	8,561	811	20,426
311 - Health Services - Quality Improvement	500	15	-	-	488	-	-	8,453	4,419	3,404	5,156	(9,377)	13,058
312 - Health Services - Education	-	(66)	438	271	1,282	169	8,966	26,798	30,666	62,444	16,256	(143,510)	3,713,68
313 - Pharmacy	85,960	79,829	90,520	80,420	88,218	83,335	80,348	88,846	85,270	93,385	88,624	91,481	1,036,236
314 - Health Homes	-	608	6,000	1,166	35	503	46	10,949	246	10,070	12,056	(29,632)	11,997
616 - Disease Management	33	-	-	-	-	69	-	-	-	-	-	166	268
320 - Provider Relations	136,674	143,067	186,675	164,456	206,559	167,646	157,168	179,828	169,920	178,314	172,602	238,876	2,101,785
330 - Member Services	364,293	349,583	382,981	378,129	415,875	409,866	382,767	424,970	412,592	487,318	506,220	565,259	5,079,953
340 - Corporate Services	263,501	243,425	320,028	291,136	281,586	284,593	304,680	322,254	289,789	290,936	259,329	349,301	3,400,558
360 - Audit & Investigative Services	73,998	40,824	45,501	36,418	49,395	50,015	49,784	51,024	83,524	51,961	52,643	53,789	638,876
410 - Advertising Media	19,017	3,800	46,065	25,789	56,200	15,998	43,668	8,374	12,000	26,488	16,743	96,289	370,431
420 - Sales/Marketing/Public Relations	47,664	55,567	49,579	44,462	48,882	53,183	42,081	53,431	41,409	69,018	57,926	73,622	636,824
510 - Human Resources	94,898	104,383	175,095	159,527	130,730	166,753	94,655	142,634	96,081	125,347	110,203	116,193	1,516,499
Administrative Expense Adjustment	-	-	-	-	-	-	-	-	-	-	-	2,042,235	2,042,235
Total Department Expenses	2,362,404	2,401,227	2,814,260	2,557,271	2,771,405	2,757,291	2,535,146	2,859,703	2,779,132	3,012,050	3,456,295	5,235,280	35,541,464

KERN HEALTH SYSTEMS GROUP HEALTH PLAN - HFAM BALANCE SHEET STATEMENT AS OF DECEMBER 31, 2017			
ASSETS	DECEMBER 2017	NOVEMBER 2017	INC(DEC)
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 1,437,383	\$ 1,440,050	(2,667)
Interest Receivable	4,247	2,500	1,747
Prepaid Expenses & Other Current Assets	5,000	834	4,166
TOTAL CURRENT ASSETS	\$ 1,446,630	\$ 1,443,384	\$ 3,246
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Accounts Payable	11,754	6,754	5,000
Other Liabilities	353,849	353,849	-
TOTAL CURRENT LIABILITIES	\$ 365,603	\$ 360,603	\$ 5,000
NET POSITION:			
Net Position- Beg. of Year	1,070,040	1,070,040	-
Increase (Decrease) in Net Position - Current Year	10,987	12,741	(1,754)
Total Net Position	\$ 1,081,027	\$ 1,082,781	\$ (1,754)
TOTAL LIABILITIES AND NET POSITION	\$ 1,446,630	\$ 1,443,384	\$ 3,246

CURRENT MONTH			KERN HEALTH SYSTEMS GROUP HEALTH PLAN - HFAM STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION FOR THE MONTH ENDED DECEMBER 31, 2017	YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
ENROLLMENT						
-	-	-	Members	-	-	-
REVENUES						
-	-	-	Premium	-	-	-
1,748	-	1,748	Interest	13,888	-	13,888
(2,667)	-	(2,667)	Other Investment Income	(1,867)	-	(1,867)
(920)	-	(920)	TOTAL REVENUES	12,020	-	12,020
EXPENSES						
-	-	-	Medical Costs	-	-	-
-	-	-	IBNR and Paid Claims Adjustment	(8,968)	-	8,968
-	-	-	Total Medical Costs	(8,968)	-	8,968
(920)	-	(920)	GROSS MARGIN	20,988	-	20,988
834	-	(834)	Administrative Management Fee Expense and Other Admin Exp	10,001	-	(10,001)
834	-	(834)	Total Administrative Expenses	10,001	-	(10,001)
834	-	(834)	TOTAL EXPENSES	1,033	-	(1,033)
(1,754)	-	(1,754)	OPERATING INCOME (LOSS)	10,987	-	10,987
-	-	-	TOTAL NONOPERATING REVENUE (EXPENSES)	-	-	-
(1,754)	-	(1,754)	NET INCREASE (DECREASE) IN NET POSITION	10,987	-	10,987
0%	0%	0%	MEDICAL LOSS RATIO	-75%	0%	75%
-91%	0%	91%	ADMINISTRATIVE EXPENSE RATIO	83%	0%	-83%

**KERN HEALTH SYSTEMS
MONTHLY MEMBERS COUNT**

2017 MEMBER MONTHS

	JAN'17	FEB'17	MAR'17	APR'17	MAY'17	JUN'17	JUL'17	AUG'17	SEP'17	OCT'17	NOV'17	DEC'17
ADULT AND FAMILY												
PA - FAMILY	36,123	36,255	36,565	35,376	34,185	34,130	34,024	34,925	34,845	33,671	33,639	34,037
MIN - FAMILY	0	0	0	0	0	0	0	1	0	0	0	0
REFUGEE - FAMILY	1	1	0	2	2	4	4	9	7	6	0	4
FOSTER CARE	493	498	508	536	594	608	588	749	693	707	688	704
POVERTY-133/200%	2	2	2	2	2	1	1	1	1	1	1	1
POVERTY-100%	0	0	0	0	0	0	0	0	0	0	0	0
MI - CHILD	104,391	105,746	107,285	108,562	109,014	109,096	107,948	106,527	106,999	107,251	107,309	107,372
CHILD-ACA	-127	430	405	415	422	426	316	379	362	365	-14	129
FAMILY - UNDER 19	20,203	20,297	19,877	19,885	20,312	20,627	20,456	20,632	21,012	21,482	21,531	21,727
SUB-TOTAL ADULT & FAMILY	161,086	163,229	164,642	164,778	164,529	164,892	163,337	163,223	163,919	163,483	163,154	163,974

MEDI-CAL

LHHP Transition Pre-ACA	660	69	58	65	65	60	62	60	55	61	45	54
ACA Expansion Adult-Citizen	677,549	55,672	56,493	57,020	57,401	57,096	56,661	56,342	56,568	56,235	55,666	57,139
ACA Expansion CAL Fresh Adult	66	1	4	5	5	7	7	6	6	6	5	5
LHHP Transition Pre-ACA	6,247	514	500	532	573	594	560	601	551	489	388	364
SUB-TOTAL MANDATORY	684,542	56,442	57,087	57,663	58,065	57,743	57,291	57,009	57,180	56,791	56,304	57,562

SPD MEMBERS

SSI -AGED	2,218	185	191	194	174	162	193	173	187	228	171	202
MIN - AGED	16,929	1,359	1,368	1,357	1,322	1,443	1,443	1,448	1,489	1,440	1,435	1,469
SSI - BLIND & DIS-ABLED	144,016	11,702	11,623	11,701	11,631	11,934	11,852	11,808	12,030	12,985	12,441	12,695
MIN - BLIND & DIS-ABLED	3,199	326	393	346	325	288	317	288	381	329	17	235
SUB-TOTAL MANDATORY SPD	166,362	13,560	13,539	13,577	13,415	13,866	13,776	13,808	14,035	14,670	14,282	14,320

TOTAL MANDATORY

TOTAL MANDATORY	2,815,150	233,237	235,268	236,018	236,009	236,491	234,404	234,040	235,134	234,944	233,740	235,856
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OTHER MEMBERS

BCCIP-TOBACCO SETTLEMENT	359	29	30	27	28	26	29	31	31	33	34	29
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DUALS

PA - FAMILY DUALS	293	31	17	15	21	15	37	31	28	28	19	20
PART D SSI-AGED	8,190	615	628	625	673	666	677	704	697	722	704	743
PART D MIN - AGED	14,463	1,127	1,116	1,134	1,173	1,229	1,194	1,164	1,205	1,236	1,283	1,314
PART D SSI - BLIND & DIS-ABLED	25,793	2,067	2,011	2,081	2,085	2,128	2,102	2,149	2,151	2,164	2,291	2,277
PART D MIN - BLIND & DIS-ABLED	9,851	762	780	740	751	735	772	818	820	864	890	914
PART D BCCIP-TOBACCO SETTLEMENT	21	1	1	1	2	2	2	2	2	2	2	2
PART D MI - ADULT	0	0	0	0	0	0	0	0	0	0	0	0
PART D MI - CHILD	4,701	316	360	417	427	472	411	415	389	381	390	359
SUB-TOTAL DUALS	63,312	4,919	4,913	5,013	5,132	5,247	5,195	5,283	5,292	5,397	5,679	5,682

TOTAL OTHERS

TOTAL OTHERS	63,671	4,948	4,943	5,040	5,160	5,273	5,312	5,323	5,430	5,612	5,694	5,711
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TOTAL KAISER

TOTAL KAISER	92,013	7,103	7,365	7,466	7,619	7,714	7,745	7,811	7,782	7,856	7,858	7,898
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TOTAL MEDI-CAL MEMBERS

TOTAL MEDI-CAL MEMBERS	2,970,834	242,066	245,539	247,774	248,797	248,996	247,512	247,174	248,346	248,412	247,292	249,465
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To: KHS Finance Committee

From: Robert Landis, CFO

Date: April 6, 2018

Re: January 2018 Financial Results

The January results reflect a \$54,726 Net Increase in Net Position which is a \$567,591 favorable variance to the budget. Listed below are the major variances for the month:

- 1) Total Revenues reflect a \$.6 million favorable variance primarily due to:
 - A) \$1.1 million unfavorable variance relating to Family and Other primarily due to lower than expected Maternity revenue.
 - B) \$1.5 million favorable variance relating to Rate/Income Adjustments primarily due to retroactive payments received (\$.4 million) and higher than expected Maternity and Autism payments received from the prior year (\$1.1 million).
- 2) Total Medical Costs reflect a \$.4 million unfavorable variance primarily due to:
 - A) \$.6 million unfavorable variance in Physician Services primarily due to higher than expected utilization of Referral Specialty Services for Family and Other and Expansion members.
 - B) \$.4 million unfavorable variance in Inpatient primarily due to higher than expected utilization for Family and Other and SPD members.
 - C) \$.5 million unfavorable variance in Outpatient Hospital primarily due to higher than expected utilization for Family and Other and Expansion members.
 - D) \$.7 million unfavorable variance in Pharmacy primarily due to the severity of this year's flu season.
 - E) \$2.3 million favorable variance in IBNR/Incentive/Paid Claim Adjustments primarily due to COB recoveries from the prior year where KHS is not primary.

The January Medical Loss Ratio is 94.4% which is slightly unfavorable to the 94.3% budgeted amount. The January Administrative Expense Ratio is 5.6 % which is favorable to the 6.0% budgeted amount.

**Kern Health Systems
Financial Packet
January 2018**

KHS – Medi-Cal Line of Business

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KHS Group Health Plan – Healthy Families Line of Business

Comparative Statement of Net Position	Page 13
Statement of Revenue, Expenses, and Changes in Net Position	Page 14

KHS Administrative Analysis and Other Reporting

Monthly Member Count	Page 15
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KERN HEALTH SYSTEMS MEDI-CAL STATEMENT OF NET POSITION AS OF JANUARY 31, 2018			
ASSETS	JANUARY 2018	DECEMBER 2017	INC(DEC)
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 109,292,478	\$ 100,362,355	\$ 8,930,123
Short-Term Investments	139,521,110	151,622,734	(12,101,624)
Pass-through Monies Held for Future Payment	300,845	-	300,845
Premiums Receivable - Net	52,913,467	53,574,800	(661,333)
Interest Receivable	195,925	196,931	(1,006)
Other Receivables	1,556,497	1,436,406	120,091
Prepaid Expenses & Other Current Assets	1,122,379	1,261,892	(139,513)
Total Current Assets	\$ 304,902,701	\$ 308,455,118	\$ (3,552,417)
RESTRICTED ASSETS	\$ 300,000	\$ 300,000	\$ -
CAPITAL ASSETS - NET OF ACCUM DEPREE:			
Land	4,876,562	4,876,562	-
Furniture and Equipment	6,470,109	6,539,717	(69,608)
Automobile - Net	17,407	17,799	(392)
Building and Building Improvements - Net	6,628,851	6,657,965	(29,114)
Capital Projects in Process	9,932,191	9,713,334	218,857
Total Capital Assets	\$ 27,925,120	\$ 27,805,377	\$ 119,743
LONG TERM ASSETS:			
Officer Life Insurance Receivables	685,084	685,084	-
Total Long Term Assets	\$ 685,084	\$ 685,084	\$ -
DEFERRED OUTFLOWS OF RESOURCES	\$ 2,890,063	\$ 2,890,063	\$ -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 336,702,968	\$ 340,135,642	\$ (3,432,674)
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Accounts Payable	\$ 40,417	\$ 24,932	15,485
Accrued Salaries and Employee Benefits	1,956,195	2,463,257	(507,062)
Accrued Other Operating Expenses	1,670,902	2,165,654	(494,752)
Accrued Taxes and Licenses	7,513,815	-	7,513,815
Other Medical Liabilities - Nonoperating Passthrough	300,845	-	300,845
Claims Payable (Reported)	15,680,985	20,859,975	(5,178,990)
IBNR - Inpatient Claims	29,488,274	31,872,671	(2,384,397)
IBNR - Physician Claims	16,057,007	15,801,809	255,198
IBNR - Accrued Other Medical	18,362,294	21,480,717	(3,118,423)
Risk Pool and Withholds Payable	3,191,572	2,708,218	483,354
Statutory Allowance for Claims Processing Expense	2,324,857	2,324,857	-
Other Liabilities	43,165,557	43,538,030	(372,473)
Total Current Liabilities	\$ 139,752,720	\$ 143,240,120	\$ (3,487,400)
NONCURRENT LIABILITIES:			
Net Pension Liability	6,082,752	6,082,752	-
TOTAL NONCURRENT LIABILITIES	\$ 6,082,752	\$ 6,082,752	\$ -
DEFERRED INFLOWS OF RESOURCES	\$ 270,949	\$ 270,949	\$ -
NET POSITION:			
Net Position - Beg. of Year	190,541,821	171,215,573	19,326,248
Increase (Decrease) in Net Position - Current Year	54,726	19,326,248	(19,271,522)
Total Net Position	\$ 190,596,547	\$ 190,541,821	\$ 54,726
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 336,702,968	\$ 340,135,642	\$ (3,432,674)

CURRENT MONTH MEMBERS			KERN HEALTH SYSTEMS MEDI-CAL - ALL COA STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION FOR THE MONTH ENDED JANUARY 31, 2018			YEAR-TO-DATE MEMBER MONTHS		
						ACTUAL	BUDGET	VARIANCE
ENROLLMENT								
163,941	163,300	641	Family Members	163,941	163,300	641		
57,744	57,550	194	Expansion Members	57,744	57,550	194		
14,149	14,050	99	SPD Members	14,149	14,050	99		
5,843	5,025	818	Other Members	5,843	5,025	818		
7,991	7,800	191	Kaiser Members	7,991	7,800	191		
249,668	247,725	1,943	Total Members - MCAL	249,668	247,725	1,943		
REVENUES								
19,848,982	20,899,737	(1,050,755)	Title XIX - Medicaid - Family and Other	19,848,982	20,899,737	(1,050,755)		
20,478,437	20,236,975	241,462	Title XIX - Medicaid - Expansion Members	20,478,437	20,236,975	241,462		
10,334,550	10,856,567	(522,016)	Title XIX - Medicaid - SPD Members	10,334,550	10,856,567	(522,016)		
7,720,467	7,550,726	169,741	Premium - MCO Tax	7,720,467	7,550,726	169,741		
489,128	267,930	221,198	Interest /Dividends	489,128	267,930	221,198		
-	112,765	(112,765)	Reinsurance Recoveries	-	112,765	(112,765)		
1,511,501	-	1,511,501	Rate/Income Adjustments	1,511,501	-	1,511,501		
114,532	-	114,532	Other Income (Expense)	114,532	-	114,532		
60,497,598	59,924,700	572,899	TOTAL REVENUES	60,497,598	59,924,700	572,899		
EXPENSES								
Medical Costs:								
13,239,777	12,591,681	(648,096)	Physician Services	13,239,777	12,591,681	(648,096)		
2,973,811	2,768,375	(205,435)	Other Professional Services	2,973,811	2,768,375	(205,435)		
4,269,344	4,101,335	(168,008)	Emergency Room	4,269,344	4,101,335	(168,008)		
13,588,711	13,163,567	(425,145)	Inpatient	13,588,711	13,163,567	(425,145)		
113,536	112,765	(771)	Reinsurance Expense	113,536	112,765	(771)		
5,307,045	4,758,172	(548,873)	Outpatient Hospital	5,307,045	4,758,172	(548,873)		
2,422,606	2,390,400	(32,205)	Other Medical	2,422,606	2,390,400	(32,205)		
9,767,063	9,040,684	(726,379)	Pharmacy	9,767,063	9,040,684	(726,379)		
483,354	479,850	(3,504)	Pay for Performance Quality Incentive	483,354	479,850	(3,504)		
(2,338,427)	-	2,338,427	IBNR, Incentive, Paid Claims Adjustment	(2,338,427)	-	2,338,427		
49,826,819	49,406,829	(419,990)	Total Medical Costs	49,826,819	49,406,829	(419,990)		
10,670,779	10,517,870	152,909	GROSS MARGIN	10,670,779	10,517,870	152,909		
Administrative:								
1,983,731	1,982,412	(1,320)	Compensation	1,983,731	1,982,412	(1,320)		
519,892	621,840	101,948	Purchased Services	519,892	621,840	101,948		
104,203	101,338	(2,865)	Supplies	104,203	101,338	(2,865)		
128,722	130,103	1,381	Depreciation	128,722	130,103	1,381		
210,466	310,984	100,518	Other Administrative Expenses	210,466	310,984	100,518		
2,947,014	3,146,677	199,663	Total Administrative Expenses	2,947,014	3,146,677	199,663		
52,773,833	52,553,506	(220,328)	TOTAL EXPENSES	52,773,833	52,553,506	(220,328)		
7,723,765	7,371,194	352,571	OPERATING INCOME (LOSS) BEFORE TAX	7,723,765	7,371,194	352,571		
7,650,254	7,550,726	(99,528)	MCO TAX	7,650,254	7,550,726	(99,528)		
73,511	(179,533)	253,043	OPERATING INCOME (LOSS) NET OF TAX	73,511	(179,533)	253,043		
NONOPERATING REVENUE (EXPENSES)								
-	-	-	Reserve Fund Projects/Community Grants	-	-	-		
(18,785)	(333,333)	314,548	Health Home	(18,785)	(333,333)	314,548		
(18,785)	(333,333)	314,548	TOTAL NONOPERATING REVENUES (EXPENSES)	(18,785)	(333,333)	314,548		
54,726	(512,866)	567,591	NET INCREASE (DECREASE) IN NET POSITION	54,726	(512,866)	567,591		
94.4%	94.3%	-0.1%	MEDICAL LOSS RATIO	94.4%	94.3%	-0.1%		
5.6%	6.0%	0.4%	ADMINISTRATIVE EXPENSE RATIO	5.6%	6.0%	0.4%		

**KERN HEALTH SYSTEMS
MEDI-CAL
STATEMENT OF REVENUE, EXPENSES, AND
CHANGES IN NET POSITION - PMPM
FOR THE MONTH ENDED JANUARY 31, 2018**

CURRENT MONTH			YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
ENROLLMENT					
163,941	163,300	641	163,941	163,300	641
57,744	57,550	194	57,744	57,550	194
14,149	14,050	99	14,149	14,050	99
5,843	5,025	818	5,843	5,025	818
7,991	7,800	191	7,991	7,800	191
249,668	247,725	1,943	249,668	247,725	1,943
REVENUES					
116.91	124.16	(7.26)	116.91	124.16	(7.26)
354.64	351.64	3.00	354.64	351.64	3.00
730.41	772.71	(42.30)	730.41	772.71	(42.30)
31.95	31.47	0.47	31.95	31.47	0.47
2.02	1.12	0.91	2.02	1.12	0.91
0.00	0.47	(0.47)	0.00	0.47	(0.47)
0.00	0.00	0.00	0.00	0.00	0.00
6.25	0.00	6.25	6.25	0.00	6.25
0.47	0.00	0.47	0.47	0.00	0.47
250.32	249.76	0.56	250.32	249.76	0.56
EXPENSES					
Medical Costs:					
54.78	52.48	(2.30)	54.78	52.48	(2.30)
12.30	11.54	(0.77)	12.30	11.54	(0.77)
17.67	17.09	(0.57)	17.67	17.09	(0.57)
56.23	54.87	(1.36)	56.23	54.87	(1.36)
0.47	0.47	0.00	0.47	0.47	0.00
21.96	19.83	(2.13)	21.96	19.83	(2.13)
10.02	9.96	(0.06)	10.02	9.96	(0.06)
40.41	37.68	(2.73)	40.41	37.68	(2.73)
2.00	2.00	0.00	2.00	2.00	0.00
(9.68)	0.00	9.68	(9.68)	0.00	9.68
206.17	205.93	(0.24)	206.17	205.93	(0.24)
GROSS MARGIN					
44.15	43.84	0.31	44.15	43.84	0.31
Administrative:					
8.21	8.26	0.05	8.21	8.26	0.05
2.15	2.59	0.44	2.15	2.59	0.44
0.43	0.42	(0.01)	0.43	0.42	(0.01)
0.53	0.54	0.01	0.53	0.54	0.01
0.87	1.30	0.43	0.87	1.30	0.43
12.19	13.12	0.92	12.19	13.12	0.92
TOTAL EXPENSES					
218.37	219.04	0.68	218.37	219.04	0.68
OPERATING INCOME (LOSS) BEFORE TAX					
31.96	30.72	1.24	31.96	30.72	1.24
MCO TAX					
31.65	31.47	(0.18)	31.65	31.47	(0.18)
OPERATING INCOME (LOSS) NET OF TAX					
0.30	(0.75)	1.05	0.30	(0.75)	1.05
NONOPERATING REVENUE (EXPENSES)					
0.00	0.00	0.00	0.00	0.00	0.00
0.08	(1.39)	(1.46)	0.08	(1.39)	(1.46)
0.08	(1.39)	(1.46)	0.08	(1.39)	(1.46)
NET INCREASE (DECREASE) IN NET POSITION					
0.23	(2.14)	2.36	0.23	(2.14)	2.36
MEDICAL LOSS RATIO					
94.4%	94.3%	-0.1%	94.4%	94.3%	-0.1%
ADMINISTRATIVE EXPENSE RATIO					
5.6%	6.0%	0.4%	5.6%	6.0%	0.4%

KERN HEALTH SYSTEMS MEDICAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION BY MONTH - ROLLING 13 MONTHS THROUGH JANUARY 31, 2018														
ENROLLMENT														
Members - MICAL														
REVENUES														
	JANUARY 2017	FEBRUARY 2017	MARCH 2017	APRIL 2017	MAY 2017	JUNE 2017	JULY 2017	AUGUST 2017	SEPTEMBER 2017	OCTOBER 2017	NOVEMBER 2017	DECEMBER 2017	JANUARY 2018	13 MONTH TOTAL
234,963	237,323	240,308	241,178	241,282	241,716	241,716	239,716	239,363	240,564	240,566	239,434	241,567	241,677	3,119,647
21,026,665	20,048,215	21,940,850	21,818,166	21,057,784	21,560,930	21,061,787	21,157,058	21,889,455	20,639,049	21,430,630	20,910,809	20,131,172	20,478,437	274,390,380
20,905,352	21,131,189	22,048,879	21,650,071	21,843,761	21,316,549	20,420,390	20,057,872	20,019,384	20,016,706	20,222,674	20,131,172	20,478,437	20,478,437	270,239,436
9,966,872	9,618,941	9,939,770	10,055,780	9,972,611	10,383,303	10,531,094	10,667,256	10,594,072	10,978,591	10,859,865	11,017,790	10,334,550	10,334,550	134,920,995
7,491,128	7,405,842	7,470,551	7,507,968	7,504,758	7,517,457	7,674,906	7,622,484	8,087,180	7,402,479	7,628,229	7,651,559	7,720,467	7,720,467	98,685,008
181,883	176,794	245,909	264,732	376,466	265,238	243,800	385,982	302,348	303,875	268,899	320,014	489,128	489,128	3,825,068
4,060,955	3,306,877	4,696,164	2,789,187	3,514,662	3,698,257	3,234,724	5,392,339	3,431,408	3,148,842	5,324,912	2,458,885	-	-	1,113,866
-	2,016,975	413,545	93,756	(3,949)	(340,731)	(84,108)	1,061,917	9,476,726	126,333	2,128,785	52,721	1,511,501	1,511,501	16,453,472
37,570	121	46,740	(1,110)	9	(88,814)	(18,408)	104	(185,865)	378	(20,460)	(708,938)	114,532	114,532	(484,140)
63,670,425	63,704,954	66,799,408	64,178,550	64,266,102	64,312,190	63,064,185	66,345,512	73,614,708	62,741,067	68,625,230	62,051,208	60,497,598	60,497,598	843,871,298
12,342,816	12,684,849	13,156,118	13,305,167	13,797,185	15,174,897	14,423,866	13,877,006	14,239,482	12,862,609	14,607,980	13,358,821	13,239,777	13,239,777	177,070,573
2,642,041	2,246,962	2,496,217	2,479,295	2,584,649	3,292,395	2,903,026	2,989,387	2,851,866	2,920,876	3,065,669	2,810,522	2,973,811	2,973,811	36,256,716
4,687,780	4,450,889	4,100,250	4,012,665	3,942,442	4,764,752	4,665,069	5,099,658	4,696,197	3,995,827	5,095,039	3,888,819	4,269,344	4,269,344	57,668,731
13,999,552	14,812,384	15,281,823	14,524,702	14,725,286	14,793,273	13,361,803	13,546,637	13,862,008	13,575,463	16,815,215	14,316,486	13,588,711	13,588,711	186,603,443
103,176	103,384	103,299	105,736	107,515	106,164	106,355	105,475	105,370	105,848	105,845	105,351	113,536	113,536	1,377,104
5,477,940	5,813,468	6,116,559	5,765,474	5,787,957	6,293,878	5,430,584	6,154,715	6,213,267	5,886,144	7,151,522	5,457,541	5,307,045	5,307,045	76,856,094
2,097,824	2,007,506	2,214,713	2,373,420	2,750,233	2,620,808	1,975,195	1,800,207	1,853,596	2,562,997	1,797,103	2,482,997	2,422,606	2,422,606	28,768,898
8,128,455	7,616,304	9,063,123	8,149,210	8,855,628	9,035,094	8,935,835	9,525,333	8,228,934	8,958,655	8,669,446	8,546,330	9,767,063	9,767,063	115,479,410
552,163	559,709	564,724	566,768	567,013	568,032	563,333	562,503	565,325	565,307	562,670	567,682	483,354	483,354	7,248,583
(141,866)	111,013	(585,473)	(232,581)	(744,814)	(2,727,790)	(28,273)	1,034,615	7,973,649	332,212	(382,239)	(105,403)	(2,338,427)	(2,338,427)	2,164,623
49,889,881	50,406,468	52,511,453	51,049,856	52,353,094	53,321,503	52,336,793	54,695,536	60,619,644	51,565,938	57,488,350	51,428,840	49,826,819	49,826,819	687,494,175
13,780,544	13,396,486	14,287,955	13,128,694	11,913,008	10,990,687	10,727,592	11,649,976	12,995,064	11,175,129	11,136,940	10,622,469	10,620,779	10,620,779	156,377,123
1,667,274	1,550,593	1,806,555	1,650,173	1,904,742	1,869,066	1,816,065	1,962,751	1,762,043	1,869,031	1,897,938	2,047,251	1,983,731	1,983,731	23,787,213
268,436	480,657	436,052	442,046	344,437	364,323	354,712	371,842	522,883	539,809	952,528	659,696	519,892	519,892	6,227,313
66,872	36,371	86,926	99,813	89,505	30,984	65,825	131,877	168,244	208,982	160,257	329,638	104,203	104,203	920,221
122,467	122,468	136,082	136,197	136,197	129,115	126,867	125,913	125,881	126,396	127,744	127,464	128,722	128,722	1,663,272
237,555	241,138	348,645	237,283	296,524	363,803	363,803	363,803	200,081	267,832	317,828	688,273	210,466	210,466	3,848,225
2,362,404	2,401,227	2,814,260	2,557,271	2,771,405	2,757,291	2,535,146	2,859,703	2,779,132	3,012,050	3,456,295	5,235,280	2,947,014	2,947,014	38,488,479
52,352,285	52,807,695	55,325,713	53,607,127	55,124,499	56,078,794	54,871,939	57,555,239	63,398,776	54,577,988	60,944,645	56,664,120	52,773,833	52,773,833	725,982,654
11,481,140	10,897,259	11,473,695	10,571,433	9,141,603	8,233,396	8,193,246	8,790,273	10,215,932	8,163,079	7,680,645	5,387,188	7,723,765	7,723,765	117,888,645
7,491,128	6,911,096	7,199,396	7,204,569	7,198,592	7,197,359	7,074,900	7,775,859	8,059,738	7,454,395	7,650,173	7,652,171	7,650,254	7,650,254	97,119,630
3,927,012	3,986,163	4,274,299	3,566,854	1,943,011	1,036,037	517,346	1,014,114	2,156,194	708,684	30,472	(2,264,983)	73,511	73,511	20,769,015
-	-	(23,174)	-	(11,588)	-	(23,175)	-	(23,175)	(662,708)	-	(625,436)	(1,388,041)	(1,388,041)	-
3,927,012	3,986,163	4,251,125	3,566,854	1,931,423	1,036,037	494,171	1,014,114	2,133,019	45,976	30,472	(2,890,419)	54,726	54,726	19,380,974
88.8%	89.5%	88.5%	90.1%	92.2%	93.9%	94.5%	93.1%	92.5%	93.2%	94.2%	94.5%	94.4%	94.4%	92.3%
4.2%	4.3%	4.7%	4.5%	4.9%	4.9%	4.6%	4.9%	4.2%	5.4%	5.7%	5.7%	5.6%	5.6%	5.2%
ADMINISTRATIVE EXPENSE RATIO														
TOTAL EXPENSES														
OPERATING INCOME (LOSS) BEFORE TAX														
MCO TAX														
OPERATING INCOME (LOSS) NET OF TAX														
TOTAL NONOPERATING REVENUE (EXPENSES)														
NET INCREASE (DECREASE) IN NET POSITION														
MEDICAL LOSS RATIO														
ADMINISTRATIVE EXPENSE RATIO														
EXPENSES														
Medical Costs:														
Physician Services														
Other Professional Services														
Emergency Room														
Inpatient														
Reinsurance Expense														
Outpatient Hospital														
Pharmacy														
Pay for Performance Quality Incentive														
IBNR, Incentive, Paid Claims Adjustment														
Total Medical Costs														
GROSS MARGIN														
Administrative:														
Compensation														
Purchased Services														
Supplies														
Depreciation														
Other Administrative Expenses														
Administrative Expense Adjustment														
Total Administrative Expenses														

KERN HEALTH SYSTEMS MEDICAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION BY MONTH - PMPM ROLLING 13 MONTHS THROUGH JANUARY 31, 2018														
ENROLLMENT														
	JANUARY 2017	FEBRUARY 2017	MARCH 2017	APRIL 2017	MAY 2017	JUNE 2017	JULY 2017	AUGUST 2017	SEPTEMBER 2017	OCTOBER 2017	NOVEMBER 2017	DECEMBER 2017	JANUARY 2018	13 MONTH TOTAL
Members - MICAL	234,963	237,333	240,308	241,178	241,282	241,716	239,716	239,363	240,564	240,556	239,434	241,567	241,677	3,119,647
REVENUES														
Title XIX - Medicaid - Family and Other	126.64	119.60	129.31	128.39	124.01	126.74	124.89	125.53	122.06	122.06	126.92	123.23	116.91	126.89
Title XIX - Medicaid - Expansion Members	377.32	375.41	386.18	375.46	376.19	369.16	356.43	351.84	350.11	352.46	359.17	349.73	354.64	364.14
Title XIX - Medicaid - SPD Members	736.98	717.78	734.16	740.65	743.39	749.37	764.45	772.58	754.83	760.37	760.39	769.40	730.41	748.10
Premium - MCO Tax	31.88	31.21	31.09	31.13	31.10	31.10	32.02	31.84	33.62	30.77	31.86	31.67	31.95	31.63
Interest/Dividends	0.77	0.60	0.60	1.10	1.56	1.10	1.02	1.16	1.26	1.26	1.12	1.32	2.02	1.23
Reinsurance Recoveries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.52	0.00	0.00	0.00	0.36
COB/Subrogation Collections	17.28	13.93	19.54	11.56	14.57	15.30	13.49	22.53	14.26	13.09	22.24	10.18	0.00	14.44
Rate/Income Adjustments	0.00	8.50	1.72	0.39	(0.02)	(1.41)	(0.35)	4.44	39.39	(0.89)	8.09	0.22	6.25	5.27
Other Income (Expense)	0.16	0.00	0.19	(0.00)	0.00	(0.37)	(0.08)	0.00	(0.77)	0.00	(0.99)	(2.93)	0.47	(0.56)
TOTAL REVENUES	270.98	268.43	277.97	266.10	266.35	266.07	263.08	277.18	306.01	260.82	286.61	256.87	250.32	270.50
EXPENSES														
Medical Costs:														
Physician Services	52.53	53.45	54.75	55.17	57.18	62.78	60.17	57.97	59.19	53.47	61.01	55.30	54.78	56.76
Other Professional Services	11.24	9.47	10.39	10.28	10.71	13.62	12.11	12.49	11.85	12.14	12.80	11.63	12.30	11.62
Emergency Room	19.95	18.75	17.06	16.34	16.34	19.71	19.46	21.31	19.52	16.61	21.28	16.10	17.67	18.49
Inpatient	59.58	62.41	63.59	60.22	61.03	58.72	55.74	56.59	57.62	56.43	70.23	59.27	56.23	59.82
Reinsurance Expense	0.44	0.43	0.43	0.44	0.45	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44
Outpatient Hospital	23.31	24.50	25.45	23.91	23.99	26.04	22.65	25.71	25.83	24.47	29.87	22.59	21.96	24.64
Other Medical	8.93	8.46	9.22	9.84	11.32	10.84	8.24	7.52	7.83	9.82	7.51	10.28	10.02	9.22
Pharmacy	34.59	32.09	37.71	33.79	36.70	37.38	37.28	39.79	34.21	37.24	36.21	35.38	40.41	36.38
Pay for Performance Quality Incentive	2.35	2.36	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.00	2.32
Expansion Risk Corridor Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IBNR, Incentive, Paid Claims Adjustment	(0.60)	0.47	(2.44)	(0.90)	(3.09)	(11.29)	(0.12)	4.32	33.15	1.38	(1.60)	(0.44)	(9.68)	0.69
Total Medical Costs	212.33	212.40	216.92	211.67	216.98	220.60	218.33	228.50	251.99	214.36	240.10	212.90	206.17	220.38
GROSS MARGIN	58.65	56.04	59.46	54.44	49.37	45.47	44.75	48.67	54.02	46.46	46.51	43.97	44.15	50.13
Administrative:														
Compensation	7.10	6.53	7.52	6.84	7.89	7.73	7.58	8.20	7.32	7.77	7.93	8.47	8.21	7.62
Purchased Services	1.14	1.00	1.81	1.83	1.43	1.51	1.48	1.65	2.17	2.24	3.98	2.73	2.15	2.00
Supplies	0.28	0.15	0.36	0.41	0.37	0.13	0.27	0.55	0.70	0.87	0.67	(1.36)	0.43	0.20
Depreciation	0.52	0.52	0.57	0.53	0.56	0.53	0.53	0.52	0.53	0.53	0.53	0.53	0.53	0.53
Other Administrative Expenses	1.01	1.02	1.02	0.98	1.23	1.51	1.72	1.12	0.83	1.11	1.33	2.85	0.87	1.23
Administrative Expense Adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.45	0.00	0.65
Total Administrative Expenses	10.05	10.12	11.71	10.60	11.49	11.41	10.58	11.95	11.55	12.52	14.44	21.67	12.19	12.34
TOTAL EXPENSES	222.39	222.51	230.23	222.27	228.47	232.00	228.90	240.45	263.54	226.88	254.54	234.57	218.37	232.71
OPERATING INCOME (LOSS) BEFORE TAX	48.60	45.92	47.75	43.83	37.89	34.06	34.17	36.72	42.47	33.93	32.08	22.50	31.96	37.79
MCO TAX	31.88	29.12	29.96	29.87	29.83	29.78	30.02	32.49	33.50	30.99	31.95	31.96	31.65	31.13
OPERATING INCOME (LOSS) NET OF TAX	16.71	16.80	17.79	13.96	8.05	4.29	2.16	4.24	8.96	2.95	0.13	(9.40)	0.30	6.66
TOTAL NONOPERATING REVENUE (EXPENSES)	0.00	0.00	(0.10)	0.00	(0.05)	0.00	(0.10)	0.00	(0.10)	(2.75)	0.00	(2.59)	(0.08)	(0.10)
NET INCREASE (DECREASE) IN NET POSITION	16.71	16.80	17.69	13.96	8.00	4.29	2.06	4.24	8.87	0.19	0.13	(12.05)	0.23	6.56
MEDICAL LOSS RATIO	88.85%	89.55%	88.55%	90.15%	92.25%	93.99%	94.55%	93.11%	92.55%	93.25%	94.25%	94.55%	94.15%	92.35%
ADMINISTRATIVE EXPENSE RATIO	4.23%	4.33%	4.73%	4.55%	4.93%	4.93%	4.65%	4.93%	4.23%	5.43%	5.73%	9.65%	5.63%	5.23%

KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF REVENUES - ALL COA FOR THE MONTH ENDED JANUARY 31, 2018				YEAR-TO-DATE		
CURRENT MONTH		REVENUES		ACTUAL	BUDGET	VARIANCE
ACTUAL	BUDGET	VARIANCE				
18,220,572	18,483,648	(263,076)	Title XIX - Medicaid - Family & Other	18,220,572	18,483,648	(263,076)
1,450,521	2,022,939	(572,418)	Premium - Medi-Cal	1,450,521	2,022,939	(572,418)
47,261	174,204	(126,943)	Premium - Maternity Kick	47,261	174,204	(126,943)
40,300	132,726	(92,426)	Premium - Hep C Kick	40,300	132,726	(92,426)
90,327	86,219	4,108	Premium - BHT Kick	90,327	86,219	4,108
			Other			
19,848,982	20,899,737	(1,050,755)	Total Title XIX - Medicaid - Family & Other	19,848,982	20,899,737	(1,050,755)
			Title XIX - Medicaid - Expansion Members			
19,598,789	19,427,374	171,415	Premium - Medi-Cal	19,598,789	19,427,374	171,415
328,308	405,339	(77,031)	Premium - Maternity Kick	328,308	405,339	(77,031)
519,873	374,053	145,820	Premium - Hep C Kick	519,873	374,053	145,820
31,468	30,210	1,258	Other	31,468	30,210	1,258
20,478,437	20,236,975	241,462	Total Title XIX - Medicaid - Expansion Members	20,478,437	20,236,975	241,462
			Title XIX - Medicaid - SPD Members			
10,077,894	10,274,765	(196,871)	Premium - Medi-Cal	10,077,894	10,274,765	(196,871)
173,291	320,007	(146,716)	Premium - Hep C Kick	173,291	320,007	(146,716)
83,365	261,795	(178,430)	Premium - BHT Kick	83,365	261,795	(178,430)
10,334,550	10,856,567	(522,016)	Total Title XIX - Medicaid - SPD Members	10,334,550	10,856,567	(522,016)

CURRENT MONTH		YEAR-TO-DATE	
ACTUAL	BUDGET	ACTUAL	BUDGET
VARIANCE		VARIANCE	
KERN HEALTH SYSTEMS			
MEDICAL			
SCHEDULE OF MEDICAL COSTS - ALL COA			
FOR THE MONTH ENDED JANUARY 31, 2018			
PHYSICIAN SERVICES			
2,920,677	2,756,974	2,920,677	2,756,974
(163,703)	(163,703)		
9,240,467	8,736,556	9,240,467	8,736,556
(503,911)	(503,911)		
1,069,333	1,088,851	1,069,333	1,088,851
19,518	19,518		
9,300	9,300	9,300	9,300
-	-		
13,239,777	12,591,681	13,239,777	12,591,681
(648,096)	(648,096)		
OTHER PROFESSIONAL SERVICES			
241,567	246,769	241,567	246,769
5,202	5,202		
761,074	743,789	761,074	743,789
(17,285)	(17,285)		
118,821	118,862	118,821	118,862
41	41		
76,022	81,223	76,022	81,223
5,201	5,201		
96,522	100,241	96,522	100,241
3,719	3,719		
44,203	59,774	44,203	59,774
15,571	15,571		
56,128	79,572	56,128	79,572
23,444	23,444		
488,079	435,999	488,079	435,999
(52,081)	(52,081)		
63,645	53,140	63,645	53,140
(10,506)	(10,506)		
1,027,749	849,006	1,027,749	849,006
(178,743)	(178,743)		
2,973,811	2,768,375	2,973,811	2,768,375
(205,435)	(205,435)		
4,269,344	4,101,335	4,269,344	4,101,335
(168,008)	(168,008)		
13,588,711	13,163,567	13,588,711	13,163,567
(425,145)	(425,145)		
113,536	112,765	113,536	112,765
(771)	(771)		
5,307,045	4,758,172	5,307,045	4,758,172
(548,873)	(548,873)		
OTHER MEDICAL			
338,351	329,904	338,351	329,904
(8,447)	(8,447)		
387,076	354,406	387,076	354,406
(32,670)	(32,670)		
284,192	262,928	284,192	262,928
(21,264)	(21,264)		
999,658	798,975	999,658	798,975
(200,683)	(200,683)		
-	119,963	-	119,963
119,963	119,963		
413,329	524,225	413,329	524,225
110,896	110,896		
2,422,606	2,390,400	2,422,606	2,390,400
(32,205)	(32,205)		
PHARMACY SERVICES			
8,533,080	7,802,543	8,533,080	7,802,543
(730,538)	(730,538)		
729,042	826,786	729,042	826,786
97,744	97,744		
620,941	514,467	620,941	514,467
(106,474)	(106,474)		
(116,000)	(103,112)	(116,000)	(103,112)
12,888	12,888		
9,767,063	9,040,684	9,767,063	9,040,684
(726,379)	(726,379)		
483,354	479,850	483,354	479,850
(3,504)	(3,504)		
(2,338,427)	-	(2,338,427)	-
2,338,427	2,338,427		
49,826,819	49,406,829	49,826,819	49,406,829
(419,990)	(419,990)		

* Medical costs per DMHC regulations

CURRENT MONTH		YEAR-TO-DATE	
ACTUAL	BUDGET	ACTUAL	BUDGET
	VARIANCE		VARIANCE
KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS - ALL COA - PMPM FOR THE MONTH ENDED JANUARY 31, 2018			
PHYSICIAN SERVICES			
12.09	11.49	12.09	11.49
	(0.59)		(0.59)
38.23	36.41	38.23	36.41
	(1.82)		(1.82)
4.42	4.54	4.42	4.54
	0.11		0.11
0.04	0.04	0.04	0.04
	0.00		0.00
54.78	52.48	54.78	52.48
	(2.30)		(2.30)
OTHER PROFESSIONAL SERVICES			
1.00	1.03	1.00	1.03
	0.03		0.03
3.15	3.10	3.15	3.10
	(0.05)		(0.05)
0.49	0.50	0.49	0.50
	0.00		0.00
0.31	0.34	0.31	0.34
	0.02		0.02
0.40	0.42	0.40	0.42
	0.02		0.02
0.18	0.25	0.18	0.25
	0.07		0.07
0.23	0.33	0.23	0.33
	0.10		0.10
2.02	1.82	2.02	1.82
	(0.20)		(0.20)
0.26	0.22	0.26	0.22
	(0.04)		(0.04)
4.25	3.54	4.25	3.54
	(0.71)		(0.71)
12.30	11.54	12.30	11.54
	(0.77)		(0.77)
17.67	17.09	17.67	17.09
	(0.57)		(0.57)
56.23	54.87	56.23	54.87
	(1.36)		(1.36)
0.47	0.47	0.47	0.47
	0.00		0.00
21.96	19.83	21.96	19.83
	(2.13)		(2.13)
OTHER MEDICAL			
1.40	1.38	1.40	1.38
	(0.02)		(0.02)
1.60	1.48	1.60	1.48
	(0.12)		(0.12)
1.18	1.10	1.18	1.10
	(0.08)		(0.08)
4.14	3.33	4.14	3.33
	(0.81)		(0.81)
0.00	0.50	0.00	0.50
	0.50		0.50
1.71	2.18	1.71	2.18
	0.47		0.47
10.02	9.96	10.02	9.96
	(0.06)		(0.06)
PHARMACY SERVICES			
35.31	32.52	35.31	32.52
	(2.79)		(2.79)
3.02	3.45	3.02	3.45
	0.43		0.43
2.57	2.14	2.57	2.14
	(0.43)		(0.43)
(0.48)	(0.43)	(0.48)	(0.43)
	0.05		0.05
40.41	37.68	40.41	37.68
	(2.73)		(2.73)
2.00	2.00	2.00	2.00
	-		-
(9.68)	0.00	(9.68)	0.00
	9.68		9.68
206.17	205.93	206.17	205.93
	(0.24)		(0.24)

* Medical costs per DMHC regulations

KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS BY MONTH THROUGH JANUARY 31, 2018	JANUARY 2018	YEAR TO DATE 2018
PHYSICIAN SERVICES		
Primary Care Physician Services	2,920,677	2,920,677
Referral Specialty Services	9,240,467	9,240,467
Urgent Care & After Hours Advise	1,069,333	1,069,333
Hospital Admitting Team	9,300	9,300
TOTAL PHYSICIAN SERVICES	13,239,777	13,239,777
OTHER PROFESSIONAL SERVICES		
Vision Service Capitation	241,567	241,567
310 - Health Services - Utilization Management - UM Allocation *	761,074	761,074
311 - Health Services - Quality Improvement - UM Allocation *	118,821	118,821
312 - Health Services - Education - UM Allocation *	76,022	76,022
313 - Health Services - Pharmacy - UM Allocation *	96,522	96,522
314 - Health Homes - UM Allocation *	44,203	44,203
616 - Disease Management - UM Allocation *	56,128	56,128
Behavior Health Treatment	488,079	488,079
Mental Health Services	63,645	63,645
Other Professional Services	1,027,749	1,027,749
TOTAL OTHER PROFESSIONAL SERVICES	2,973,811	2,973,811
EMERGENCY ROOM	4,269,344	4,269,344
INPATIENT HOSPITAL	13,588,711	13,588,711
REINSURANCE EXPENSE PREMIUM	113,536	113,536
OUTPATIENT HOSPITAL SERVICES	5,307,045	5,307,045
OTHER MEDICAL		
Ambulance	338,351	338,351
Home Health Services & CBAS	387,076	387,076
Utilization and Quality Review Expenses	284,192	284,192
Long Term/SNF/Hospice	999,658	999,658
Enhanced Medical Benefits	-	-
Non-Medical Transportation	413,329	413,329
TOTAL OTHER MEDICAL	2,422,606	2,422,606
PHARMACY SERVICES		
RX - Drugs & OTC	8,533,080	8,533,080
RX - HEP-C	729,042	729,042
Rx - DME	620,941	620,941
RX - Pharmacy Rebates	(116,000)	(116,000)
TOTAL PHARMACY SERVICES	9,767,063	9,767,063
PAY FOR PERFORMANCE QUALITY INCENTIVE	483,354	483,354
IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT	(2,338,427)	(2,338,427)
Total Medical Costs	49,826,819	49,826,819

KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS BY MONTH - PMPM THROUGH JANUARY 31, 2018	JANUARY 2018	YEAR TO DATE 2018
PHYSICIAN SERVICES		
Primary Care Physician Services	12.09	12.09
Referral Specialty Services	38.23	38.23
Urgent Care & After Hours Advise	4.42	4.42
Hospital Admitting Team	0.04	0.04
TOTAL PHYSICIAN SERVICES	54.78	54.78
OTHER PROFESSIONAL SERVICES		
Vision Service Capitation	1.00	1.00
310 - Health Services - Utilization Management - UM Allocation *	3.15	3.15
311 - Health Services - Quality Improvement - UM Allocation *	0.49	0.49
312 - Health Services - Education - UM Allocation *	0.31	0.31
313 - Health Services - Pharmacy - UM Allocation *	0.40	0.40
314 - Health Homes - UM Allocation *	0.18	0.18
616 - Disease Management - UM Allocation *	0.23	0.23
Behavior Health Treatment	2.02	2.02
Mental Health Services	0.26	0.26
Other Professional Services	4.25	4.25
TOTAL OTHER PROFESSIONAL SERVICES	12.30	12.30
EMERGENCY ROOM	17.67	17.67
INPATIENT HOSPITAL	56.23	56.23
REINSURANCE EXPENSE PREMIUM	0.47	0.47
OUTPATIENT HOSPITAL SERVICES	21.96	21.96
OTHER MEDICAL		
Ambulance	1.40	1.40
Home Health Services & CBAS	1.60	1.60
Utilization and Quality Review Expenses	1.18	1.18
Long Term/SNF/Hospice	4.14	4.14
Enhanced Medical Benefits	0.00	0.00
Non-Medical Transportation	1.71	1.71
TOTAL OTHER MEDICAL	10.02	10.02
PHARMACY SERVICES		
RX - Drugs & OTC	35.31	35.31
RX - HEP-C	3.02	3.02
Rx - DME	2.57	2.57
RX - Pharmacy Rebates	(0.48)	(0.48)
TOTAL PHARMACY SERVICES	40.41	40.41
PAY FOR PERFORMANCE QUALITY INCENTIVE	2.00	2.00
IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT	(9.68)	(9.68)
Total Medical Costs	206.17	206.17

CURRENT MONTH		YEAR-TO-DATE	
ACTUAL	BUDGET	ACTUAL	BUDGET
VARIANCE		VARIANCE	
KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF ADMINISTRATIVE EXPENSES BY DEPT FOR THE MONTH ENDED JANUARY 31, 2018			
249,360	258,083	249,360	258,083
	8,723		8,723
121,592	144,767	121,592	144,767
	23,175		23,175
554,762	516,524	554,762	516,524
	(38,238)		(38,238)
126,761	319,522	126,761	319,522
	192,761		192,761
476,893	459,225	476,893	459,225
	(17,668)		(17,668)
83,613	100,658	83,613	100,658
	17,045		17,045
5,036	2,583	5,036	2,583
	(2,453)		(2,453)
10	3,042	10	3,042
	3,032		3,032
147	553	147	553
	406		406
104,959	94,991	104,959	94,991
	(9,968)		(9,968)
83	2,325	83	2,325
	2,242		2,242
-	101	-	101
	101		101
262,401	221,535	262,401	221,535
	(40,866)		(40,866)
406,721	520,205	406,721	520,205
	113,484		113,484
327,904	291,620	327,904	291,620
	(36,284)		(36,284)
55,126	59,285	55,126	59,285
	4,159		4,159
4,575	60,299	4,575	60,299
	55,724		55,724
50,590	62,895	50,590	62,895
	12,305		12,305
116,481	153,462	116,481	153,462
	36,981		36,981
-	(124,999)	-	(124,999)
	(124,999)		(124,999)
2,947,014	3,146,677	2,947,014	3,146,677
	199,663		199,663

KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF ADMIN EXPENSES BY DEPT BY MONTH FOR THE MONTH ENDED JANUARY 31, 2018	JANUARY 2018	YEAR TO DATE 2018
110 - Executive	249,360	249,360
210 - Accounting	121,592	121,592
220 - Management Information Systems (MIS)	554,762	554,762
225 - Infrastructure	126,761	126,761
230 - Claims	476,893	476,893
240 - Project Management	83,613	83,613
310 - Health Services - Utilization Management	5,036	5,036
311 - Health Services - Quality Improvement	10	10
312 - Health Services - Education	147	147.00
313- Pharmacy	104,959	104,959
314 - Health Homes	83	83
616 - Disease Management	-	-
320 - Provider Relations	262,401	262,401
330 - Member Services	406,721	406,721
340 - Corporate Services	327,904	327,904
360 - Audit & Investigative Services	55,126	55,126
410 - Advertising Media	4,575	4,575
420 - Sales/Marketing/Public Relations	50,590	50,590
510 - Human Resources	116,481	116,481
Total Department Expenses	2,947,014	2,947,014

**KERN HEALTH SYSTEMS
GROUP HEALTH PLAN - HFAM
BALANCE SHEET STATEMENT
AS OF JANUARY 31, 2018**

ASSETS	JANUARY 2018	DECEMBER 2017	INC(DEC)
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 1,444,298	\$ 1,437,383	6,915
Interest Receivable	1,415	4,247	(2,832)
Prepaid Expenses & Other Current Assets	4,167	5,000	(833)
TOTAL CURRENT ASSETS	\$ 1,449,880	\$ 1,446,630	\$ 3,250
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Accounts Payable	11,754	11,754	-
Other Liabilities	353,849	353,849	-
TOTAL CURRENT LIABILITIES	\$ 365,603	\$ 365,603	\$ -
NET POSITION:			
Net Position- Beg. of Year	1,070,040	1,070,040	-
Increase (Decrease) in Net Position - Current Year	14,237	10,987	3,250
Total Net Position	\$ 1,084,277	\$ 1,081,027	\$ 3,250
TOTAL LIABILITIES AND NET POSITION	\$ 1,449,880	\$ 1,446,630	\$ 3,250

CURRENT MONTH			KERN HEALTH SYSTEMS GROUP HEALTH PLAN - HFAM STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION FOR THE MONTH ENDED JANUARY 31, 2018	YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
ENROLLMENT						
-	-	-	Members	-	-	-
REVENUES						
-	-	-	Premium	-	-	-
1,415	-	1,415	Interest	1,415	-	1,415
2,667	-	2,667	Other Investment Income	2,667	-	2,667
4,083	-	4,083	TOTAL REVENUES	4,083	-	4,083
EXPENSES						
-	-	-	Medical Costs	-	-	-
-	-	-	IBNR and Paid Claims Adjustment	-	-	-
-	-	-	Total Medical Costs	-	-	-
4,083	-	4,083	GROSS MARGIN	4,083	-	4,083
Administrative						
833	-	(833)	Management Fee Expense and Other Admin Exp	833	-	(833)
833	-	(833)	Total Administrative Expenses	833	-	(833)
833	-	(833)	TOTAL EXPENSES	833	-	(833)
3,250	-	3,250	OPERATING INCOME (LOSS)	3,250	-	3,250
-	-	-	TOTAL NONOPERATING REVENUE (EXPENSES)	-	-	-
3,250	-	3,250	NET INCREASE (DECREASE) IN NET POSITION	3,250	-	3,250
0%	0%	0%	MEDICAL LOSS RATIO	0%	0%	0%
20%	0%	-20%	ADMINISTRATIVE EXPENSE RATIO	20%	0%	-20%

**KERN HEALTH SYSTEMS
MONTHLY MEMBERS COUNT**

KERN HEALTH SYSTEMS

	JAN'18	FEB'18	MAR'18	APR'18	MAY'18	JUN'18	JUL'18	AUG'18	SEP'18	OCT'18	NOV'18	DEC'18
ADULT AND FAMILY												
PA - FAMILY	34,790											
MIN - FAMILY	0											
REFUGEE - FAMILY	0											
FOSTER CARE	707											
POVERTY-133/200%	1											
POVERTY-100%	0											
MI - CHILD	107,133											
CHILD-ACA	115											
FAMILY - UNDER 19	21,195											
SUB-TOTAL ADULT & FAMILY	163,941	0	0	0	0	0	0	0	0	0	0	0

2018 MEMBER MONTHS

PA - FAMILY	34,790
MIN - FAMILY	0
REFUGEE - FAMILY	0
FOSTER CARE	707
POVERTY-133/200%	1
POVERTY-100%	0
MI - CHILD	107,133
CHILD-ACA	115
FAMILY - UNDER 19	21,195
SUB-TOTAL ADULT & FAMILY	163,941

MEDICAL EXPANSION

LHP Transition Pre-ACA	52											
ACA Expansion Adult-Citizen	57,307											
ACA Expansion CAL Fresh Adult	5											
LHP Transition Pre-ACA	380											
SUB-TOTAL MANDATORY	57,744	0	0	0	0	0	0	0	0	0	0	0

SDP MEMBERS

SSI-AGED	191											
MIN - AGED	1,457											
SSI - BLIND & DIS-ABLED	12,242											
MIN - BLIND & DIS-ABLED	259											
SUB-TOTAL MANDATORY SPD	14,149	0	0	0	0	0	0	0	0	0	0	0
TOTAL MANDATORY	235,834	0	0	0	0	0	0	0	0	0	0	0

OTHER MEMBERS

BCCTP-TOBACCO SETTLEMENT	28											
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DUALS

PA - FAMILY DUALS	24											
PART D SSI-AGED	771											
PART D MN - AGED	1,295											
PART D SSI - BLIND & DIS-ABLED	2,338											
PART D MN - BLIND & DIS-ABLED	1,038											
PART D BCCTP-TOBACCO SETTLEMENT	3											
PART D MI - ADULT	0											
PART D MI - CHILD	346											
SUB-TOTAL DUALS	5,815	0	0	0	0	0	0	0	0	0	0	0

TOTAL OTHERS

	5,843	0	0	0	0	0	0	0	0	0	0	0
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TOTAL KAISER

	7,991											
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TOTAL MEDICAL MEMBERS

	249,668	0	0	0	0	0	0	0	0	0	0	0
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KERN HEALTH SYSTEMS

DECEMBER AP Vendor Report
Amount over \$10,000.00

Vendor No.	Vendor Name	Current Month	Year-to-Date	Description	Department
T1918	CSAC****	518,492.27	518,492.27	MASTER ROLLING CONTROLLED INSURANCE PROGRAM	CAPITAL PROJECT-NEW BUILDING
T4722	COGNIZANT TRIZETTO SOFTWARE GROUP, INC****	398,637.21	431,181.02	2018 QNXT ANNUAL MAINTENANCE	MIS INFRASTRUCTURE
T1045	KAISER FOUNDATION HEALTH	381,924.45	4,330,785.71	EMPLOYEE HEALTH BENEFITS	VARIOUS
T1845	DEPARTMENT OF MANAGED HEALTH CARE****	206,667.36	429,389.13	MCAL/HFAM ANNUAL ASSESSMENT FEES -- 2 INSTALLMENT OF 2	ADMINISTRATION
T4237	FLUIDEDGE CONSULTING INC.	127,442.97	958,274.41	NOV/DEC. CONSULTING SERVICES TO UPDATE STANDARD BUSINESS REPORTING	VARIOUS
T2726	DST PHARMACY SOLUTIONS, INC	88,333.81	1,094,407.51	NOV. PHARMACY AND CLAIMS PROCESSING	PHARMACY
T4696	ZNALYTICS, LLC	79,320.00	735,829.64	NOV. CONSULTING SERVICES	CAPITAL PROJECT IN PROCESS
T4290	S.C. ANDERSON, INC.****	66,000.00	66,000.00	PRE-CONSTRUCTION SERVICES	CAPITAL PROJECT-NEW BUILDING
T3460	THE GUARDIAN LIFE INSURANCE CO.	58,556.52	607,812.83	DEC. VOLUNTARY LIFE AD&D, DENTAL INSURANCE	VARIOUS
T4685	NATIONAL GIFT CARD CORP	46,660.00	100,272.90	HOME HEALTH INCENTIVE PROGRAM-MAYA GIFT CARDS	HOME HEALTH
T4861	PAKISHAT SHARMA INC.****	40,111.42	40,111.42	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T4582	HEALTHX, INC****	37,700.00	429,000.00	DEC. SUBSCRIPTION FOR PROVIDER AND MEMBER PORTAL	CAPITAL PROJECT - MEMBER & PROVIDER PORTAL
T4052	RAHUL_SHARMA****	36,768.80	36,768.80	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T2918	STINSON'S ****	29,827.92	154,204.98	OFFICE SUPPLIES & EQUIP UNDER \$1,000	VARIOUS



DECEMBER AP Vendor Report
Amount over \$10,000.00

Vendor No.	Vendor Name	Current Month	Year-to-Date	Description	Department
T4308	TRUXTUN PLACE PARTNERS	28,803.69	355,316.73	TRUXTUN-DEC. LEASE AND OCT. UTILITIES EXPENSES	CORPORATE SERVICES
T2707	ACT 1 PERSONNEL SERVICES, INC.	23,625.79	343,648.43	TEMPORARY HELP - 1 PR, 2 MIS, 1 MS	VARIOUS
T4654	DELAWARE****	23,219.91	911,711.90	OCT., NOV., & DEC. ARCHITECTURE SERVICES	CAPITAL PROJECT-NEW BUILDING
T4686	CENTRIC HEALTH****	23,172.86	127,459.40	AUG. & SEPT. COMMUNITY BENEFIT PROGRAM GRANT	COMMUNITY GRANTS
T3011	OFFICE ALLY, INC.	16,380.25	199,498.50	NOV. EDI CLAIM PROCESSING	CLAIMS
T1189	APPLE ONE INC.	16,122.75	220,892.68	TEMPORARY HELP - 1 PHARM, 1 CS, 1 CLAIMS, 2 UM, 1 HE	VARIOUS
T4396	KAISER FOUNDATION HEALTH-DHMO	16,092.44	122,715.06	EMPLOYEE HEALTH BENEFIT	VARIOUS
T4460	PAYSPAN, INC	15,140.39	161,803.27	NOV. EXTERNAL CLAIMS PAYMENT PROCESSING	FINANCE
T4478	AMERICAN FIDELITY ASSURANCE CO.****	14,996.45	156,040.46	EMPLOYEE PAID VOLUNTARY INSURANCE	PAYROLL DEDUCTION
T4193	TECHNOSOCIALWORK.COM DBA STRIA	14,499.35	307,783.23	OCT. & NOV. OCR SERVICES AND PROFESSIONAL SERVICES FOR ICD-10 PROJECT	CLAIMS
T4467	MEDISOFTFX, LLC.	14,274.18	174,222.54	NOV. PROFESSIONAL SERVICES-HOME HEALTH PROJECT	CAPITAL PROJECT IN PROGRESS
T4538	CHANGE HEALTHCARE SOLUTIONS, LLC	12,885.20	142,073.77	NOV. EDI CLAIM PROCESSING	CLAIMS
T4168	RELAYHEALTH	12,415.62	150,824.51	OCT. EDI CLAIM PROCESSING	CLAIMS

KERN HEALTH SYSTEMS

DECEMBER AP Vendor Report
Amount over \$10,000.00

Vendor No.	Vendor Name	Current Month	Year-to-Date	Description	Department
T1861	CEREDIAN BENEFITS SERVICES****	11,074.51	138,154.66	DEC. SUBSCRIPTION DAYFORCE HUMAN CAPITAL MANAGEMENT	HUMAN RESOURCES
T4699	ZEOMEGA, INC.	10,417.63	1,406,499.47	IMPLEMENTATION OF MEDICAL MANAGEMENT PLATFORM	CAPITAL PROJECT-CASE MANAGEMENT/DISEASE MANAGEMENT
T4452	WELLS FARGO	10,120.99	136,657.84	CREDIT CARD-TRAINING REGISTRATION, LODGING EXPENSES, AND MISCELLANEOUS PURCHASES	VARIOUS
T4867	ATUL AGGARWAL MD CARDIOLOGY CLINIC****	10,027.86	10,027.86	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T3454	DEPARTMENT OF MANAGED HEALTH CARE****	10,000.00	27,500.00	DMCH ENFORCEMENT MATTER 16-2087 DOCUMENT NO:221088	ADMINISTRATION
		<u>2,399,512.60</u>			
	TOTAL VENDORS OVER \$10,000	2,399,512.60			
	TOTAL VENDORS UNDER \$10,000	252,835.01			
	TOTAL VENDOR EXPENSES-Dec.	<u>2,652,347.61</u>			

Note:
****New vendors over \$10,000 for the month of Dec.



Year to Date AP Vendor Report
Amount over \$10,000.00

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T1045	KAISER FOUNDATION HEALTH	4,330,785.71	EMPLOYEE HEALTH BENEFITS	VARIOUS
T1001	KERN MEDICAL CENTER	2,705,891.18	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS & GROW CLINIC GRANT	COMMUNITY GRANTS
T4391	OMNI FAMILY HEALTH	1,730,503.81	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS-FINAL PAYMENT & 2016-2018 COMMUNITY GRANT-HEALTH HOME GRANT	COMMUNITY GRANTS
T4699	ZsOMEGA, INC.	1,406,499.47	IMPLEMENTATION OF MEDICAL MANAGEMENT PLATFORM	CAPITAL PROJECT-CASE MANAGEMENT/DISEASE MANAGEMENT
T4695	EDIFECs, INC.	1,358,781.22	PERPETUAL LICENSES FOR EDI MANAGEMENT SOFTWARE SOLUTION & ANNUAL TSM OF TRANSACTION MANAGEMENT	CAPITAL PROJECT IN PROCESS
T1408	DELL MARKETING L.P.	1,097,990.01	HARDWARE- 15- LATITUDE E5470, 4 BROCADE 6510, 5 SMALL PRINTER, 5 DELL POWEREDGE M630, 5 POWEREDGE M630, 1 DELL M1000E CHASSIS ENCLOSURE, 20 OPTIPLEX 3040 W/ MONITORS, 16-23* MONITORS, 5-OPTIPLEX 3050, KHS VEEAM, SUPPORT & MAINTENANCE, MICROSOFT SYSTEM CENTER, 2ND YR MICROSOFT RENEWAL, 9 DELL LATITUDE E5470, 1 DELL XPS 13, 4-POWER EDGE M360 BLADE SERVERS, 5- E5470.LATITUDE LAPTOPS WITH CARRYING BAGS, 1 TARGUS USB	MIS INFRASTRUCTURE & CAPITAL PROJECT IN PROCESS.
T2726	DST PHARMACY SOLUTIONS, INC.	1,094,407.51	PHARMACY AND CLAIMS PROCESSING	PHARMACY
T4237	FLUIDEDGE CONSULTING	958,274.41	CONSULTING SERVICES TO UPDATE STANDARD BUSINESS REPORTING.	VARIOUS
T4654	DELAWIE	911,711.90	ARCHITECTURE SERVICES	CAPITAL PROJECT-NEW BUILDING

KERN·HEALTH SYSTEMS

Year to Date AP Vendor Report
Amount over \$10,000.00

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T1071	CLINICA SIERRA VISTA	853,652.70	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS & MEDICAL RESPITE PROGRAM	COMMUNITY GRANTS
T4696	ZNALYTICS, LLC	735,829.64	CONSULTING SERVICES	CAPITAL PROJECT IN PROCESS
T2704	MCG HEALTH LLC	705,846.01	2017 MILLIMAN MAINTENANCE-LICENSE FEE- YEAR 3 OF 5	HE-UM
T4350	COMPUTER ENTERPRISE INC.	683,998.20	2017 CONSULTING SERVICES	CAPITAL PROJECT IN PROGRESS
T3460	THE GUARDIAN LIFE INSURANCE CO.	607,812.83	VOLUNTARY LIFE AD&D, DENTAL INSURANCE	VARIOUS
T4392	COGNIZANT TRIZETTO SOFTWARE GROUP, INC.	596,916.17	2017 QNXT ANNUAL MAINTENANCE, CONSULTING SERVICES, REGISTRATION	MIS INFRASTRUCTURE
T2686	ALLIANT INSURANCE SERVICES INC	524,204.34	2017/2018 INSURANCE RENEWALS	ADMIN
T1918	CSAC*****	518,492.27	MASTER ROLLING CONTROLLED INSURANCE PROGRAM	CAPITAL PROJECT-NEW BUILDING
T4327	MCKESSON TECHNOLOGIES INC.	494,938.46	ANNUAL CLAIM CHECK SOFTWARE LICENSE & ADDTL COVERED LIVES FEES -----YR 2 OF 3	CLAIMS
T4722	COGNIZANT TRIZETTO SOFTWARE GROUP, INC.	431,181.02	2018 QNXT ANNUAL MAINTENANCE	MIS INFRASTRUCTURE
T1845	DEPARTMENT OF MANAGED HEALTH CARE	429,389.13	MCAU/HFAM ANNUAL ASSESSMENT FEES ----- 2017-2018 FINAL PAYMENT	ADMINISTRATION
T4582	HEALTHX, INC	429,000.00	PROVIDER AND MEMBER PORTAL	CAPITAL PROJECT - MEMBER & PROVIDER PORTAL
T4308	TRUXTUN PLAGE PARTNERS	355,316.73	TRUXTUN- LEASE AND UTILITIES EXPENSE	CORPORATE SERVICES
T2707	ACT 1 PERSONNEL SERVICES, INC.	343,648.43	TEMPORARY HELP	VARIOUS



Year to Date AP Vendor Report
Amount over \$10,000.00

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T2167	PG&E	315,783.79	ANNUAL TRUE-UP FOR 2016 USAGE/UTILITIES & ELECTRICAL & GAS SERVICES FOR NEW BUILDING	CORPORATE SERVICES & CAPITAL PROJECT - NEW BUILDING
T4193	TECHSOCIALWORK.COM	307,783.23	OCR SERVICES AND PROFESSIONAL SERVICES FOR ICD-10 PROJECT	CLAIMS
T2413	TREK IMAGING INC	234,883.27	PROMOTIONS - MEMBER GIVEAWAYS & EMPLOYEE PROGRAMS	VARIOUS
T1189	APPLE ONE INC.	220,892.68	TEMPORARY HELP	VARIOUS
T2961	SOLUTION BENCH, LLC	204,894.10	M-FILES LICENSES & MAINTENANCE	MIS INFRASTRUCTURE
T1597	BAKERSFIELD MEMORIAL HOSP	200,000.00	BMH DIABETIC CLINIC 2016-4TH QUARTER & 2017 1ST, 2ND, & 3RD QTR.	HE-DISEASE MANAGEMENT
T3011	OFFICE ALLY, INC.	199,498.50	EDI CLAIM PROCESSING	CLAIMS
T4546	LEVEL 3 COMMUNICATIONS, LLC	183,058.44	DISASTER RECOVERY, INTERNET, LONG DISTANCE CALLS	MIS INFRASTRUCTURE
T2355	CALPERS	182,084.00	2017/2018 ANNUAL UNFUNDED ACCRUED LIABILITY	ADMINISTRATION
T4467	MEDISOFTFX, LLC.	174,222.54	PROFESSIONAL SERVICES-HOME HEALTH PROJECT	CAPITAL PROJECT IN PROGRESS
T4460	PAYSPAN, INC	161,803.27	EXTERNAL CLAIMS PAYMENT PROCESSING	FINANCE
T4478	AMERICAN FIDELITY ASSURANCE CO.	156,040.46	EMPLOYEE PAID VOLUNTARY INSURANCE	PAYROLL DEDUCTION
T2918	STINSON'S	154,204.98	OFFICE SUPPLIES & EQUIP UNDER \$1,000	VARIOUS
T4168	RELAYHEALTH	150,824.51	EDI CLAIM PROCESSING	CLAIMS
T2584	UNITED STATES POSTAL SVC.-HASLER	150,000.00	POSTAGE-METERED	VARIOUS
T4538	CHANGE HEALTHCARE SOLUTIONS, LLC	142,073.77	EDI CLAIM PROCESSING	CLAIMS



Year to Date AP Vendor Report
Amount over \$10,000.00

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T1272	COFFEY COMMUNICATIONS INC.	141,858.21	NEWSLETTER PUBLICATION/MAILING	VARIOUS
T2597	FUSION STORM INC.	141,663.01	HARDWARE- 3 SERVERS, NEXT GENERATION SECURITY MANAGEMENT & SUPPORT, 24PORT WEB MINGT & SUPPORT, 4PORT BASE-T RJ45 INTERFACE CARD, JUNIPER CARE 3YR	MIS INFRASTRUCTURE
T1861	CEREDIAN BENEFITS SERVICES	138,154.66	DAYFORCE HUMAN CAPITAL MANAGEMENT	HUMAN RESOURCES
TT4452	WELLS FARGO 3500 2469	136,657.84	CREDIT CARD-TRAINING REGISTRATION, LODGING EXPENSES, AND MISCELLANEOUS PURCHASES	VARIOUS
T2933	SIERRA PRINTERS, INC.	133,291.20	PROVIDER DIRECTORIES	PROVIDER RELATIONS
T4331	VERCEND TECHNOLOGIES, INC.	132,225.00	2ND YR - ANNUAL LICENSE FEES	HEALTH SERVICES-QI
T4686	CENTRIC HEALTH	127,459.40	COMMUNITY BENEFIT PROGRAM GRANT	COMMUNITY GRANTS
T4396	KAISER FOUNDATION HEALTH-DMHO	122,715.06	EMPLOYEE HEALTH BENEFITS	VARIOUS
T4165	SHI INTERNATIONAL CO.	122,288.76	VMMARE VSPHERE SUPPORT/SUBSCRIPTION, 2017 PORTFOLIO MAINTENANCE, CISCO UNIFIED COMMUNICATIONS SOFTWARE/MAINTENANCE	MIS INFRASTRUCTURE & CAPITAL PROJECT IN PROCESS.
T1183	MILLIMAN USA	112,656.62	CY2016 RDT, 2018 RATE SUPPORT, AND VALUE-BASED PURCHASING ANALYSIS	ADMINISTRATION
T2837	TOYS/BABIES R US	110,076.99	WELL CHILD & PREGNANCY INCENTIVE PROGRAM	HEALTH EDUCATION
T4685	NATIONAL GIFT CARD CORP	100,272.90	HOME HEALTH INCENTIVE PROGRAM	HOME HEALTH
T3473	PACIFIC HEALTH CONSULTING GROUP	99,000.00	CONSULTING SERVICES	PROJECT MANAGEMENT
T1960	LOCAL HEALTH PLANS OF CA, INC	96,810.36	2016/2017 FLAT YEARLY ASSESSMENT	ADMINISTRATION



Year to Date AP Vendor Report
Amount over \$10,000.00

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T2969	AMERICAN BUSINES MACHINES INC	90,205.34	HARDWARE AND MAINTENANCE	CORPORATE SERVICES
T4733	UNITED STAFFING ASSOCIATES	86,768.98	TEMPORARY HELP	VARIOUS
T2469	DST HEALTH SOLUTIONS, INC.	83,110.49	MHC SOFTWARE - LICENSE FEE, MAINTENANCE, AND SUPPORT & ADJUSTED CLINICAL GROUP SYSTEM	MIS INFRASTRUCTURE
T2292	CITY OF BAKERSFIELD	81,619.05	UTILITES-GARBAGE/SEWER FEES, PLAN FEES COMMERCIAL NEW BUILDING	VARIOUS
T4738	AMERICAN LOGISTICS COMPANY	79,710.25	2017 MEDICAL/NON MEDICAL TRANSPORTATION MEMBER BENEFIT	MEMBER SERVICES
T2562	CACTUS SOFTWARE LLC	76,977.53	ANNUAL CACTUS LICENSE & CONSULTING FEES	MIS INFRASTRUCTURE
T4664	TURNORTHE. LLC	76,686.27	HARDWARE - 2 NIMBLE STORAGE EXPANSION	CAPITAL PROJECT IN PROGRESS-C/MDM
T4698	INFINITY COMMUNICATIONS & CONSULTING, INC.	76,500.00	TECHNICAL BUILDING ARCHITECTURAL CONSULTING	CAPITAL PROJECT-NEW BUILDING
T3084	KERN COUNTY-COUNTY COUNSEL	75,244.20	LEGAL FEES	ADMINISTRATION
T4609	GREGORY D. BYNUM AND ASSOCIATES, INC	69,702.87	NEW BUILDING DEVELOPMENT OVERHEAD FEES	CAPITAL PROJECT-NEW BUILDING
T4603	ECFIRST.COM	67,022.29	PROFESSIONAL SERVICES -INFORMATION SYSTEM SECURITY	CAPITAL PROJECT IN PROCESS
T4290	S.C. ANDERSON, INC.*****	66,000.00	PRE-CONSTRUCTION SERVICES	CAPITAL PROJECT-NEW BUILDING
T4059	KERN VALLEY HEALTH CARE DISTRICT	64,824.45	2015-2016 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T4054	ASSOCIATION FOR COMMUNITY AFFILIATED PLANS	61,926.00	2017 ACAP DUES	ADMINISTRATION



Year to Date AP Vendor Report
Amount over \$10,000.00

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T4294	PAOLA DELGADO DBA J. SERVICES JANITORIAL	60,110.00	MAINTENANCE-JANITORIAL SERVICES	CORPORATE SERVICES
T4537	BURKE, WILLIAMS & SORENSEN, LLP	59,500.01	LEGAL FEES	CAPITAL PROJECT-NEW BUILDING
T4587	MCINTOSH & ASSOCIATE	55,653.95	PROFESSIONAL SERVICES	CAPITAL PROJECT-NEW BUILDING
T4740	HEALTHCARE SCOUTS, INC	55,298.26	RECRUITMENT/DIRECT HIRE-DISEASE MANAGEMENT RN S. COLLINS & C. BARNETT CLINICAL INTAKE COORDINATOR RN I	HUMAN RESOURCES
T4386	STACY POEHLMAN	53,590.60	PROFESSIONAL SERVICES	PROVIDER RELATIONS
T4652	BAKERSFIELD SYMPHONY ORCHESTRA	53,572.00	SPONSORSHIP & BOARD MEETING LUNCH	MARKETING
T4688	VANGUARD MEDICAL CORPORATION	53,481.89	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T2446	AT&T MOBILITY	53,046.62	CELLULAR PHONE	MIS INFRASTRUCTURE
T4561	SRI & SHARMA, LLC	52,500.00	PARKING SPACE RENTAL	CORPORATE SERVICES
T4653	FORMS ON FIRE, INC.	50,993.75	SOFTWARE SUBSCRIPTION/MAINTENANCE & SUPPORT	HE-QI
T4778	CLINICA LA VICTORIA A MEDICAL CORP	49,880.89	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS & 2016 SPRING HEALTH FAIR SPONSORSHIP	COMMUNITY GRANTS
T4678	XEROX STATE HEALTHCARE, LLC	48,975.00	CONSULTING SERVICES	PROVIDER RELATIONS
T4415	DANIELLS PHILLIPS VAUGHAN AND BOCK	48,210.00	2016 AUDIT FEES	ADMINISTRATION
T1128	HALL LETTER SHOP, INC	47,986.47	NEW MEMBER LETTER/ENVELOPES, MEMBER HANDBOOKS, CLINICAL CARE MANUAL FOR HH, NEW MEMBER PKT.	VARIOUS



Year to Date AP Vendor Report
Amount over \$10,000.00

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T4405	SMARTERP SOLUTIONS, INC.	47,305.84	2017 CONSULTING FEES	CAPITAL PROJECTS IN PROCESS
T3986	JACQUELYN S. JANS	45,285.00	CONSULTING FOR KHS PUBLIC IMAGE CAMPAIGN	MARKETING
T4563	SPH ANALYTICS	43,535.00	2017 MEMBER/PROVIDER SATISFACTION	MEMBER SERVICES
T4707	SHAFTER PEDIATRICS	43,337.07	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS & 2016 SPRING HEALTH FAIR SPONSORSHIP	COMMUNITY GRANTS
T1957	MERCY FOUNDATION-BAKERSFIELD	42,500.00	DAVINCI CAMPAIGN SPONSORSHIP & 2018 HEALTH COVERAGE DAY SPONSORSHIP.	ADMINISTRATION
T4501	ALLIED UNIVERSAL SECURITY SERVICES	42,446.00	BUILDING SECURITY & PATROLING SERVICES	CORPORATE SERVICES
T4694	KELLY SERVICES, INC.	41,176.14	TEMPORARY HELP & DIRECT HIRE FEES	VARIOUS
T3449	CDW GOVERNMENT	41,018.76	HARDWARE AND LICENSES	MIS INFRASTRUCTURE
T2941	KERN PRINT SERVICES INC.	40,426.95	OTHER PRINTING COSTS, ENVELOPES, LETTERHEAD	VARIOUS
T1180	LANGUAGE LINE SERVICES INC.	40,114.04	INTERPRETATION SERVICES	MEMBER SERVICES
T4479	BAKERSFIELD PEDIATRICS, A MEDICAL GROUP	40,111.42	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS & 2016 SPRING HEALTH FAIR SPONSORSHIP	COMMUNITY GRANTS
T4861	PARIKSHAT SHARMA INC.*****	40,111.42	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T4483	PREMIER VALLEY MEDICAL GROUP	40,000.00	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T4690	RONNIE CLAIBORNE A PROFESSIONAL CORPORATION	39,325.05	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS & 2016 SPRING HEALTH FAIR SPONSORSHIP	COMMUNITY GRANTS



Year to Date AP Vendor Report
Amount over \$10,000.00

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T4737	TEKSYSTEMS, INC.	39,198.72	DIRECT HIRE- K. YEBUAH, DATA ANALYTICS AND REPORTING, SUPERVISOR	HUMAN RESOURCES
T2580	GOLDEN EMPIRE TRANSIT DISTRICT	37,922.00	DAILY AND MONTHLY PASSES GET BUS PASSES	MEMBER SERVICES
T2441	LAURA J. BREZINSKI	37,264.00	MATERIAL DESIGN	VARIOUS
T4052	RAHUL SHARMA*****	36,768.80	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T4607	AGILITY RECOVERY SOLUTIONS INC.	36,288.00	DISASTER RECOVERY AND BUSINESS CONTINUITY	AIS
T1404	CALIFORNIA ASSOCIATION OF HEALTH PLANS	35,194.00	2017 ANNUAL DUES ASSESSMENT & ANNUAL CONFERENCE REGISTRATION	ADMINISTRATION
T4749	ST. JOHN CRITICAL CARE MEDICAL GROUP INC.	35,000.00	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T1032	THE BAKERSFIELD CALIFORNIAN	34,995.40	EMPLOYMENT AD	HUMAN RESOURCES
T2955	DELTA ELECTRIC INC.	34,880.29	BUILDING MAINTENANCE	CORPORATE SERVICES
T3378	CARRIER CORPORATION	34,357.04	BUILDING MAINTENANCE	CORPORATE SERVICES
T4634	EXECUTIVE STAFFING SOLUTIONS	34,000.00	RECRUITMENT FEES	HUMAN RESOURCES
T4812	COMPREHENSIVE WOUND CARE	33,426.18	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T2234	HASMUKH AMIN MD	33,425.20	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T4646	LOOKINGPOINT, INC.	33,337.57	CONSULTING SERVICES	CAPITAL PROJECT IN PROCESS
T4594	MEDVERSANT TECHNOLOGIES, LLC	33,000.00	CONSULTING SERVICES	PROVIDER RELATIONS



Year to Date AP Vendor Report
Amount over \$10,000.00

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T3076	SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY	32,895.80	2016-2017 ANNUAL WORKERS' COMPENSATION	VARIOUS
T2676	WEST COAST MAINTENANCE	32,433.80	JANITORIAL SERVICES	CORPORATE SERVICES
T2850	QUEST SOFTWARE INC.	32,296.50	SPOTLIGHT ON SQL SERVER-LICENSE MAINTENANCE	CAPITAL PROJECT-IN PROGRESS
T2790	KERN COUNTY DEPT OF PUBLIC HEALTH	32,248.00	FLU CLINIC SPONSORSHIPS	MARKETING
T4228	THE SSI GROUP, LLC	31,965.20	EDI CLAIM PROCESSING	CLAIMS
T4183	LAMAR ADVERTISING OF BAKERSFIELD	31,225.00	OUTDOOR ADVERTISEMENT-BILLBOARDS	ADVERTISING
T4503	VISION SERVICE PLAN	30,925.80	EMPLOYEE BENEFITS-VISION	VARIOUS
T4683	CLAUDIA M. BACA	29,978.92	CONSULTING SERVICES	PROJECT MANAGEMENT
T4496	VOX NETWORK SOLUTIONS	29,976.00	WORKFORCE MANAGEMENT ADVANCED PACKAGE	MIS INFRASTRUCTURE
T2755	VELOCITY PARTNERS, LLC	29,376.00	CONSULTING FEES FOR CLAIMS WORKFLOW, UM REMOTE NURSE, QI WORKFLOW, MEMBERSHIP, AUDIT, AND CORE PROJECT	MIS INFRASTRUCTURE
T4674	STOCKDALE PLAZA OWNERS ASSOCIATION INC	29,250.00	PARKING SPACE RENTAL	CORPORATE SERVICES
T3990	SPARKLETTS INC.	28,640.73	DRINKING WATER, WATER COOLER RENTALS	CORPORATE SERVICES
T4433	MICRO-DYN MEDICAL SYSTEMS, INC.	28,580.00	APR-DRG GROUPER SOFTWARE/LICENSE	MIS INFRASTRUCTURE
T4739	SECURITAS SECURITY SERVICES USA, INC.	28,430.88	SECURITY SERVICES	CORPORATE SERVICES
T3454	DEPARTMENT OF MANAGED HEALTH CARE	27,500.00	DMCH ENFORCEMENT MATTER 16-1626 & 17-558	ADMINISTRATION
T4544	BARNERS WEALTH MANAGEMENT GROUP	26,376.00	RETIREMENT PLAN CONSULTANT	ADMINISTRATION
T1022	UNUM LIFE INSURANCE CO.	26,354.66	EMPLOYEE LONG TERM AND LIFE INSURANCE	PAYROLL DEDUCTION

KERN·HEALTH SYSTEMS

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Amount over \$10,000.00

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T4384	PINNACLE PRIMARY CARE, INC.	26,062.26	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T1347	ADVANCED DATA STORAGE	24,494.01	OFF SITE STORAGE SERVICES	CORPORATE SERVICES
T4239	COAST TO COAST COMPUTER	22,622.10	OFFICE SUPPLIES - TONERS	CORPORATE SERVICES
T4708	HEALTH MANAGEMENT ASSOCIATES, INC.	22,470.00	CONSULTING FEES	PROVIDER RELATIONS
T4640	REGAL CINEMEDIA CORP	22,140.00	MEMBER INCENTIVE PROGRAM	HE-QI
T4801	ZEAL STAFFING LLC, DBA Z STAFFING	21,247.69	TEMPORARY HELP	VARIOUS
T4497	SKILLSOFT CORPORATION	20,836.93	YEAR 2 OF 3 -LICENSE FEE FOR ONLINE TRAINING	HUMAN RESOURCES
T4385	EARLA E. QUISIDO MD DBA CLINICA DEL PUEBLO	19,396.24	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T1644	BRIGHT HOUSE NETWORK	17,789.95	INTERNET SERVICES	MIS INFRASTRUCTURE
T4585	DELANO UNION SCHOOL DISTRICT	17,500.00	WELLNESS PROGRAM GRANT	HEALTH EDUCATION
T4605	KERNVILLE UNION SCHOOL DISTRICT	17,500.00	WELLNESS PROGRAM GRANT	HEALTH EDUCATION
T4611	LAMONT SCHOOL DISTRICT	17,500.00	WELLNESS PROGRAM GRANT	HEALTH EDUCATION
T4798	KERN HIGH SCHOOL DISTRICT	17,500.00	WELLNESS PROGRAM GRANT	HEALTH EDUCATION
T4802	KERN COUNTY SUPERINTENDENT OF SCHOOLS	17,500.00	WELLNESS PROGRAM GRANT	HEALTH EDUCATION
T4230	COFFEE BREAK SERVICE, INC.	16,556.48	MISC. SUPPLIES-COFFEE, CREAMER, WATER	CORPORATE SERVICES
T4768	HEALTHCARE SUPPORT STAFFING, INC	16,224.00	DIRECT HIRE- ANDREA TYSON UM MEDICAL CLAIMS & DISPUTES REVIEW RN	HUMAN RESOURCES
T4521	PAYSCALE, INC.	16,000.00	ANNUAL INSIGHT PREMIER SUBSCRIPTION	HUMAN RESOURCES
T3065	CAREERBUILDER, LLC	15,750.00	EMPLOYEE RECRUITMENT - JOB POSTING	HUMAN RESOURCES



Year to Date AP Vendor Report
Amount over \$10,000.00

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T3130	OPTUMINSIGHT, INC.	15,750.00	ACCESSIBILITY ANALYST FOR METROPOLITAN AND RURAL MEMBERS	PROVIDER RELATIONS
T3515	DOUGLAS HAYWARD	15,522.50	CAP-EX PROGRAM FUNDING REIMBURSEMENT & MISC REIMBURSEMENTS	ADMINISTRATION
T3010	CORE BUSINESS INTERIORS	15,488.87	FURNITURE--(3) DESK FOR TRUXTUN, (16) CHAIRS, (1) STAND WORKSTATION	CORPORATE SERVICES
T3513	FOUR POINTS BAKERSFIELD	14,959.94	P4P PROVIDER DINNER & MANDATORY PRE-BID MEETING FOR ALL TRADES	PROVIDER RELATIONS & CAPITAL PROJECT - NEW BUILDING
T4417	KAISER FOUNDATION HEALTH PLAN	14,840.28	EMPLOYEE HEALTH BENEFITS	HE-UM
T4016	FIRST DATABANK, INC	14,770.00	NATIONAL DRUG CODE SOFTWARE SUBSCRIPTION LICENSE	MIS INFRASTRUCTURE
T1094	DIANNA BRIGHT	14,647.50	CONSULTING SERVICES	FINANCE
T4425	PRO RESTORATION SERVICES INC.	14,429.09	BUILDING IMPROVEMENT - STRUCTURAL REPAIRS	CORPORATE SERVICES
T4731	LOGMEIN USA, INC.	14,146.16	SOFTWARE LICENSE-GOTOMEETING	MIS INFRASTRUCTURE
T4852	FLORITA BENAVIDES****	14,087.89	CONSULTING SERVICES	PROVIDER RELATIONS
T2840	ATALASOFT, INC.	14,040.00	SOFTWARE SUPPORT & MAINTENANCE FOR DOTIMAGE	MIS INFRASTRUCTURE
T4610	EVERBRIDGE, INC	13,950.00	TEXTING SOLUTION FOR HEALTH EDUCATION AND DISEASE MANAGEMENT MEMBERS	MIS INFRASTRUCTURE



Year to Date AP Vendor Report
Amount over \$10,000.00

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T1263	THE GAS COMPANY	13,438.10	UTILITIES	CORPORATE SERVICES
T4038	POLYCLINIC MEDICAL CENTER, INC	13,350.39	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T1694	KERN COUNTY FAIR	13,230.00	2017 EMPLOYEE EVENT	ADMINISTRATION
T1996	SEQUOIA SANDWICH CO	13,207.90	MEETING FOOD EXPENSES	VARIOUS
T4732	COFFEE SURGERY CENTER, LLC	12,929.50	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T4663	DEVELOPMENT DIMENSIONS INTERNATIONAL	12,820.54	TRAINING MATERIAL	HUMAN RESOURCES
T4747	SYED ALAM, M.D., INC.	12,500.00	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T2796	TELERIK INC	12,497.29	DEV/CRAFT DEVELOPER LICENSE/SUBSCRIPTION	MIS INFRASTRUCTURE
T2407	KAISER FOUNDATION HEALTH	12,441.36	COBRA-INSURANCE	PAYROLL DEDUCTION
T2938	SAP AMERICA, INC	12,308.32	2017/2018 BUSINESS OBJECTS ANNUAL MAINTENANCE	MIS INFRASTRUCTURE
T4265	SIERRA SCHOOL EQUIPMENT COMPANY*****	12,262.96	26 ERGONOMIC CHAIRS	CORPORATE SERVICES
T1152	MICHAEL K. BROWN LANDSCAPE INC.	12,298.21	BUILDING MAINTENANCE	CORPORATE SERVICES
T4060	HODEL'S DEVELOPMENTCORPORATION	12,122.03	EMPLOYEE EVENTS EXPENSES & GROUNDBREAKING EVENT CATERING	MARKETING
T1742	CHANNING L. BETE CO., INC	11,720.70	MEMBER EDUCATION MATERIALS	HE-QI
T2505	DERREL'S MINI STORAGE, INC.	11,664.40	OFF SITE STORAGE	CORPORATE SERVICES



Year to Date AP Vendor Report
Amount over \$10,000.00

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T4681	THOMSON REUTERS (GRC) INC.	11,591.50	SUBSCRIPTION- TRAINING MATERIAL/SOFTWARE	HUMAN RESOURCES
T4523	BERKSHIRE LIFE INSURANCE COMPANY OF AMERICA	11,379.89	LONG- TERM DISABILITY	ADMINISTRATION
T4742	SIERRA WEST CONSULTING GROUP, INC.	11,240.00	SCHIMATIC DESIGN PHASE	CAPITAL PROJECT-NEW BUILDING
T3469	CPACINC.COM INC	11,190.56	SOFTWARE MAINTENANCE- MICROSOFT SQL, JUNIPER SUPPORT/MAINTENANCE	MIS INFRASTRUCTURE
T2627	CAPITAL ONE COMMERCIAL	10,631.46	CREDIT CARD-SUPPLIES FOR EMPLOYEE/MEMBER/ EVENTS & MISCELLANEOUS PURCHASES	VARIOUS
T4839	AGILE FOR ALL, LLC	10,500.00	AGILE ONSITE 2-DAY TRAINING	MIS INFRASTRUCTURE
T4268	TRENDWAY CORPORATION	10,398.30	3RD FLOOR ADD ON WALLS-HE & CLAIMS	CORPORATE SERVICES
T2787	SAGE SOFTWARE, INC	10,395.00	SAGE 300 ACCOUNTING SOFTWARE	FINANCE
T4297	PREGMATIC WORKS SOFTWARE	10,203.75	BiXPRESS SOFTWARE LICENSE, SUPPORT, & MAINTENANCE	CAPITAL PROJECT IN PROCESS
T4748	HANY AZIZ, M.D. INC.	10,027.86	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T4867	ATUL AGGARWAL MD CARDIOLOGY CLINIC****	10,027.86	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T2844	MARCH OF DIMES	10,000.00	2017 MARCH OF DIMES SPONSORSHIP	VARIOUS
		<u>32,423,648.81</u>		
	TOTAL VENDORS OVER \$10,000	32,423,648.81		
	TOTAL VENDORS UNDER \$10,000	851,833.02		
	TOTAL VENDOR EXPENSES-Dec.	<u>33,275,481.83</u>		

Note:
*****New vendors over \$10,000 for the month of December.

KERN • HEALTH SYSTEMS

January AP Vendor Report
Amount over \$10,000.00

Vendor No.	Vendor Name	Current Month	Description	Department
T1045	KAISER FOUNDATION HEALTH	394,714.03	EMPLOYEE HEALTH BENEFITS	VARIOUS
T4738	AMERICAN LOGISTICS COMPANY, LLC	344,577.10	SEPT., OCT., & NOV., MEDICAL/NON MEDICAL TRANSPORTATION MEMBER BENEFIT	MEMBER SERVICES
T4391	OMNI FAMILY HEALTH	332,708.68	2016-2018 COMMUNITY GRANT-HEALTH HOME GRANT	COMMUNITY GRANTS
T2167	PG&E	282,106.53	ANNUAL TRUE-UP FOR 2017 USAGE/UTILITIES	CORPORATE SERVICES
T2469	DST HEALTH SOLUTIONS, INC.	116,800.00	2018 MHC SOFTWARE - LICENSE FEE, MAINTENANCE, AND SUPPORT & ADJUSTED CLINICAL GROUP SYSTEM	MIS INFRASTRUCTURE
T4350	COMPUTER ENTERPRISE INC.	109,040.00	NOV., & DEC., 2017 CONSULTING SERVICES	CAPITAL PROJECT IN PROGRESS
T2726	DST PHARMACY SOLUTIONS, INC	90,442.99	DEC. PHARMACY AND CLAIMS PROCESSING	PHARMACY
T4237	FLUIDEDGE CONSULTING	82,035.25	NOV., & DEC., 2017 CONSULTING SERVICES TO UPDATE STANDARD BUSINESS REPORTING.	VARIOUS
T4054	ASSOCIATION FOR COMMUNITY AFFILIATED PLANS	65,000.00	2018 ACAP DUES	ADMINISTRATION
T3460	THE GUARDIAN LIFE INSURANCE CO.	57,730.23	JAN. VOLUNTARY LIFE AD&D, DENTAL INSURANCE	VARIOUS
T1183	MILLIMAN USA	53,851.63	CY2016 RDT, 2018 RATE SUPPORT, AND VALUE-BASED PURCHASING ANALYSIS	ADMINISTRATION
T1408	DELL MARKETING L.P.	41,667.37	HARDWARE- 6- LATITUDE E5480, 1 DELL SMART PRINTER, 6510, 20 OPTIPLEX 3050 DESKTOPS	MIS INFRASTRUCTURE



January AP Vendor Report
Amount over \$10,000.00

Vendor No.	Vendor Name	Current Month	Description	Department
T1957	MERCY FOUNDATION-BAKERSFIELD	37,500.00	DAVINCI CAMPAIGN SPONSORSHIP	ADMINISTRATION
T2287	CALIFORNIA WATER SERVICE	36,602.65	UTILITIES - NEW BUILDING SERVICES	CAPITAL PROJECT-NEW BUILDING
T4421	JON SLAGLE	35,911.50	ADVERTISING CAMPAIGN - 50% DEPOSIT	MARKETING
T4546	LEVEL 3 COMMUNIATIONS, LLC	34,685.17	DEC. 2017 DISASTER RECOVERY, INTERNET, LONG DISTANCE CALLS	MIS INFRASTRUCTURE
T1404	CALIFORNIA ASSOCIATION OF HEALTH PLANS	33,909.00	2018 ANNUAL DUES ASSESSMENT	ADMINISTRATION
T2584	UNITED STATES POSTAL SVC.-HASLER	30,000.00	POSTAGE-METERED	VARIOUS
T4308	TRUXTUN PLACE PARTNERS	28,527.85	TRUXTUN- JAN. LEASE AND NOV. UTILITIES EXPENSE	CORPORATE SERVICES
T4695	EDIFECs, INC.	27,200.00	DEC. 2017 CONSULTING SERVICES	CAPITAL PROJECT IN PROCESS
T4193	TECHNOSOCIALWORK.COM	25,983.21	DEC. 2017 OCR SERVICES AND PROFESSIONAL SERVICES FOR ICD-10 PROJECT	CLAIMS
T4685	NATIONAL GIFT CARD CORP	25,275.74	HOME HEALTH INCENTIVE PROGRAM-PREFUND INVOICE AND MAYA CINEMA GIFT CARDS	HOME HEALTH
T2292	CITY OF BAKERSFIELD	12,432.64	METROPOLITAN BAKERSFIELD HABITAT CONSERVATION PLAN FEES FOR GRADING PLAN & MONTHLY GARBAGE FEES AND SEWER FEES	VARIOUS
T2933	SIERRA PRINTERS, INC.	19,768.78	MEMBER EDUCATION MATERIAL	MEMBER SERVICES



January AP Vendor Report
Amount over \$10,000.00

Vendor No.	Vendor Name	Current Month	Description	Department
T3449	CDW GOVERNMENT	19,244.17	HARDWARE AND LICENSES - 20 ADOBE ACR0 LICENSES, 15 CISCO IP PHONES & LICENSES, 1 PROJECTOR	MIS INFRASTRUCTURE
T4747	SYED ALAM, M.D. INC.	17,500.00	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T2961	SOLUTION BENCH, LLC	15,730.00	M-FILES LICENSES & MAINTENANCE	MIS INFRASTRUCTURE
T3011	OFFICE ALLY, INC.	14,531.50	DEC. 2017 EDI CLAIM PROCESSING	CLAIMS
T4396	KAISER FOUNDATION HEALTH-DMHO	14,513.89	JAN. EMPLOYEE HEALTH BENEFITS	VARIOUS
T4467	MEDISOFTX, LLC.	14,274.18	DEC. 2017 PROFESSIONAL SERVICES-HOME HEALTH PROJECT	CAPITAL PROJECT IN PROGRESS
T4384	PINNACLE PRIMARY CARE, INC.	14,049.16	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T2707	ACT 1 PERSONNEL SERVICES, INC.	14,039.41	TEMPORARY HELP - 1 PR, 2 MIS, 2 MS	VARIOUS
T2840	ATALASOFT, INC.	13,596.00	2018 SOFTWARE SUPPORT & MAINTENANCE FOR DOTIMAGE	MIS INFRASTRUCTURE
T4698	INFINITY COMMUNICATIONS & CONSULTING, INC.	13,500.00	TECHNICAL BUILDING ARCHITECTURAL CONSULTING PHASE I	CAPITAL PROJECT-NEW BUILDING
T4538	CHANGE HEALTHCARE SOLUTIONS, LLC	13,297.67	DEC. 2017 EDI CLAIM PROCESSING	CLAIMS
T2837	TOYS/BABIES R US	13,003.73	WELL CHILD & PREGNANCY INCENTIVE PROGRAM	HEALTH EDUCATION
T1861	CEREDIAN BENEFITS SERVICES	12,783.46	JAN. DAYFORCE HUMAN CAPITAL MANAGEMENT IMPLEMENTATION & AMENDMENTS	HUMAN RESOURCES
T4198	LAW OFFICES OF CARL SHUSTERMAN	12,320.00	LEGAL SERVICES- H-1B D. YAVAD & M. KUMAR	ADMINISTRATION

KERN HEALTH SYSTEMS

January AP Vendor Report
Amount over \$10,000.00

Vendor No.	Vendor Name	Current Month	Description	Department
T2413	TREK IMAGING INC	12,296.53	PROMOTIONS - MEMBER GIVEAWAYS,MONTHLY MAILER PROJECT, & EMPLOYEE PROGRAMS	VARIOUS
T4168	RELAYHEALTH	11,745.30	NOV., 2017 EDI CLAIM PROCESSING	CLAIMS
T1071	CLINICA SIERRA VISTA	11,551.95	OCT. 2017 MEDICAL RESPITE PROGRAM	COMMUNITY GRANTS
T4460	PAYSPAN, INC	10,350.00	IMPLEMENTATION FEE FOR INCENTIVE CARD PROGRAM	MEMBER SERVICES
T4699	Z6OMEGA, INC.	10,256.81	IMPLEMENTATION OF MEDICAL MANAGEMENT PLATFORM	CAPITAL PROJECT-CASE MANAGEMENT/DISEASE MANAGEMENT
T4707	SHAFTER PEDIATRICS	10,144.82	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS & 2016 SPRING HEALTH FAIR SPONSORSHIP	COMMUNITY GRANTS
		<u><u>2,587,198.93</u></u>		
	TOTAL VENDORS OVER \$10,000	2,587,198.93		
	TOTAL VENDORS UNDER \$10,000	270,481.18		
	TOTAL VENDOR EXPENSES-Jan.	<u><u>2,857,680.11</u></u>		

Vendor Name	Contract Amount	Budgeted	Department	Department Head	Services that this vendor will provide to KHS	Effective Date	Termination Date
January							
Jacquelyn Jans	\$50,004.00	Yes	MRK	Louie Iurriria	Marketing and corporate image consulting	1/1/2018	12/31/2018
Poppyrock	\$36,000.00	Yes	MRK	Louie Iurriria	Graphic design services	1/1/2018	12/31/2018
Medisoft, Rx	\$84,680.00	Yes	IT	Richard Pruitt	Software solutions for HHP	1/1/2018	6/30/2018
J Services	\$90,120.00	Yes	CS	Alonso Hurtado	Janitorial services	1/1/2018	12/31/2018
February							
Gaine Solutions, Inc.	\$80,000.00	Yes	PR	Emily Duran	Provider directory data verification for SB 137	2/9/2018	2/8/2019
Century Link/Level 3	\$68,059.08	Yes	IT	Richard Pruitt	Internet services in Fresno for DR site	2/9/2018	2/19/2019

