KERN HEALTH SYSTEMS

REGULAR MEETING OF THE BOARD OF DIRECTORS

Thursday, April 13, 2017
at
8:00 A.M.

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

The public is invited.

For more information - please call (661) 664-5000.

AGENDA

BOARD OF DIRECTORS

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

Regular Meeting
Thursday, April 13, 2017

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 BOARD MEETINGS.

BOARD TO RECONVENE

Directors: Rhoades, McGlew, Deats, Hoffmann, Brar, Casas, Hinojosa, Judd, Melendez, Nyitray, Patrick, Stewart

ADJOURN TO CLOSED SESSION

CLOSED SESSION

1) Request for Closed Session regarding peer review of a provider (Welfare and Institutions Code Section 14087.38(o)) –

8:15 A.M.

BOARD TO RECONVENE

REPORT ON ACTIONS TAKEN IN CLOSED SESSION

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 BOARD 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 BOARD CONCERNING THE ITEM BEFORE ACTION IS TAKEN.

STAFF RECOMMENDATION SHOWN IN CAPS

PUBLIC PRESENTATIONS

2) This portion of the meeting is reserved for persons to address the Board on any matter not on this agenda but under the jurisdiction of the Board. Board 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 Board at a later meeting. Also, the Board 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!

BOARD MEMBER ANNOUNCEMENTS OR REPORTS

3) On their own initiative, Board 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-4) Minutes for Kern Health Systems Board of Directors regular meeting on February 9, 2017 (Fiscal Impact: None) –
APPROVE

CA-5) Minutes for Kern Health Systems Board of Directors special meeting on February 9, 2017 (Fiscal Impact: None) –
APPROVE

CA-6) Kern County Board of Supervisors reappointment of Larry Rhoades, Third District Community Representative Member, for term expiring April 21, 2019 (Fiscal Impact: None) –
RECEIVE AND FILE

7) Report by Daniells Phillips Vaughan & Bock CPAs & Advisors on the audited financial statements of Kern Health Systems for the year ending December 31, 2016 (Fiscal Impact: None) –
APPROVE

8) Proposed Agreement with American Logistics Company, LLC, for the Administration of the Non-Emergency Medical Transportation Services, from April 17, 2017 through April 17, 2019 (Fiscal Impact: $303,360 estimated annually; Budgeted) –
APPROVE; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN

9) Report on Kern Health Systems Relocation Committee (Fiscal Impact: None)
RECEIVE AND FILE

CA-10) Report on Kern Health Systems operational dashboard (Fiscal Impact: None) –
RECEIVE AND FILE

CA-11) Report on Kern Health Systems strategic plan for the first quarter ending March 31, 2017 and 2017 Retreat Announcement (Fiscal Impact: None) –
RECEIVE AND FILE

12) Proposed Kern Health Systems Employee Benefits Adjustment (Fiscal Impact: $296,000; Budgeted) –
APPROVE

CA-13) Report on Department of Managed Health Care SPD Audit Results for the period August 1, 2015 to July 31, 2016 (Fiscal Impact: None) –
RECEIVE AND FILE

CA-14) Proposed retroactive Amendment A12 to Agreement 03-75798 with the Department of Health Care Services, to extend the contract term to December 31, 2020 (Fiscal Impact: None) –
RETROACTIVE APPROVAL; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN

15) Report on Kern Health Systems Financial Statements for December 2016 and January 2017 (Fiscal Impact: None) –
RECEIVE AND FILE

16) Kern Health Systems Health Services report (Fiscal Impact: None) –
RECEIVE AND FILE

17) Kern Health Systems Chief Executive Officer report (Fiscal Impact: None) – RECEIVE AND FILE

CA-18) Proposed Kern Health Systems provider contracts (rates confidential per Welfare and Institutions Code Section 14087.38(m)) – APPROVE; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN

CA-19) Report on Accounts Payable Vendor Report, Administrative Contracts under $100,000-budgeted and $50,000-nonbudgeted, and non-claims paid through QNXT system for December 2016 and January 2017 (Fiscal Impact: None) – RECEIVE AND FILE

CA-20) Proposed modifications to Kern Health Systems formulary (Fiscal Impact: None) – APPROVE

CA-21) Proposed modifications to Kern Health Systems formulary (Fiscal Impact: None) – APPROVE

CA-22) Miscellaneous Documents – RECEIVE AND FILE

A) Minutes for KHS Finance Committee meeting on February 3, 2017

ADJOURN TO THURSDAY, JUNE 8, 2017 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 Board of Directors 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

BOARD OF DIRECTORS

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

Regular Meeting
Thursday, February 9, 2017

8:00 A.M.

BOARD RECONVENED AT 8:00 A.M.

Directors present: Rhoades, McGlew, Deats, Hoffmann, Brar, Casas, Hinojosa, Judd, Melendez, Nyitray, Patrick, Stewart

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

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

BOARD ACTION SHOWN IN CAPS

ADJOURN TO CLOSED SESSION
Patrick

CLOSED SESSION

1) Request for Closed Session regarding peer review of a provider (Welfare and Institutions Code Section 14087.38(o)) – SEE RESULTS BELOW

2) CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION (Government Code sections 54956.9(d)(2), 54956.9(e)(1)) Number of cases: Two (2) Significant exposure to litigation in the opinion of the Board on the advice of legal counsel, based on: Facts and circumstances that might result in litigation against KHS but that the Board believes are not yet known to a potential plaintiff or plaintiffs, which facts and circumstances need not be disclosed - SEE RESULTS BELOW

9:00 A.M.

BOARD RECONVENED AT 9:00 A.M.

ADJOURN TO SPECIAL MEETING AT 9:05 A.M.
Patrick/Stewart

BOARD RECONVENED

REPORT ON ACTIONS TAKEN IN CLOSED SESSION –

Item No. 1 concerning a Request for Closed Session regarding peer review PROVIDERS RECOMMENDED FOR INITIAL CREDENTIALING **JANUARY 2017** of a provider (Welfare and Institutions Code Section 14087.38(o)) – HEARD; BY A UNANIMOUS VOTE OF THOSE DIRECTORS PRESENT, THE BOARD APPROVED ALL PROVIDERS RECOMMENDED FOR INITIAL CREDENTIALING; DIRECTOR DEATS ABSTAINED FROM VOTING ON ORR, STARKEY; DIRECTOR HOFFMANN ABSTAINED FROM VOTING ON FONG BALART, GENCHI, WRIGHT; DIRECTOR JUDD ABSTAINED FROM VOTING ON ISSHAK IBRAHIM; DIRECTOR NYITRAY ABSTAINED FROM VOTING ON ISSHAK IBRAHIM; DIRECTOR STEWART ABSTAINED FROM VOTING ON FONG BALART, GENCHI

Item No. 1 concerning a Request for Closed Session regarding peer review PROVIDERS RECOMMENDED FOR INITIAL CREDENTIALING **FEBRUARY 2017** of a provider (Welfare and Institutions Code Section 14087.38(o)) – HEARD; BY A UNANIMOUS VOTE OF THOSE DIRECTORS PRESENT, THE BOARD APPROVED ALL PROVIDERS RECOMMENDED FOR INITIAL CREDENTIALING; DIRECTOR HOFFMANN ABSTAINED FROM VOTING ON ARREAZA, CHIQUILLO, PALACIOS; DIRECTOR JUDD ABSTAINED FROM VOTING ON COBOS, DO, RUSSIN; DIRECTOR NYITRAY ABSTAINED FROM VOTING ON BLANKENSHIP, WILLIAMS; DIRECTOR STEWART ABSTAINED FROM VOTING ON ARREAZA, CHIQUILLO, PALACIOS

Item No. 1 concerning a Request for Closed Session regarding peer review PROVIDERS RECOMMENDED FOR RECREDENTIALING **JANUARY 2017** of a provider (Welfare and Institutions Code Section 14087.38(o)) – HEARD; BY A UNANIMOUS VOTE OF THOSE DIRECTORS PRESENT, THE BOARD APPROVED ALL PROVIDERS RECOMMENDED FOR RECREDENTIALING; DIRECTOR HOFFMANN ABSTAINED FROM VOTING ON PEQUENO; DIRECTOR JUDD ABSTAINED FROM VOTING ON REAMICO; DIRECTOR STEWART ABSTAINED FROM VOTING ON PEQUENO, TAYLOR

Item No. 1 concerning a Request for Closed Session regarding peer review PROVIDERS RECOMMENDED FOR RECREDENTIALING **FEBRUARY 2017** of a provider (Welfare and Institutions Code Section 14087.38(o)) – HEARD; BY A UNANIMOUS VOTE OF THOSE DIRECTORS PRESENT), THE BOARD APPROVED ALL PROVIDERS RECOMMENDED FOR RECREDENTIALING; DIRECTOR HOFFMANN ABSTAINED FROM VOTING ON BRADFIELD, CLINICA SIERRA VISTA PHARMACY, FARRER, LEE'S BFMC PHARMACY, LEE'S CLINICAL PHARMACY, MING & H DRUGS; DIRECTOR JUDD ABSTAINED FROM VOTING ON LOPEZ, RIZKALLA, YANG; DIRECTOR MCGLEW ABSTAINED FROM VOTING ON DUGGAL, FARRER

Item No. 2 concerning CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION (Government Code sections 54956.9(d)(2), 54956.9(e)(1)) Number of cases: Two (2) Significant exposure to litigation in the opinion of the Board on the advice of legal counsel, based on: Facts and circumstances that might result in litigation against KHS but that the Board believes are not yet known to a potential plaintiff or plaintiffs, which facts and circumstances need not be disclosed - HEARD; NO REPORTABLE ACTION TAKEN

PUBLIC PRESENTATIONS

3) This portion of the meeting is reserved for persons to address the Board on any matter not on this agenda but under the jurisdiction of the Board. Board 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 Board at a later meeting. Also, the Board 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

BOARD MEMBER ANNOUNCEMENTS OR REPORTS

4) On their own initiative, Board 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))

DIRECTOR DEATS ANNOUNCED THAT TRICE HARVEY PASSED AWAY; HIS FUNERAL MASS IS TODAY AT NOON AT ST. FRANCIS OF ASSISI CHURCH; TRICE WAS A MAJOR PART OF OUR COMMUNITY AND SERVED VARIOUS POLIITICAL OFFICES; HE WILL BE MISS

DIRECTOR PATRICK ASKED IF STAFF OR THE BOARD CHAIRMAN HAD AN OPPORTUNITY TO TALK TO KEVIN MCCARTHY REGARDING THE AFFORADABLE CARE ACT AND THE NUMBER OF PEOPLE THAT WE SERVE IN THIS COUNTY; DOUGLAS HAYWARD STATED THAT HE HAS COMMUNICATED WITH MR. MCCARTHY'S OFFICE REGARDING SCHEDULDING A MEETING

CA-5) Minutes for Kern Health Systems Board of Directors regular meeting on December 15, 2016 (Fiscal Impact: None) –
APPROVED
Patrick-Judd: All Ayes

CA-6) Report on KHS investment portfolio for the fourth quarter ending December 31, 2016 (Fiscal Impact: None) –
RECEIVED AND FILED
Patrick-Judd: All Ayes

CA-7) Report on 2016 annual review of KHS Investment Policy (Fiscal Impact: None) –
RECEIVED AND FILED
Patrick-Judd: All Ayes

CA-8) Report on Kern Health Systems 2016 annual travel report (Fiscal Impact: None) –
RECEIVED AND FILED
Patrick-Judd: All Ayes

9) Report on CUPCCAA designation to approve hiring subcontractors in an amount not to exceed $175,000 per each contract; introduction of CUPCCAA Resolution and Enabling Ordinance –
APPROVED AND ADOPTED RESOLUTION; AUTHORIZED ENACTMENT OF ORDINANCE
Judd-Hoffmann: All Ayes

CA-10) Report on Kern Health Systems strategic plan for the fourth quarter ending December 31, 2016, and the 2016 annual Goals and Objectives (Fiscal Impact: None) –
RECEIVED AND FILED
Patrick-Judd: All Ayes

11) Proposed selection of consultant services, to assist in finalizing technical designs of the new data center, audio/visual conference rooms, physical security, and call center at the Sillect Ave site, in an amount not to exceed $200,000 (Fiscal Impact: $2000,000; Budgeted) –
APPROVED; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN AGREEMENT SUBJECT TO APPROVAL AS TO FORM BY COUNSEL
Stewart-Nyitray: All Ayes

CA-12) Proposed Amendment with Relay Health, a division of McKesson Technologies Inc., to process and submit electronic medical claims from providers and institutions directly to KHS, from March 21, 2017 through March 21, 2020 in an amount not to exceed $0.23 per claim (Fiscal Impact: $144,000 estimated annually; Budgeted) –
APPROVED; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN
Patrick-Judd: All Ayes

13) Report on Kern Health Systems 2017 Employee Work Place Satisfaction Survey (Fiscal Impact: None) –
RECEIVED AND FILED
Patrick-Hinojosa: All Ayes

CA-14) Proposed retroactive Amendment A23 to Agreement 03-76165 with Department of Health Care Services, to extend the contract term through December 31, 2020 (Fiscal Impact: None) –
APPROVED; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN
Patrick-Judd: All Ayes

NOTE: DIRECTOR JUDD LEFT THE DAIS AT 9:58 A.M. DURING THE DICUSSION OF ITEM 16 AND DID NOT RETURN

15) Report on Kern Health Systems Financial Statements for November 2016 (Fiscal Impact: None) –
RECEIVED AND FILED
Deats-Melendez: 11 Ayes; 1 Absent - Judd

CA-16) Report on Accounts Payable Vendor Report, administrative contracts under $100,000-budgeted and $50,000-nonbudgeted, and non-claims paid through MHC system for November 2016 (Fiscal Impact: None) –
RECEIVED AND FILED
Patrick-Judd: All Ayes

17) Kern Health Systems Health Services report (Fiscal Impact: None) –
RECEIVED AND FILED
Nyitray-Patrick: 11 Ayes; 1 Absent - Judd

18) Kern Health Systems Chief Executive Officer report (Fiscal Impact: None) –
RECEIVED AND FILED
Deats-Melendez: 11 Ayes; 1 Absent - Judd

CA-19) Proposed Kern Health Systems provider contracts (rates confidential per Welfare and Institutions Code Section 14087.38(m)) –
APPROVED; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN
Patrick-Judd: All Ayes

CA-20) Proposed reappointments of members to Kern Health Systems Pharmacy & Therapeutics Committee (Fiscal Impact: None) –
MADE APPOINTMENTS
Patrick-Judd: All Ayes

CA-21) Miscellaneous Documents –
RECEIVED AND FILED
Patrick-Judd: All Ayes

A) Minutes for KHS Finance Committee meeting on December 9, 2016

ADJOURN TO THURSDAY, APRIL 13, 2017 AT 8:00 A.M.
Deats

/s/ Kimberly Hoffmann, Pharm.D., BCPP
Secretary, Board of Directors
Kern Health Systems

SUMMARY

BOARD OF DIRECTORS

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

Special Meeting
Thursday, February 9, 2017

9:05 A.M.

BOARD CONVENED SPECIAL MEETING AT 9:05 A.M.

Directors present: Rhoades, McGlew, Deats, Hoffmann, Brar, Casas, Hinojosa, Judd, Melendez, Nyitray, Patrick, Stewart

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

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

BOARD ACTION SHOWN IN CAPS

PUBLIC PRESENTATIONS

1) This portion of the meeting is reserved for persons to address the Board on any matter which has been described in the notice (agenda) for the meeting before or after consideration of that item. Board 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 Board at a later meeting. Also, the Board 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

2) Award CM/GC Contract for Kern Health Systems Relocation Project to S.C. Anderson, Inc. in an amount not to exceed $2,000,000 (Fiscal Impact: $2,000,000 Lump Sum; Budgeted) – STEVEN C. ANDERSON, S.C. ANDERSON, INC., HEARD; APPROVED NOTICE OF AWARD; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN AGREEMENT
Patrick-McGlew – All Ayes

ADJOURNED TO REGULAR MEETING
Hinojosa

/s/ Kimberly Hoffmann, Pharm.D., BCPP
Secretary, Board of Directors
Kern Health Systems

KERN HEALTH SYSTEMS

To: KHS Board of Directors

From: Douglas A. Hayward, CEO

Date: April 13, 2017

Re: Board of Supervisors Reappointment of Board Member

Background

Per the enclosed letter dated March 7, 2017, the Kern County Board of Supervisors reappointed Larry Rhoades for another term of office on Kern Health Systems Board of Directors. Congratulations Chairman Rhoades.

Requested Action

No action necessary – information only

BOARD OF SUPERVISORS
COUNTY OF KERN

KATHLEEN KRAUSE
CLERK OF THE BOARD OF SUPERVISORS
Kern County Administrative Center
1115 Truxtun Avenue, 5th Floor
Bakersfield, CA 93301
Telephone (661) 868-3585
TTY (800) 735-2929
www.co.kern.ca.us

March 7, 2017

Mr. Larry Rhoades
4805 Palisades Circle
Bakersfield, CA 93308

Dear Mr. Rhoades:

Congratulations on your reappointment to the Kern Health Systems Board of Directors.

Enclosed is the Official Appointment covering your reappointment as Third District Community Representative Member to the Kern Health Systems Board of Directors, for the term expiring April 21, 2019.

Pursuant to State law, you are required to complete a course in ethics training approved by the Fair Political Practices Commission and Attorney General. You must receive the required training every two years. Your Agency's Manager will provide information regarding training opportunities.

On behalf of the Kern County Board of Supervisors, I would like to extend our sincere appreciation for your commitment to serve on the Kern Health Systems Board of Directors. If my office can ever be of any assistance to you, please call on us.

Sincerely,

Kathleen Krause

KATHLEEN KRAUSE
Clerk of the Board

KK
Enclosure

cc: Kern Health Systems
9700 Stockdale Highway
Bakersfield CA 93311

BOARD OF SUPERVISORS
COUNTY OF KERN

KATHLEEN KRAUSE
CLERK OF THE BOARD OF SUPERVISORS
Kern County Administrative Center
1115 Truxtun Avenue, 5th Floor
Bakersfield, CA 93301
Telephone (661) 868-3585
TTY (800) 735-2929
www.co.kern.ca.us

OFFICIAL APPOINTMENT
BOARD OF SUPERVISORS

STATE OF CALIFORNIA)
) ss.
County of Kern)

I, KATHLEEN KRAUSE, Clerk of the Board of Supervisors, County of Kern, State of California, do hereby certify that at a regular session of said Board held in and for said County of Kern, on March 7, 2017, Larry Rhoades was duly reappointed as Third District Community Representative Member to the Kern Health Systems Board of Directors for the term expiring April 21, 2019, in and for Kern County, State of California, as appears by the Official Records of said Board in my office.

IN WITNESS WHEREOF, I have hereunto affixed my hand and Seal of the Board of Supervisors of the County of Kern, State of California, on March 7, 2017.

Kathleen Krause

KATHLEEN KRAUSE
Clerk of the Board of Supervisors

KERN HEALTH SYSTEMS

To: KHS Board of Directors

From: Robert Landis, CFO

Date: April 13, 2017

Re: Report by Daniells Phillips Vaughan & Bock Regarding the 2016 Audit

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Representatives from the accounting firm Daniells Phillips Vaughan & Bock will be present to report on the 2016 audit. Attached for your review are the December 31, 2016 audited financial statements for Kern Health Systems.

Requested Action

Approve

FINANCIAL REPORT

DECEMBER 31, 2016

KERN HEALTH SYSTEMS

FINANCIAL REPORT

DECEMBER 31, 2016

CONTENTS

DANIELLS PHILLIPS VAUGHAN & BOCK
CPAs and Advisors

An independently owned member RSM US Alliance

Member of AICPA Division for Firms
Private Companies Practice Section

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 year ended December 31, 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 audit. We conducted our audit 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 audit 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.

300 New Stine Road – Bakersfield, CA 93303 – Tel. 661.834.7411 – Fax.661.834.4389 – www. dpvb.com

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, 2016, and the changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

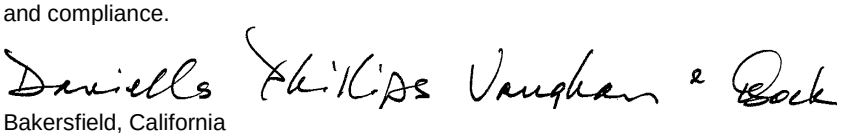
Other Matters

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 33-35 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, 2017 on our consideration of **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 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.



Bakersfield, California
March 29, 2017

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, 2016 and 2015. 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 2016, KHS received approximately 95% of its revenue from the State of California.

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 2016, KHS paid approximately 86% 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 2016 by $61,282,145 or approximately 55.74% while in 2015 our net position increased by $33,833,440 or 44.46% before a prior period adjustment was recognized. The Expansion population, which began to phase in as of 2014, experienced a 15% membership growth from the end of 2015 to the end of 2016. In addition, the Expansion population which was required to have an 85% medical loss ratio (MLR) through June 2016, experienced a more favorable 80% MLR for the six month period July through December 2016 when the 85% MLR was no longer a requirement and the population became at-risk.

- Our Medi-Cal enrollment growth showed an average monthly increase of 24,232 members or 11.9% in 2016 compared to 2015. This compared to an average monthly increase of 43,582 members or 27.3% in 2015 compared to 2014. The membership increase for 2016 is largely due to the increased Expansion population. During 2016 we added approximately 7,126 additional Expansion members compared to 2015. Expansion members increased to 23% of total membership at the end of 2016 compared to 22% of total membership at the end of 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 7,116 members at the end of 2016 compared to 5,122 members at the end of 2015. As we have no obligation to provide care for this population, the Premiums earned amount reported is net of the $12.2 million of capitated expense associated and the member months shown have been adjusted to remove capitated member months.

- We reported an operating income of $61,120,944 or $22.39 PMPM in 2016 and operating income of $33,420,031 or $13.70 PMPM in 2015. The operating income in 2016 is largely due to an increase in Expansion membership and the adequate reimbursement rate received for those members from DHCS. The revenue received for Expansion members was $252 million or approximately 38% of Premiums earned in 2016 compared to $210 million or approximately 38% of Premium revenue in 2015. The MLR for the Expansion population was 82% for 2016 and 85% for 2015.

- Managed Care Organization (MCO) Tax Revenues of $58,966,477 or $21.60 PMPM are included in premiums earned in 2016 and $23,574,449 or $9.67 PMPM in 2015. 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 amount based on projected membership and payable quarterly. MCO Tax Revenue is offset by MCO Tax Expense reported as part of operating expenses and had no effect on net position.

- The decrease in non-operating income (expenses) of $252,208 between 2016 and 2015 is primarily attributable to an increase in Community Grant expense of $220,405. In 2016, our board of directors allocated funds to qualifying providers to assist with recruitment and retention expenses in effort to help maintain an adequate provider network for our growing membership and $220,405 exceeded previously accrued amounts set aside for enhanced payments to providers.

- We continued with incentives and accrued approximately $6.6 million to reward providers who demonstrate improved Healthcare Effectiveness Data and Information (HEDIS) outcomes.

Operational Highlights:

- We began 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. 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.

- We continued providing grants for emergency room programs designed to collaboratively work with hospitals to steer non-emergency care away from the costly emergency room setting through patient education and alternative urgent care settings.

- We placed emphasis on disease management programs, with a comprehensive, multidisciplinary, and collaborative approach to combat chronic illnesses such as asthma and diabetes.

- We invested in information technology infrastructure with capabilities including tools that support identifying opportunities to improving care and tracking the outcomes of the services provided to achieve those improvements; increase the claims adjudication rate; improve utilization management, reporting, medical cost trending; and support member and provider service functions, including enrollment, member eligibility verification, claims status inquiries and referrals and authorizations.

- 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 purchased the land site for construction of the new corporate office which is expected to be completed during the spring of 2019.

Using this Annual Report

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

The Statement of Net Position and Statement 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 Statement of Net Position and the Statement 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 Statement 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 2016 and 2015 by $61,282,145 and $33,833,440, 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, 2016, 2015, and 2014 are as follows:

	2016	2015	2014
Assets			
Current assets	$ 320,753,234	$ 248,491,865	$ 189,171,990
Capital assets, net	22,243,033	15,905,463	13,234,389
Restricted assets	300,000	300,000	300,000
Total Assets	$ 343,296,267	$ 264,697,328	$ 202,706,379
Deferred Outflows of Resources	$ 4,540,339	$ 1,306,546	$ -
Liabilities			
Accrued medical services payable	$ 110,076,289	$ 138,059,525	$ 106,491,858
Accrued expenses	59,935,224	12,573,372	15,560,124
Net pension liability	4,769,187	3,690,580	-
Total Liabilities	$ 174,780,700	$ 154,323,477	$ 122,051,982
Deferred Inflows of Resources	$ 1,840,334	$ 1,746,970	$ -
Net Position			
Net investment in capital assets	$ 22,243,033	$ 15,905,463	$ 13,234,389
Restricted	300,000	300,000	300,000
Unrestricted	148,672,539	93,727,964	67,120,008
Total Net Position	$ 171,215,572	$ 109,933,427	$ 80,654,397

KHS' net position for 2016, 2015, and 2014 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 by $61,282,145 and $33,833,440 for the years ended December 31, 2016 and 2015, respectively. The increases are made up of various different components as outlined below:

	2016	2015	2014	2016	2015	2014
Enrollment						
Total member months				2,804,130	2,491,983	1,948,121
Less non-risk capitated member months				(74,638)	(53,269)	(32,393)
Net member months				2,729,492	2,438,714	1,915,728
Average monthly members				227,458	203,226	159,644
				Per Member Per Month in Dollars		
Operating Revenue						
Premiums earned	$ 671,266,120	$ 550,952,337	$ 403,988,324	$ 245.93	$ 225.92	$ 210.88
Other operating revenue	39,889,034	24,746,763	21,414,951	14.61	10.15	11.18
Total operating revenue	711,155,154	575,699,100	425,403,275	260.54	236.07	222.06
Operating Expenses						
Medical and hospital	560,776,058	493,688,468	378,764,354	205.45	202.44	197.71
MCO premium tax	58,966,477	23,574,449	15,259,903	21.60	9.67	7.97
Administrative	28,817,033	23,986,596	21,653,356	10.56	9.84	11.30
Depreciation	1,474,642	1,029,556	1,030,005	0.54	0.42	0.54
Total operating expenses	650,034,210	542,279,069	416,707,618	238.15	222.36	217.52
Operating income	61,120,944	33,420,031	8,695,657	22.39	13.70	4.54
Nonoperating Revenue (Expenses)						
Investment and other income	384,617	418,867	312,670	0.14	0.17	0.16
(Loss) on sale of assets	(3,011)	(5,458)	(4,856)	(0.00)	(0.00)	(0.00)
Community grants	(220,405)	-	(959,986)	(0.08)	-	(0.50)
Total nonoperating revenue (expenses)	161,201	413,409	(652,172)	0.06	0.17	(0.34)
Changes in net position	61,282,145	33,833,440	8,043,485	22.45	13.87	4.20
Net position, beginning, as previously stated	109,933,427	80,654,397	72,610,912	40.28	33.07	37.90
Prior period adjustment	-	(4,554,410)	-	-	(1.87)	-
Net position, beginning, as restated	109,933,427	76,099,987	72,610,912	40.28	31.20	37.90
Net position, ending	$ 171,215,572	$ 109,933,427	$ 80,654,397	$ 62.73	$ 45.08	$ 42.10

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, 2016 and 2015 of $61,120,944 and $33,420,031, respectively.

The primary components of the operating income for 2016 are:

- Premiums earned increased $120,313,783 or $20.01 PMPM in 2016. Approximately $41.56 million or $6.05 PMPM is attributed to the increased Expansion revenue and $35,392,028 million or $11.93 PMPM of the increase is due to increased MCO tax revenue received for 2016 which increased significantly due to changes in tax methodology and is offset by MCO premium tax expense.

- The Medi-Cal average monthly membership increased by 24,232 members or 12% over 2015 due primarily to the increased Expansion membership.

- The medical and hospital services costs increased by $67,087,590 and $3.01 PMPM between 2016 and 2015. This increase is attributed to continued membership growth, 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 86% in 2016 and 89.4% in 2015.

- Administrative expenses increased by $4,830,437 or $0.72 PMPM over 2015 which are attributed to the increase in salaries and benefits for additional staff needed to meet the demand of the growing membership in addition to approximately $3.9 million spent on a litigation settlement and related attorney fees in 2016. Also included in 2016 Administrative Expense is a favorable GASB 68 adjustment of approximately $2 million which is offsetting incurred expenses. Administrative expense as a percentage of total Operating Revenue (excluding MCO tax revenue) was 4.4% in 2016 compared to similar 4.3% in 2015.

Nonoperating Revenues and Expenses

Non-operating revenues and expenses consisted primarily of investment income and community grants. In 2016, though interest earnings from investments increased, income was offset by unrealized losses resulting in a $34,250 net decrease from 2015. Community grant expense increased $220,405 in 2016 from 2015 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

STATEMENT OF NET POSITION
December 31, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets	
Cash and cash equivalents (Note 2)	$ 202,285,319
Investments (Notes 2 and 3)	88,167,704
Premiums receivable	28,440,297
Other receivables (Note 4)	974,319
Prepaid expenses	885,595
Total current assets	320,753,234
Capital Assets (Note 5)	
Land	4,851,562
Buildings and improvements	10,309,440
Furniture and equipment	15,744,591
Capital project in process	3,382,739
	34,288,332
Less accumulated depreciation	12,045,299
	22,243,033
Other Assets	
Restricted investments (Notes 2, 3 and 8)	300,000
Total assets	343,296,267
Deferred Outflows of Resources (Note 9)	4,540,339
Total assets and deferred outflows of resources	$ 347,836,606
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Current Liabilities	
Accrued medical services payable (Note 6)	$ 110,076,289
Accrued expenses (Note 7)	59,935,224
Total current liabilities	170,011,513
Noncurrent Liabilities	
Net pension liability (Note 9)	4,769,187
Commitments and Contingencies (Note 11)	
Deferred Inflows of Resources (Note 9)	1,840,334
Net Position	
Net investment in capital assets	22,243,033
Restricted (Note 8)	300,000
Unrestricted	148,672,539
Total net position	171,215,572
Total liabilities, deferred inflows of resources and net position	$ 347,836,606

See Notes to Financial Statements.

KERN HEALTH SYSTEMS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2016

Operating Revenue	
Premiums earned	$ 671,266,120
Coordination of benefits/subrogation	36,677,970
Other operating income	2,563,661
Stop-loss insurance recoveries (Note 10)	647,403
Total operating revenue	711,155,154
Operating Expenses	
Medical and hospital	560,776,058
MCO premium tax	58,966,477
Administrative	28,817,033
Depreciation	1,474,642
Total operating expenses	650,034,210
Operating income	61,120,944
Non-operating Revenue (Expenses)	
Investment and other income	384,617
(Loss) on sale of assets	(3,011)
Community grants	(220,405)
Total non-operating revenue (expenses)	161,201
Change in net position	61,282,145
Net position, beginning	109,933,427
Net position, ending	$ 171,215,572

See Notes to Financial Statements.

KERN HEALTH SYSTEMS

STATEMENT OF CASH FLOWS
Year Ended December 31, 2016

Cash Flows from Operating Activities	
Premiums received	$ 689,837,645
Coordination of benefits/subrogation received	36,677,970
Stop-loss insurance recoveries	621,756
Other operating income	2,239,193
Medical and hospital payments	(588,759,294)
Administrative expenses paid	(22,006,584)
MCO premium tax expense paid	(38,186,505)
Net cash provided by operating activities	80,424,181
Cash Flows From Noncapital Financing Activities	
Community grants	(220,405)
Other non-operating income	1,397
Net cash (used in) noncapital financing activities	(219,008)
Cash Flows From Capital And Related Financing Activities	
Acquisition of capital assets -	
Net cash (used in) capital and related financing activities	(7,815,223)
Cash Flows From Investing Activities	
Net purchases of investments	(112,933,351)
Proceeds from maturities of investments	87,909,858
Net cash (used in) investing activities	(25,023,493)
Net increase in cash and cash equivalents	47,366,457
Cash and cash equivalents:	
Beginning	154,918,862
Ending	$ 202,285,319

See Notes to Financial Statements.

Reconciliation of operating activities to net cash provided by operating activities	
Operating income	$ 61,120,944
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,474,642
Loss on sale of assets	3,011
Changes in:	
Deferred outflows of resources	(3,233,793)
Net pension liability	1,078,607
Deferred inflows of resources	93,364
Changes in working capital components:	
(Increase) decrease in:	
Premiums receivable and other receivables	695,037
Prepaid expenses	(186,247)
Increase (decrease) in:	
Accrued medical services payable	(27,983,236)
Accrued expenses	47,361,852
Net cash provided by operating activities	$ 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 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 statement 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:

	Years
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 one and one half 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 $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 provide services. 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. Maternity kick payments in the amount of $28.4 million or 4.2% of total premium revenue were recognized for the year ended December 31, 2016. 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. Hepatitis C payments in the amount of $14 million or 2.1% of total premium revenue were recognized for the year ended December 31, 2016. 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. Behavioral Health Treatment payments in the amount of $1.4 million or 0.2% of total premium revenue were recognized for the year ended December 31, 2016. Additionally, KHS recognized $1.3 million in pharmacy rebates from its pharmacy benefit manager that were received from pharmaceutical manufacturers for the year ended December 31, 2016 and 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. KHS recognized $2.6 million dollars of premium revenue as a result of retroactive rate adjustments for the year ended December 31, 2016.

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. 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.

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 year ended December 31, 2016, KHS received $101,731,620 of supplemental fee revenue from DHCS. KHS passes these funds through to the hospitals and providers. This amount is not reflected in the statement of revenues, expenses and changes in net position for the year ended December 31, 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 $551,816 for the year ended December 31, 2016.

Subsequent events: KHS has evaluated subsequent events through March 29, 2017, the date on which the financial statements were available to be issued. Management has identified one subsequent event which is disclosed in Note 13 to the financial statements.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Change in Accounting Principles: KHS has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2016, KHS implemented the following new standards issued by GASB:

- Statement No. 72, Fair Value Measurement and Application, effective for the year ending December 31, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of 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. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

- Statement 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, effective for the year ending December 31, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments 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 with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

  This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

  The provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. KHS has implemented these provisions as of December 31, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

- Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective for the year ending December 31, 2016. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

  This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

- In August 2015, the GASB issued Statement No. 77, Tax Abatement Disclosures. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

- In December 2015, the GASB issued Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting For Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

  Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

  This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local government pension plan, (2) is used to provide defined benefit pensions both to employees of state of local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

- In December 2015, the GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgement is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

  If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended.

  If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

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This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

New Accounting Pronouncements: The following statements issued by the Governmental Accounting Standards Board (GASB) are effective for year ends after December 31, 2016 and management is evaluating the impact of the implementation of these statements on their financial statements.

- In June 2015, the GASB issued 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.

  The requirements of this Statement are effective for financial statements for period beginning after June 15, 2016. Early implementation is encouraged.

- 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. Early implementation is encouraged.

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- In January 2016, the GASB issued 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.

  The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged.

- 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 thirty party, if the government controls the present service capacity of the beneficial interests.

  This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

- In March 2016, the GASB issued 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.

  The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, expect for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

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Note 2. Cash, Cash Equivalents and Investments

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

	Cost	Fair Value
Investments:		
Restricted:		
Certificates of deposit	$ 300,000	$ 300,000
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	89,290,219	88,167,704
Total investments	$ 89,590,219	88,467,704
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		202,285,319
Total cash, equivalents and investments		$ 290,753,023

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

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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.

(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.

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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, 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.

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.

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Level 2 — Inputs to the valuation methodology include:

- 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, 2016 are considered to be level 1 assets.

Note 4. Other Receivables

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

Pharmacy rebates	$	505,300
Reinsurance recoveries		332,857
Interest		109,552
Other		26,610
	$	974,319

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Note 5. Capital Assets

Capital asset activity for the year ended December 31, 2016 is as follows:

	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 Project in Progress	-	3,382,739	-	3,382,739
Subtotal	785,856	7,448,445	-	8,234,301
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	25,798,425	366,778	(111,172)	26,054,031
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	10,678,818	1,474,642	(108,161)	12,045,299
Net Depreciable Capital Assets	15,119,607	(1,107,864)	(3,011)	14,008,732
Total Capital Assets	$ 15,905,463	$ 6,340,581	$ (3,011)	$ 22,243,033

Note 6. 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, 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 judgement, 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 $4.7 million of favorable prior year IBNR adjustments for the year ended December 31, 2016 due to lower than expected utilization.

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

Estimated incurred but not reported claims	$ 54,642,525
Expansion risk corridor	28,642,132
Claims payable	21,446,519
Provider performance quality incentive	3,418,439
Allowance for claims processing expense	1,926,674
	$110,076,289

Note 7. Accrued Expenses

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

MCO tax expense	$ 24,018,805
Pass-through liabilities	20,098,971
Community grants payable	9,637,955
Other administrative expenses	6,179,493
	$ 59,935,224

Note 8. 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 January 30, 2018, June 5, 2018 and June 8, 2018.

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 $28.1 million at December 31, 2016. KHS' tangible net equity was approximately $171.2 million at December 31, 2016.

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Note 9. 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, 2016 are summarized as follows:

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

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

Contributions - employer	$ 1,281,035
Contributions - employee (paid by employer)	$ -

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

As of December 31, 2016, KHS reported net pension liability for its proportionate share of the net pension liability of $4,769,187.

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%

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 822,916	$ -
Changes in assumptions	-	437,943
Differences between expected and actual experiences	46,290	10,606
Net differences between projected and actual earnings on pension plan investments	3,671,133	1,391,785
Total	$ 4,540,339	$ 1,840,334

$822,916 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, 2017. 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,	
2017	$ 109,512
2018	153,030
2019	1,024,169
2020	590,378
	$ 1,877,089

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

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry-Age Normal Cost Method
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Payroll growth	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 7.65%. 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent 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 7.65 percent 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 7.80 percent. 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.

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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 we have changed our 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.

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	51.9%	4.70%
Global Fixed Income	20.3%	7.10%
Inflation Sensitive	6%	0.00%
Private Equity	9%	10.20%
Real Estate	10.8%	-0.10%
Absolute return strategies	0.1%	3.30%
Total plan level (a)	0.4%	5.10%
Liquidity	1.5%	1.70%
Total	100%	

(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:

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1% Decrease	6.65%
Net Pension Liability	$ 7,430,268
Current Discount Rate	7.65%
Net Pension Liability	$ 4,769,187
1% Increase	8.65%
Net Pension Liability	$ 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.

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% 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 $810,662 for the year ended December 31, 2016.

Note 10. 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.

A - As the Net Pension liability is a blended rate between the employer allocation factor for the total pension liability and the fiduciary position in order to get the allocation % DPVB took the total allocated to KHS for the current discount rate (this is the amount at work 8405 and in the P/S and divided it by the Risk Pool Net Pension Liability/(Asset) for the current discount rate to obtain the blended all percentage and applied that to the -1% and +1% discount rates.

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 $1,000,000 per member per contract year.

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 $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 $2,169,266 are included in medical and hospital expense for the year ended December 31, 2016. Stop-loss insurance recoveries of $647,403 are included in operating revenue for the year ended December 31, 2016.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Note 11. Commitments and Contingencies

Litigation

In June 2014 a $1,380,000 judgment was entered in favor of KHS, related to a claim that KHS had brought against a group of defendants alleging negligent misrepresentation. Subsequent to the favorable determination, the defendants filed claims against KHS seeking approximately $3,600,000 in attorney fees, on the basis of the jury finding in favor of them on a breach of contract theory. The trial court had denied the motions of the defendants and cited many reasons for the denial. The defendants filed an appeal and were awarded an approximate $3,900,000 judgment including attorney and legal fees in April 2016 which were paid by KHS in May 2016. Accordingly this matter has been fully settled pursuant to the terms and conditions of the settlement agreement. All costs and expenses associated with this settlement are reflected in administrative expenses for the year ended December 31, 2016 in the statement of revenues, expenses, and changes in net position.

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.

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 proposed changes, if any, relating to the Affordable Care Act remain uncertain.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

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 year ended December 31, 2016, KHS served an average of 52,250 Medi-Cal Expansion members per month, which generated revenues of approximately $251.6 million.

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 year ended December 31, 2016 was $299,353. At December 31, 2016 total future annual rental commitments are as follows:

Years ending December 31,	
2017	$ 301,080
2018	309,684
2019	318,276
2020	326,880
2021	335,484
Later years	696,780
	$ 2,288,184

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

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, 2016 the total future contract commitments are as follows:

Years ending December 31,	
2017	$ 386,142
2018	386,142
2019	386,142
2020	386,142
2021	386,142
Later years	1,158,426
	$ 3,089,136

Note 12. 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 year ended December 31, 2016 approximately 95% 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.

Note 13. Subsequent Event

On February 9, 2017 the Board of Directors awarded a contract for the Kern Health Systems Relocation in an amount not to exceed $2,000,000. The contract is for the construction manager and general contractor costs of Kern Health Systems' new corporate office which is projected to be completed in the spring of 2019.

REQUIRED SUPPLEMENTARY INFORMATION

KERN HEALTH SYSTEMS

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
As of December 31, 2016

	2016	2015
CalPERS - Miscellaneous Classic Plan- Last 10 Years*		
Proportion of the net pension liability	0.19046%	0.17122%
Proportionate share of the net pension liability	$ 4,769,187	$ 3,104,717
Covered - employee payroll	$ 17,364,146	$ 9,949,051
Proportionate share of the net pension liability as a percentage of covered-employee payroll	27.47%	31.21%
Plan's fiduciary net position	$ 3,618,450	$ 2,480,230
Plan fiduciary net position as a percentage of the total pension liability	75.87%	79.89%

* Fiscal year 2015 was the first year of implementation, therefore only two 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 2016 for the miscellaneous Classic Plan includes the Pepra Plan.

CalPERS - Miscellaneous PEPRA 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	$ 5,519,589
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, 2016

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

Notes to Schedule

Valuation date:	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	28 years	29 years
Asset valuation method	5-year smoothed market	
Inflation	2.75%	2.75%
Salary increases	3.00%	3.00%
Investment rate of return (a)	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 two 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 2016 for the miscellaneous Classic Plan includes the Pepra Plan.

KERN HEALTH SYSTEMS

SCHEDULES OF PENSION CONTRIBUTIONS
Year Ended December 31, 2016

	2016	2015
CalPERS - Miscellaneous PEPRA Plan - Last 10 Years*		
Contractually required contribution (actuarially determined)		$ 367,525
Contributions in relation to the actuarially determined contributions		367,525
Contribution deficiency (excess)		$ -
Covered-employee payroll		$ 6,909,343
Contributions as a percentage of covered-employee payroll		5.32%

Notes to Schedule

Valuation date:	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	28 years	29 years
Asset valuation method	5-year smoothed market	
Inflation	2.75%	2.75%
Salary increases	3.00%	3.00%
Investment rate of return (a)	7.65%	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

DANIELLS PHILLIPS VAUGHAN & BOCK
CPAs and Advisors

An independently owned member RSM US Alliance

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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, 2016, 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, 2017.

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.

300 New Stine Road – Bakersfield, CA 93303 – Tel. 661.834.7411 – Fax.661.834.4389 – www. dpvb.com

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, 2017

KERN HEALTH SYSTEMS

Report to the Finance Committee

March 29, 2017

DANIELLS PHILLIPS VAUGHAN & BOCK
CPAs and Advisors

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Private Companies Practice Section

March 29, 2017

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, 2016. 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

Daniells Phillips Vaughan & Bock

300 New Stine Road – Bakersfield, CA 93303 – Tel. 661.834.7411 – Fax.661.834.4389 – www. dpvb.com

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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
Our Responsibilities with regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated November 2, 2016.
Overview of the Planned Scope and Timing of the Financial Statement Audit	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.
Accounting Policies and Practices	**Preferability of Accounting Policies and Practices** 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. **Adoption of, or Change in, Accounting Policies** Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Organization. Following is a description of new standards issued by the Governmental Accounting Standards Board and implemented by the Organization at December 31, 2016: • Statement No. 72, Fair Value Measurement and Application provides guidance for determining and applying fair value measurements to certain investments and disclosures related to all fair value measurements. • Statement 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 68.

Area	Comments
	• Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governements provides guidance to identify-in the context of the current governemental financial reporting environment-the hierarcy of generally accepted accounting principles (GAAP). • Statement No. 77, Tax Abatement Disclosures. This statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. • Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting For Pensions. • Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. **Significant or Unusual Transactions** 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. **Management's Judgments and Accounting Estimates** 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."
Audit Adjustments	There were no audit adjustments, proposed by us, made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatements	There were no uncorrected misstatements identified.

Area	Comments
Disagreements with Management	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.
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed with Management	No significant issues arising from the audit were discussed with or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Letter Communicating Significant Deficiencies and Material Weaknesses in Internal Control over Financial Reporting	We did not identify during our audit of the financial statements and we have not separately communicated any significant deficiencies and material weaknesses in internal control over financial reporting.
Certain Written Communications between Management and Our Firm	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.

KERN HEALTH SYSTEMS

Summary of Significant Accounting Estimates
Year Ended December 31, 2016

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, 2016, 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

KERN HEALTH SYSTEMS

March 29, 2017

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

This representation letter is provided in connection with your audit of the basic financial statements of **Kern Health Systems** as of and for the year ended December 31, 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, 2017:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated November 2, 2016, 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.

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-Care 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;

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 cost 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 have disclosed to you all known actual or possible 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.

24. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity'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 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 audit, 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 the guidelines prescribed by U.S. GAAP.

    c. The methods of measurement or presentation have not changed from those used in the prior period.

Kern Health Systems

Douglas A. Hayward, Chief Executive Officer

Robert Landis, Chief Financial Officer

KERN HEALTH SYSTEMS

To: KHS Board of Directors

From: Douglas A. Hayward, CEO

Date: April 13, 2017

Re: Non-Emergency Medical Transportation Contract

Background

KHS currently administers the non-emergency medical transportation (NEMT) benefit internally by Member Services staff who take incoming requests and distribute bus passes for members who need transportation to medical appointments. Members who are recovering from a serious injury or medical procedure which prevents them from driving must obtain a referral from their provider, which are processed by Utilization Management. This level of transportation usually requires the services of a wheel chair van provider.

With the passage of AB 2394 last year by the California Legislature which becomes effective July 1, 2017, NEMT services will be expanded significantly by adding non-medical transportation as a benefit for all members to obtain covered Medi-Cal services along with adding personal vehicle use and ambulatory vehicles. We project a sizeable increase in the overall utilization and increased administrative burden.

In order to manage the increased scope of work and utilization, KHS intends to contract with an experienced NEMT broker to manage this benefit. Alan Avery, Chief Operating Officer will provide greater detail of the expanded benefit along with the advantages of outsourcing NEMT administration during the presentation.

Requested Action

Authorize the CEO to sign the NEMT agreement with the selected vendor for an amount not to exceed $606,720.00 for two years.

Non Emergency Medical Transportation (NEMT) Proposal

Board of Directors
April 13, 2017

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Non Emergency Medical Transportation Benefit

- Current Benefit
  - NEMT covered when members medical and physical condition does not allow them to take regular means of public or private transportation. Required to have written prescription from provider.
  - Available if member is recovering from serious injury or medical procedure prevents them from driving to a medical appointment and no other form of transportation is available.

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Operational Overview

- KHS currently administers the NEMT transportation benefit internally
  - Members contact Member Services to request transportation assistance.
  - Member Services promotes bus transportation and distributes bus passes as needed-daily, weekly or monthly. No medical appointment is confirmed. If alternate transportation mode is required, members are referred to their PCP to request NEMT authorization from KHS Utilization Management.
  - Utilization Management will confirm members medical appointment, authorize transportation and contact NEMT contracted vendor to arrange transportation.
  - Staffing Impact
    - Member Services incoming call management -1 FTE
    - Utilization Management authorization approval-1 FTE
  - Current Utilization-16,000 trips annually, $2.3 Million Expense
  - 15 major NEMT vendors, 5 with 85% of the business

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Enhanced NEMT Benefit

- New State Requirements (AB 2394)
  - NEMT is covered for a beneficiary to obtain **any** Medi-Cal services. Eliminates requirement that member must be recovering from serious injury or medical procedure which prevents them from driving.
  - Round trip transportation by passenger car, taxicab, any other form of public or private conveyance, and mileage reimbursement when conveyance is in a private vehicle arranged by the beneficiary.
  - NEMT shall be provided for a beneficiary who can attest that other currently available resources have been reasonably exhausted.
  - Proposed effective date-July 1, 2017.
  - Projecting 25% NEMT utilization increase

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Reasons for Considering Outsourcing NEMT Management

Build (Expand existing)	Buy (Vendor Contract)	Value Added
Increase 5 FTEs in Member Services to manage calls and schedule transportation.	Dedicated staffing available **24/7/365**. Meet KHS SLA performance standards.	**Reminder calls to members** the day before the scheduled ride. Fewer missed appointments.
Contract ambulatory/taxi network to meet regulations.	Ambulatory network in place Preferably LYFT/UBER.	Ability to respond to **last minute** ride requests.
Devote additional resources for contract oversight and credentialing.	Provider network management-retention of existing network and **quality oversight**.	**Ongoing vehicle inspection and driver credentials oversight**.
	Automatic eligibility, benefit and provider verification.	**FWA**-matching ride request to provider network.
	On-Demand Scheduling Technology. Driver Application Drivers dispatched via web. Ability to continually monitor current ride status/location.	Member Application. Members can schedule rides & monitoring status and location via web application.

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Request for Proposal

- KHS released NEMT Request for Proposal on December 12, 2016 to outsource management of NEMT benefits to experienced broker to manage the anticipated utilization growth due to the regulatory changes and the following services:
  - Manage and retain existing KHS NEMT provider network
  - Member Call Center and on-demand trip scheduling
  - NEMT vendor credentialing including vehicles & drivers
  - Add passenger car/ambulatory service level
  - Administer member mileage reimbursement

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Request for Proposal Response

- KHS received responses from two transportation brokers to provide NEMT services
  - American Logistics Company (ALC)
  - Medical Transportation Management (MTM)
- Both vendors provided onsite presentations the week of February 6, 2017.
- Based on recommendation of KHS NEMT workgroup, a site visit was recommended to further explore ALC capabilities.
- ALC site visit was completed on February 23rd by Alan Avery, Richard Pruitt and Nate Scott.

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NEMT Vendor Selection Grid

Function/Service	ALC	MTM
Provider Network. Use current KHS network and add ambulatory network. (Critical function-Double weighting)	5 x 2 =10	3 x 2 = 6
Scheduling System. Automation for Member and Drivers. Reminder Calls. (Critical function-Double weighting)	5 x 2 = 10	2 x 2 = 4
Member call center. 24/7/365, handle immediate requests.	5	3
Credentialing-Vehicle & Driver	5	4
Medi-Cal Experience	5	2
Total Score	**35**	19

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Recommendation: Contract with ALC as NEMT Broker

- Determining Factors in Selecting ALC
  - Experienced Member Call Center available 24/7/365
  - NEMT experience vendor. Ensure AB 2394 compliance. Currently providing NEMT services to several Medi-cal Plans-IEHP, CalOptima and Health Plan San Mateo
  - Best Pricing
  - Driver App for scheduling rides real time. Member App is in Beta test, estimated roll out 3rd quarter.
  - Reminder calls to members the day before scheduled ride pickup
  - Immediate access to ambulatory providers via ALC/LYFT agreement.
  - Ability to verify KHS member eligibility, benefits and provider network to decrease FWA.

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Estimated NEMT Expense
Provider Payments + Administration Fees

	Current	KHS AB 2394 (25% increase)	ALC (25% increase)	MTM (25% increase)
Trip Volume	16,000	20,000	20,000	20,000
Transit Passes	$52,000	$52,000	$52,000	$52,000
AB 2394 Transportation (Taxi, LYFT, Personal Vehicles)	0	$575,000	$575,000	$575,000
Wheelchair Vans	$2,248,000	$2,248,000	$2,248,000	$2,248,000
Provider Payments	$2,300,000	$2,875,000	$2,875,000	$2,875,000
Implementation Fee		$0	$0	$71,910
Administrative Fees (FTE + postage)	$216,500 (2.5 FTE + postage)	$467,316 (6 FTE + postage)	$303,360 (20K x $14/trip) (+ $23,360 transit admin)	$460,000 (20K x $23/trip) (No transit expense)
Annual Admin Expense		(2017 Budget) $450,000	$303,360	$531,910

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Questions?

For additional questions, please contact

Alan Avery, Chief Operating Officer
(661) 664-5005

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Proposed Administrative Contract over $100,000, April 13, 2017

1. Operational Agreement with ALC, LLC.
   a. Recommended Action

      Approve; Authorize Chief Executive Officer to Sign

   b. Contact

      Louie Iturriria; Director of Marketing and Member Services

   c. Background

      KHS currently administers the non-emergency medical transportation (NEMT) benefit internally – handled by Member Services and Utilization Management staff. With the passage of AB 2394 last year by the California Legislature, which becomes effective July 1, 2017, NEMT services will be expanded significantly by adding non-medical transportation (NMT) as a benefit for all members to obtain covered Medi-Cal services. Non-medical transportation will also include personal vehicle use and ambulatory vehicles, both of which are not currently provided to KHS members. We project a sizeable increase in the overall utilization and increased administrative burden. In order to manage the increased scope of work and utilization, KHS intends to contract with ALC, an experienced NEMT broker, to manage NEMT and NMT member benefits.

   d. Discussion

      KHS released the NEMT Request for Proposal on December 12, 2016 to outsource management of NEMT benefits to an experienced broker. KHS received responses from two transportation brokers to provide NEMT services – other

identified vendors did not respond to the RFP. ALC is an experienced vendor, currently providing services to several Medi-Cal plans, such as IEHP, Cal-Optima and Health Plan of San Mateo. They were also the lowest bidder, scored the highest by the selection committee and had a successful site visit by KHS staff. This contract allows KHS to continue contracting with our current NEMT providers and enables KHS members to continue utilizing transportations providers they are satisfied with to ensure continuity of care. It also allows us to offer ambulatory transportation services and mileage reimbursement to KHS members. This contract will reduce member no-show rates for physician visits and provide enhanced encounter reporting for claims payment reconciliation and to monitor fraud, waste and abuse.

e. Fiscal Impact

Not to exceed $606,720.00 per two years.

f. Risk Assessment

Currently KHS Member Services and Utilization Management Departments provide NEMT services to members. Due to transportation benefit expansion resulting from the passage of AB 2394, this will lead to a sizeable increase in utilization and additional administrative burden on KHS staff. It also adds several non-medical transportation options that KHS does not currently offer to members. Based on our estimates, this new contract will cost us an additional $63,500 per year – when you take into consideration what it takes KHS to manage this benefit in house. DHCS has already released a draft All Plan Letter in

preparation of implementing the new regulations by July 1, 2017. As such, we must be prepared to comply.

g. Attachments

An Agreement at a Glance form and bid matrix is attached.

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

This contract was approved is pending Legal approval.

☑ Contract
☐ Purchase

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AGREEMENT AT A GLANCE

Department Name: Member Services Department Head: Louis Iturriria ext. 5120

Contract Vendor: American Logistics Company

Vendor contact Name & e-mail: Mike Dunne - MDunne@alcsolutions.com

What services will this vendor provide to KHS? Administration of Non-Emergency Medical Transportation and Non Medical Transportation member benefits

Description of Contract

Type of Agreement: Professional Svcs.

Background: KHS currently administers the non-emergency medical transportation (NEMT) benefit internally – handled by Member Services and Utilization Management staff. With the passage of AB 2394 last year by the California Legislature, which becomes effective July 1, 2017, NEMT services will be expanded significantly by adding non-medical transportation (NMT) as a benefit for all members to obtain covered Medi-Cal services. Non-medical transportation will also include personal vehicle use and ambulatory vehicles, both of which are not currently provided to KHS members.

☒ Establish a new agreement
☐ Amendment
☐ Continuation of an Existing Contract
☐ Replacement
☐ Addendum

Previous Agreement No. _____ or Amendment No. _____

Date Agreement Began _____

Brief Explanation We project a sizeable increase in the overall utilization and increased administrative burden. In order to manage the increased scope of work and utilization, KHS intends to contract with ALC, an experienced NEMT broker, to manage NEMT and NMT member benefits.

☐ Retroactive Agreement
Retroactive Date _____

Reason for delay in approval: _____

☒ Summary of Quotes and/or Bids attached. *Pursuant to KHS Policy #8.11-I, 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: KHS released NEMT Request for Proposal on December 12, 2016 to outsource management of NEMT benefits to an experienced broker. KHS received responses from two transportation brokers to provide NEMT services – other identified vendors did not respond to the RFP. ALC is an experienced vendor,

Form updated 11/17/15

currently providing services to several Medi-Cal plans, such as IEHP, Cal-Optima and Health Plan of San Mateo. They were also the lowest bidder, scored the highest by the selection committee and had a successful site visit by KHS staff.

☐ Sole source – no competitive process can be performed.

Brief reason for sole source: ____

☐ 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 2017 Administrative Budget ☐ NO ☒ YES

Budgeted Cost Center 330 GL# 5207

Will this require additional funds? ☒ NO ☐ YES

Maximum cost of this agreement not to exceed: $606,720.00 per two years

Notes: This does not include the additional costs KHS would incur based on the expanded benefits leading to increases in utilization and administrative burden.

Contract Terms and Conditions

Effective date: 4/17/2017 Termination date: 4/17/2019

Explain extension provisions, termination conditions and required notice: ____

Approvals

Contract Owner:

Department Head

Date

Purchasing:

Director of Procurement and Facilities

3/27/17
Date

Reviewed as to Budget:

Chief Financial Officer or Controller

3/29/17
Date

Recommended by the Executive Committee:

Committee Chairman

3/29/17
Date

Compliance Review:

3-27-17
Chief Compliance Officer

Legal Review:

Approved Per PSA
Legal Counsel

Form updated 11/17/15

Date

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

Form updated 11/17/15

Estimated NEMT Expense
Provider Payments + Administration Fees

	Current	ALC	MTM
Trip Volume	16,000	20,000 (25% increase)	20,000 (25% increase)
Transit Passes	$52,000	$52,000	$52,000
Ambulatory	0	$674,400	$674,000
Wheelchair Van	$2,248,000	$2,248,000	$2,248,000
Provider Payments	$2,300,000	$2,922,400	$2,922,400
Implementation Fee		$0	$71,910
Admin Fee (FTE + postage)	$216,500	$303,360 (20K x $14/trip + $23,360 transit)	$480,000 (20K x $23/trip)
Annual Admin Expense	Budgeted $450,000	$303,360	$531,910

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To: KHS Board of Directors

From: Douglas A. Hayward, CEO

Date: April 13, 2017

Re: KHS Facilities Relocation Update

Background

The KHS Relocation Project continues to successfully move forward with our most recent milestone being the finalization of the Architectural Schematic Design. We are currently underway with Design Development and working closely with the Architect, Developer, Interior and IT Design Consultants. We are also working diligently with our legal team and the General Contractor in the development of Subcontractor Scopes of Work to initiate the bid. We will be conducting the Pre-Qualification of Subcontractors of the various trades. The anticipated completion date of construction is spring of 2019.

Emily Duran and Greg Bynum will provide more details during their update to the Board of Directors.

Requested Action

Receive and File

KERN HEALTH SYSTEMS

To: KHS Board of Directors

From: Douglas A. Hayward, CEO

Date: April 13, 2017

Re: Department Management Level Dashboards: Claims, Prov. Relations & Memb. Serv.

Background

In the 2015-2017 KHS Strategic Plan 5.2, management was directed to continue to develop and refine a metrics-driven performance culture within the organization. Therefore we moved forward defining this goal with an emphasis on increasing accuracy, proficiency, effectiveness, quality and timeliness of decision making. We wanted to ensure operational Managers had adequate tools to manage their growing transactional volume along with providing a tool to manage the performance of an expanding staff.

During the past six months the Claims, Provider Relations and Member Services Department Managers used their business analytic staff to team with the I.T. development staff to create or enhance their reporting and data driven decision tools. These automated tools have provided each of the Managers with a "dashboard view" of the major functional activities within their departments. The managers now have up-to-date information at their fingertips. These reports may be reviewed at any time. Any aberrancy discovered can be investigated immediately since each critical measurement can be investigated through drilling down into the specific data element(s) causing the aberrancy. This allows management to take immediate action when an issue is discovered, not having to wait for weekly or monthly reports to be produced.

The following is a summary of the management dashboards of the Claims, Provider Relations and Member Services Department. Sample copies of the departmental dashboards have been included with two key dashboards from each department highlighted in the attached PowerPoint presentation.

Claims	Provider Relations	Member Services
Auto Adjudication	Current Provider Network	Call Volume
Inventory	Credentialing	Call Activity
Disputes	Employee Productivity	Call Quality
Recoveries	Employee Detail	Grievance
OCR		Membership
Employee Productivity		Employee Productivity

Although each report appears to include an overwhelming amount of data, for the respective department Managers, these are the key indicators they tracked previously using manual reports. The dashboards allow the department management to monitor real time performance throughout the day and focus on problem areas immediately. In addition to having access to their own department's dashboard, Managers can view all other department dashboards as well. This has proven to be helpful to resolve cross functional operational issues that might be raised by a provider or member.

Next Steps

With the initial dashboards complete to monitor critical performance measurements and transactional activity, the same team of management, business analysis and I.T. developers will work together to upgrade and enhance the current operational dashboards as business needs evolve.

Requested Action

Receive and file.

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Operational Dashboard Presentation

Board of Directors

April 13, 2017

KHS Strategic Plan 5.2

- 2015-2017
  - Continue to develop and refine a metrics-driven performance culture to enhance operations.
- 2017 Update
  - Using department business analytic resources and I.T. development staff, KHS has created or made enhancements to provide management with data driven decision making tools in the following Departments:
    - Claims
    - Provider Relations
    - Member Services

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Claims Dashboard

- Current Dashboard Categories
  - Auto Adjudication
  - Inventory
  - Disputes
  - Recoveries
  - OCR
  - Employee Productivity
- Presentation Example:
  - Auto Adjudication
  - OCR

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Governed Reporting System

Auto Adjudication | Inventory | Disputes | Recoveries | OCR | Employee Productivity

Source: ALL | Emdeon | Office Ally | Relay | SSI | Stria

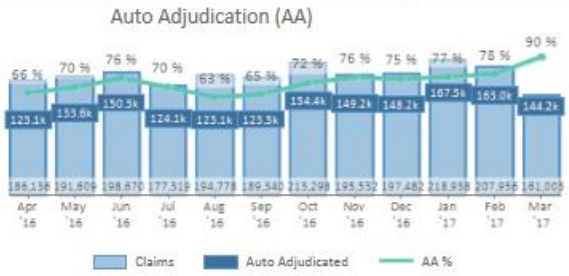
Form Type: ALL | 1500 | UB04

Origin: ALL | EDI | OCR

Auto Adjudication 70%
Target > 75%

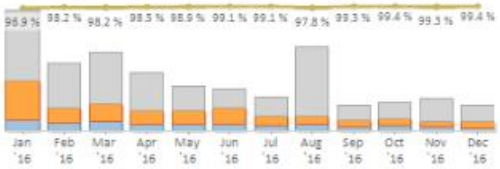
AA by Origin
EDI 72 %
OCR 38 %

AA by Source
Emdeon 72 %
Manual 0 %
Office Ally 78 %
Relay 70 %
SSI 76 %
Stria 38 %



AA Accuracy 99%
Target >97%

AA by Origin
Recoveries 24 %
Disputes 13 %
Project 62 %

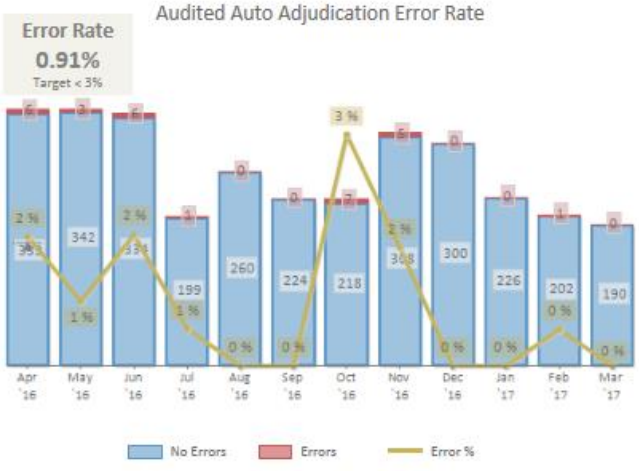


	Jan '16	Feb '16	Mar '16	Apr '16	May '16	Jun '16	Jul '16	Aug '16	Sep '16	Oct '16	Nov '16	Dec '16
Project	2,225	1,405	1,642	1,213	765	626	579	2,217	512	527	745	520
Recoveries	1,243	494	567	460	455	496	307	241	197	206	196	224
Disputes	381	279	336	221	225	256	204	250	153	188	131	106
AA Accuracy	96.9 %	98.2 %	98.2 %	98.5 %	98.9 %	99.1 %	99.1 %	97.8 %	99.3 %	99.4 %	99.3 %	99.4 %

Auto Adjudication - Bottom 10 Contracts

Claim Share	Bottom 5 Contracts	• Current	• Prior	• Previous
0.2 %	SPECIALIST MCR 125%	0.0 %	52.5 %	55.2 %
0.1 %	ER PHYSICIAN CASE RATE ANTELOPE VALLEY EMERGENCY MED ASSOC.	0.0 %	83.0 %	93.3 %
0.1 %	SPECIALIST MCAL 125% NEPHROLOGY MEDICAL GROUP	0.0 %	41.8 %	57.7 %
0.1 %	BAKERSFIELD HEART HOSPITAL	0.0 %	49.4 %	37.2 %
0.1 %	RHEUMATOLOGIST DR. HSU MCAL 125%	0.0 %	64.7 %	63.6 %
1.3 %	NON EMERGENT MEDICAL TRANSPORTATION CUSTOM FEE SCHEDULE	0.0 %	7.4 %	1.5 %
0.1 %	SPECIALIST MCAL CHLA	0.0 %	53.5 %	48.1 %
0.1 %	SURGERY CENTER MILLENNIUM ASC 88% KERN COUNTY	0.0 %	64.4 %	31.4 %
0.0 %	SPECIALIST MCAL 125% DR. FELIZARTA	0.0 %	97.6 %	88.6 %
0.1 %	SPECIALIST DR. GRANDHE MCAL 125%	0.0 %	57.8 %	28.3 %

Error Rate 0.91%
Target < 3%



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Governed Reporting System

Auto Adjudication | Inventory | Disputes | Recoveries | **OCR** | Employee Productivity

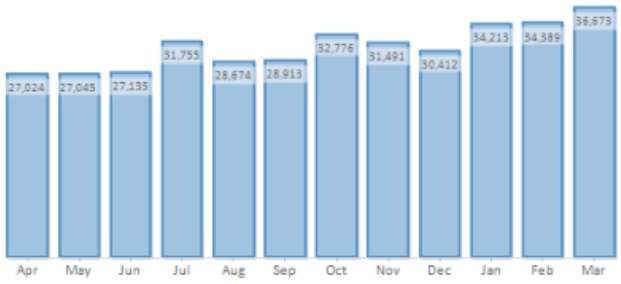
Current YTD
105,275

Projected YTD:
431,430

By Source
1500 88 %
UB04 12 %

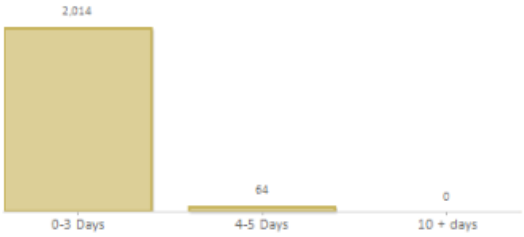
By Attachment Type
NONE 59 %
EB 29 %
M1 11 %
OZ 1 %

YTD OCR Claims by Month



Out to STRIA
2,042

Claims Out to Stria - Aging



YTD Top 10 Providers

Attachment Type: ALL | None | EB | M1 | OZ
Form Type: ALL | 1500 | UB04

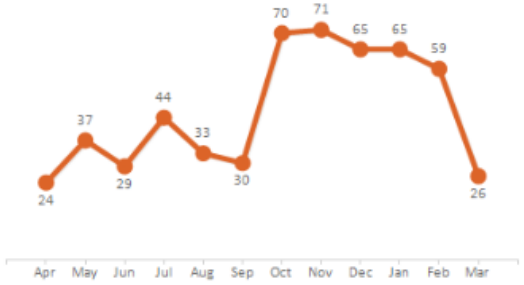
Pay-To Provider	OCR COUNT
PARIKSHAT SHARMA MD INC, GOLDEN STATE HOSPITALISTS	17,612
PHYSICIANS AUTOMATED LABS	17,054
TRI COUNTY MEDICAL TRANSPORT	16,560
QUEST DIAGNOSTICS	14,729
KOMIN MEDICAL GROUP	9,278
CACERES, ALVARO	8,205
OMNI FAMILY HEALTH	7,317
SAN JOAQUIN COMMUNITY HOSPITAL	7,180
STOCKDALE PODIATRY	7,130
STOCKDALE RADIOLOGY	6,734
Total	370,500

Current YTD
150

Projected YTD:
365

Top 10 Error Reasons
Incorrect DOS 18 %
Incorrect CPT 13 %
Incorrect Units 10 %
Incorrect DX 9 %
Modifier code omitted 9 %
Incorrect From and Thru Date 7 %
Other 7 %
Incorrect Charges 7 %
Incorrect NPI 6 %
Incorrect POS 4 %

OCR Workflow Errors



SYSTEMS

Provider Relations Dashboard

- Current Dashboard Categories
  - Current Network
  - Credentialing
  - Employee Productivity
  - Employee Detail
- Presentation Example:
  - Current Provider Network
  - Credentialing

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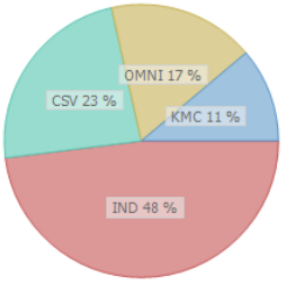
Governed Reporting System

Current Network | Credentialing | Employee Productivity | Employee Detail

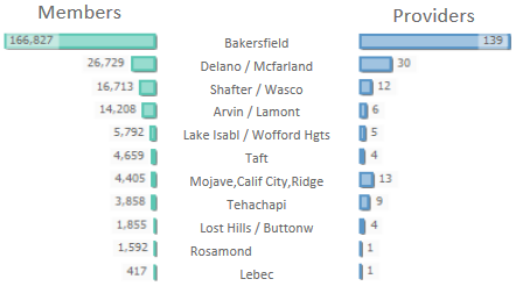
Updated: 03/27/17 06:00 AM

Membership by Specialty

Membership by Region



Membership by City



Provider Current Capacity Levels

Capacity Level	Providers	Remaining Capacity
0% Capacity	66	-
1% To 20% Capacity	9	1,953
21% To 40% Capacity	9	3,292
41% To 60% Capacity	45	229,242
Greater Than 80% Capacity	68	448,529
Over Capacity	27	(20,855)
Total Capacity Levels	**224**	**662,161**

Provider Over Max Allowed Members

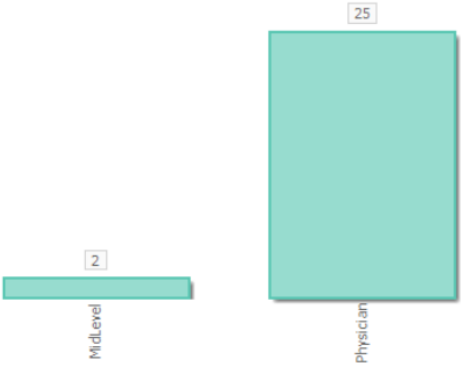
Panel	Providers	Members Over Assigned
Closed	8	(6,636)
Open	19	(14,219)
Total Capacity Levels	**27**	**(20,855)**

Providers with No Assigned Members

	Providers	Capacity
No Assigned Members	79	123,441

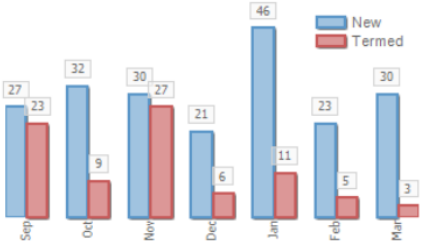
Providers by Credentialing Assignment

Dual | Facility | Hospital | Non-Assignable | PCP | Pharmacy | Specialist | Transport | Urgent Care

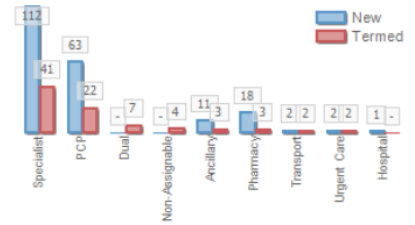


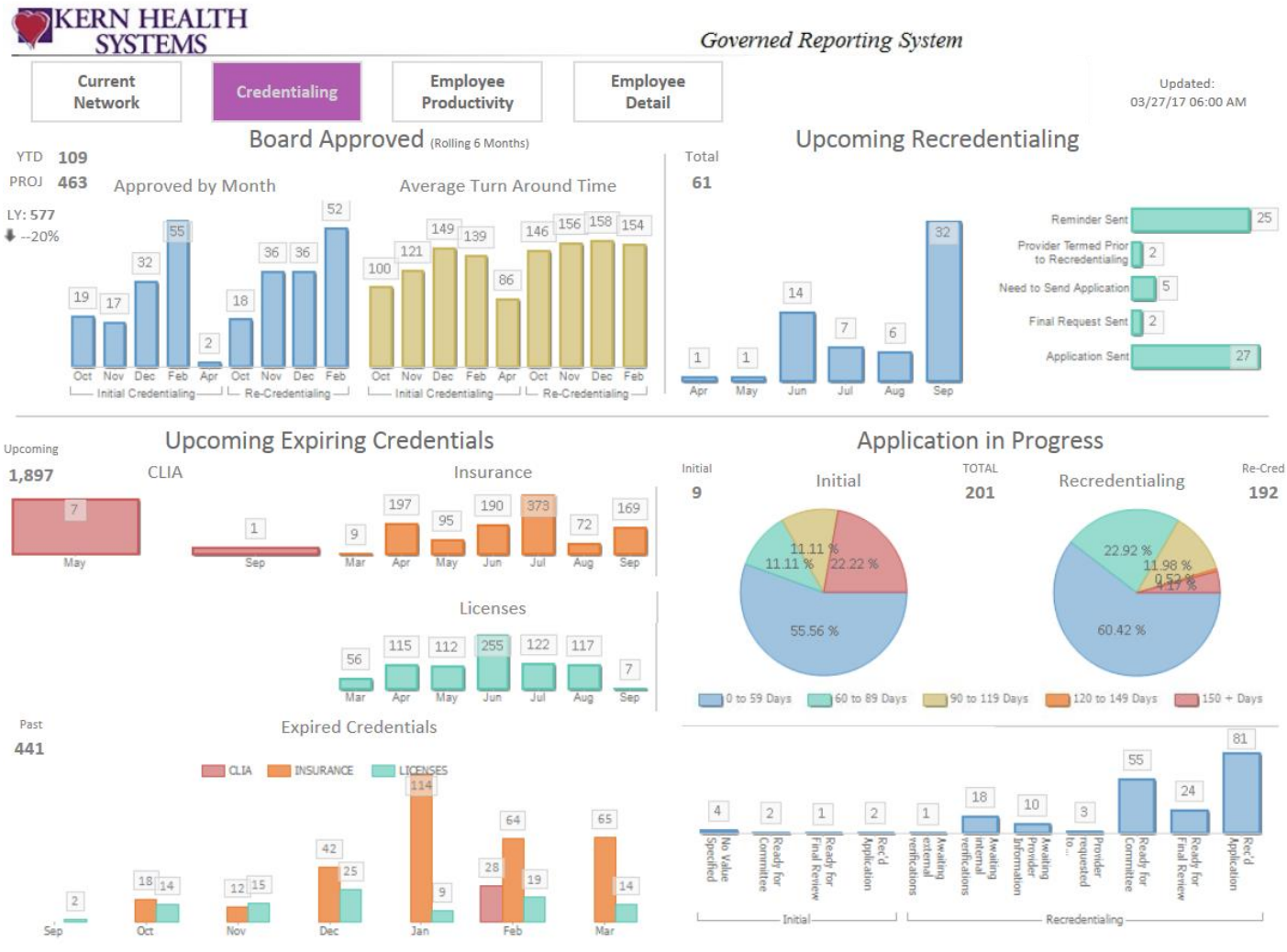
Termed and New Credentialed

by Month (Rolling 6 Months)



by Category (Rolling 6 Months)




KERN HEALTH SYSTEMS
Governed Reporting System
Current Network
Credentialing
Employee Productivity
Employee Detail
Updated: 03/27/17 06:00 AM
Board Approved (Rolling 6 Months)
YTD 109
PROJ 463
LY: 577
--20%
Approved by Month
Average Turn Around Time
Initial Credentialing
Re-Credentialing
Upcoming Recredentialing
Total 61
Reminder Sent 25
Provider Termed Prior to Recredentialing 2
Need to Send Application 5
Final Request Sent 2
Application Sent 27
Upcoming Expiring Credentials
Upcoming 1,897
CLIA
Insurance
Licenses
Application in Progress
Initial 9
TOTAL 201
Re-Cred 192
Initial
Recredentialing
0 to 59 Days
60 to 89 Days
90 to 119 Days
120 to 149 Days
150 + Days
Past 441
Expired Credentials
CLIA
INSURANCE
LICENSES
Initial
Recredentialing

Member Services Dashboard

- Current Dashboard Categories
  - Call Volumes
  - Call Activity
  - Call Quality
  - Grievance
  - Membership
  - Employee Productivity
- Presentation Example:
  - Call Volumes
  - Grievance

KERN HEALTH SYSTEMS

KERN HEALTH SYSTEMS

Governed Reporting System

Call Volume | Call Activity | Call Quality | Grievances | Membership | Employee Productivity

PROJ CALLS 260,331 LAST YEAR 267,136

YTD CALLS 66,331 LAST YTD 71,427

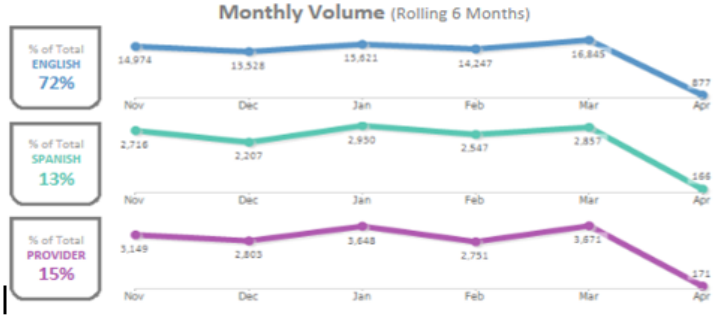
YTD CALLS ▼ -7.1% vs LAST YEAR

YTD Call Tracking Volumes

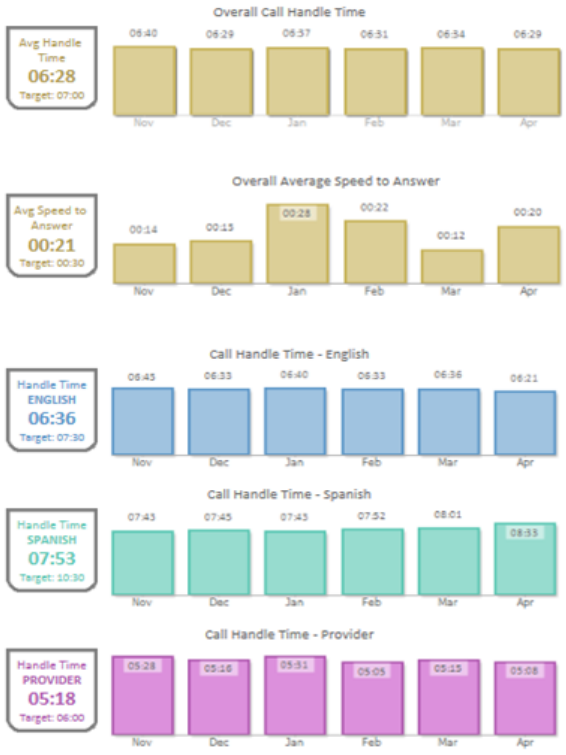
Week Ending 4/8/2017

		Mon	Tue	Wed	Thu	Fri	Total	Target		Prior Weeks 1	2
TOTAL	Calls Handled	1,194	0	0	0	0	1,194			4,867	5,149
	Calls Received	1214					1214			4884	5176
	Abandoned %	1.6 %					1.6 %	3.0 %	●	0.3 %	0.5 %
	ASA (seconds)	00:21					00:21	00:27	●	00:06	00:10
	Avg. Handle	06:29					06:29	06:11	●	06:35	06:21
ENGLISH	Calls Handled	866	0	0	0	0	866			3,614	3,607
	Calls Received	877					877			3614	3607
	Abandoned %	1.3 %					1.3 %	3.0 %	●	0.3 %	0.2 %
	ASA	00:19					00:19	00:00	●	00:05	00:08
	Avg. Handle	06:21					06:21	00:00	●	06:32	06:32
SPANISH	Calls Handled	163	0	0	0	0	163			567	639
	Calls Received	166					166			567	639
	Abandoned %	1.8 %					1.8 %	3.0 %	●	0.5 %	1.1 %
	ASA	00:31					00:31	00:00	●	00:12	00:15
	Avg. Handle	08:33					08:33	00:00	●	08:21	07:11
PROVIDER	Calls Handled	165	0	0	0	0	165			703	930
	Calls Received	171					171			703	930
	Abandoned %	3.5 %					3.5 %	3.0 %	●	0.6 %	1.3 %
	ASA	00:23					00:23	00:00	●	00:05	00:11
	Avg. Handle	05:08					05:08	00:00	●	05:25	05:05

Monthly Volume (Rolling 6 Months)



Call Center Statistics (Rolling 6 Months)




KERN HEALTH SYSTEMS
Governed Reporting System
Call Volume
Call Activity
Call Quality
Grievances
Membership
Employee Productivity
YTD Grievances
YTD: 202
LYTD: 302
- 33%
PROJ: 792
Turnaround Days (Avg) 22.6
% English 87.1%
Volumes by Month
82
58
80
10
Jan
Feb
Mar
Apr
Volumes by Service or Care Issue
Provider 44.3 %
Staff 25.7 %
Provider and Staff 14.8 %
KFHC 14.3 %
Advice Nurse 0.4 %
Other 0.4 %
Volumes by Type
Non ASD/MH 97.4 %
MH 1.7 %
ASD 0.9 %
YTD Grievances by Disposition
AC
CD
DA
ICL
MN
OI
QC
QS
Total YTD 99
% Upheld 100.0%
45
31
23
Jan
Feb
Mar
Provider 49.5 %
Staff 35.4 %
Provider and Staff 14.1 %
KFHC 1.0 %
98 %
2 %
1 - 15 Days
15 - 30 Days
31+ Days
14 %
86 %
ENGLISH
SPANISH

What's Next

KHS is committed to revise/enhance the current operational dashboards to provide management with the necessary tools to make data driven decisions regarding operations while improving overall performance of the organization.

KERN HEALTH SYSTEMS

Kern Health Systems

For additional questions, please contact

Alan Avery, Chief Operating Officer
(661) 664-5005

KERN HEALTH SYSTEMS

KERN HEALTH SYSTEMS

To: KHS Board of Directors

From: Douglas A. Hayward, CEO

Date: April 13, 2017

Re: Update on KHS Strategic Plan

Background

At the close of each quarter Management updates the Board on KHS' Strategic Plan progress. Overall the Strategic Plan continues to proceed according to expectation. Included is a presentation with the latest status of the various strategic items. In the presentation, items highlighted in green indicate an item is on track, items in gray have been completed and items in white have not started.

Additionally, KHS is in the last year of its current strategic plan and would like to propose meeting with the KHS Board of Directors on **Thursday, September 14, 2017 from 8:30 a.m. – 12:00 p.m.** to conduct a strategic planning session for the next 3-year cycle.

As with previous strategic planning sessions, this meeting will be facilitated by Bobbie Wunsch, Principal, with Pacific Health Consulting Group. The estimated cost for Ms. Wunsch to facilitate the retreat and creation of the new strategic plan is in the range of $15,000-$20,000 which was included in the 2017 budget approved by the Board at its December, 2016 meeting.

Requested Action

Receive and file

KERN HEALTH SYSTEMS

Q1 2017 Strategic Plan Update

April 13, 2017

Background

- In February 2015 a Board and Executive strategy meeting was held to define the 2015-2017 KHS strategic plan. This was followed by an internal work effort with staff to further define key initiatives, action items, and projects directly supporting the newly defined company goals.

- With the first quarter of 2017 coming to an end, management has prepared a status update on the key initiatives currently in progress within the Strategic Plan.

- **Green** = On Track, White = Not Started, Gray = Completed, **Yellow** = Behind Schedule, **Red** = Incomplete/Canceled

KERN HEALTH SYSTEMS

Goal 1 – Delivery System Changes and Payment Reform

Task ID	Task Name	Start Date	Due Date	% Complete	Assigned To
1	Delivery System Changes and Payment Reform				
1.1	Look to ways to compensate providers using value based purchasing and Performance Incentive arrangements focused on health outcomes. Ensure role for SNPs where SNP delivery model applies	7/1/2015	4/30/2017	30.00%	Emily Duran
1.11	Define clinical activities where Value Based Purchasing applies - Clinical activities for VBP have been identified by KHS CMO. VBP will first focus on co-morbidity of diabetes, mental health and cardiac conditions. These models will be administered by h	7/1/2015	2/29/2016	100.00%	Emily Duran
1.12	Determine desired outcomes	2/1/2016	6/1/2016	100.00%	Emily Duran
1.13	Participate in ACAP	1/1/2015	12/31/2015	100.00%	Emily Duran
1.14	Develop provider specific proposals	6/1/2016	8/30/2017	20.00%	Emily Duran
1.15	Negotiate mutually acceptable terms and conditions for participation	11/1/2016	9/30/2017	0.00%	Emily Duran
1.16	Implement VBP contract(s)	3/1/2017	10/30/2017	0.00%	Emily Duran
1.17	Monitor to determine if targeted outcomes are achieved	9/1/2017	12/31/2017	0.00%	Emily Duran
1.2	Prepare for new or modified benefits, expanded coverage, or changes to the tracking and reporting requirements as required by government agencies	4/1/2015	12/31/2017	50.00%	Jeremy McGuire
1.21	Determine the impact (depth ,scope, and duration) of changes to benefits (e.g MH, Autism) coverage categories (e.g. Duals), or monitoring and reporting requirements on KHS and provider network	7/1/2015	12/31/2017	70.00%	Jeremy McGuire
1.211	BHT/ABA Therapy Transition	1/1/2015	12/31/2015	100.00%	Jeremy McGuire
1.212	Health Homes	4/1/2015	3/31/2016	100.00%	Jeremy McGuire
1.213	1115 Waiver	1/1/2015	1/31/2016	100.00%	Jeremy McGuire
1.214	CCS Re-Design	1/1/2015	10/31/2016	100.00%	Jeremy McGuire
1.215	Palliative Care	4/1/2015	11/30/2016	100.00%	Jeremy McGuire
1.216	Duals Implementation	5/1/2017	1/1/2018	0.00%	Jeremy McGuire
1.217	Coverage for Undocumented Children	11/2/2015	4/1/2016	100.00%	Jeremy McGuire
1.218	CMS Managed Care Regulation	5/2/2016	12/30/2016	100.00%	Jeremy McGuire
1.22	Evaluate SNPs capability and capacity to provide required services under new benefits or	7/1/2015	12/31/2017	75.00%	
1.221	BHT/ABA Therapy	7/1/2015	10/30/2015	100.00%	Emily Duran
1.222	Health Homes	6/1/2015	7/1/2016	100.00%	Emily Duran
1.223	Coverage for Undocumented Children	1/18/2016	4/29/2016	100.00%	Emily Duran
1.224	1115 Waiver	2/22/2016	9/30/2016	100.00%	Emily Duran
1.23	Establish a project plan for instituting new benefits, coverage expansion, or tracking and reporting requirements	7/1/2015	12/31/2017	30.00%	Jeremy McGuire
1.231	BHT/ABA Therapy	7/1/2015	7/31/2016	100.00%	Jeremy McGuire
1.232	Health Homes Program	1/11/2016	12/29/2017	35.00%	Jeremy McGuire
1.24	Post implementation, audit each activity to ensure installation and performance meets	5/31/2016	12/31/2017	50.00%	Carl Breining

KERN HEALTH SYSTEMS

Goal 2 – Access to Primary and Specialty Care

Task ID	Task Name	Start Date	Due Date	% Complete	Assigned To
2	Access to Primary and Specialty Care				
2.1	Ensure sufficient Network PCP and Specialty Care representation to meet adequacy requirements	1/1/2015	12/31/2015	100.00%	Emily Duran
2.11	Conduct an annual evaluation of network adequacy for PCP and Specialist	10/1/2015	12/31/2015	100.00%	Emily Duran
2.12	Annually survey provider sites for service expansion plans or activities impacting KHS's	8/1/2015	12/31/2015	100.00%	Emily Duran
2.13	Determine by geographical location network deficiencies	10/1/2015	12/31/2015	100.00%	Emily Duran
2.14	Annually develop a plan to address any deficiencies	10/1/2015	12/31/2015	100.00%	Emily Duran
2.15	Create a Provider Recruitment and Retention Program to locate more PCP and Specialist in Kern County based on identified and/or anticipated deficiencies.	3/1/2015	8/31/2015	100.00%	Emily Duran
2.16	Year 2 - Provider Recruitment and Retention Grant Program	8/1/2016	10/30/2016	100.00%	Emily Duran
2.2	Maintain quality service standards with the provider network	9/1/2015	12/31/2017	70.00%	Emily Duran
2.21	Establish provider relations outreach goals and objectives by which to gauge routine service satisfaction with KHS	10/1/2015	12/31/2017	95.00%	Emily Duran
2.22	Conduct routine meetings between KHS PR staff and their assigned provider groups	10/1/2015	12/31/2017	60.00%	Emily Duran
2.23	Continue to survey annually all providers to determine the quality and attentiveness of KHS in meeting provider expectations. Provider Satisfaction Survey completed March 2016.	1/1/2016	12/31/2016	100.00%	Emily Duran
2.24	Conduct " town hall" type" meetings with providers in different locations throughout the	4/1/2016	12/31/2016	100.00%	Emily Duran
2.25	Convey KHS expectations and provide feedback on Provider and Staff performance relative to established access, quality and service expectations	2/1/2017	12/31/2017	25.00%	Emily Duran
2.26	Evaluate SNP's interest and capacity to perform credentialing and re-credentialing	3/1/2016	12/31/2016	100.00%	Emily Duran
2.27	Leverage technology and automation to improve service (administrative and clinical) performance between providers and KHS	3/1/2016	12/31/2016	100.00%	Emily Duran
2.3	Develop a network configuration strategy designed to achieve optimum health care system performance around "Right Care, Right Time, and Right Setting"	7/1/2015	12/31/2015	85.00%	Chandra Gowda
2.31	Delineate health care needs of member population using care gradient analysis with evidence based medicine as the standard	7/1/2015	12/31/2015	100.00%	Chandra Gowda
2.32	Adjust for changing demographic and/or medical complexity	7/1/2015	12/31/2015	100.00%	Chandra Gowda
2.33	Develop delivery system model to address needs at all levels using existing provider network where possible	7/1/2015	3/31/2016	100.00%	Chandra Gowda
2.34	Evaluate SNP's interest and capacity to participate in any newly identified programs or care delivery models	7/1/2015	12/31/2016	100.00%	Deborah Murr
2.35	Establish provider compensation arrangements to support structure and performance goals, monitor expected outcomes	7/1/2015	6/30/2017	85.00%	Chandra Gowda
2.36	Determine internal and external (Provider) operational needs to support concept	7/1/2015	9/30/2016	100.00%	Deborah Murr
2.37	Determine internal and external capital requirements where necessary to support concept	7/1/2015	12/31/2016	100.00%	Deborah Murr
2.38	Implementation	1/1/2016	7/1/2017	50.00%	

KERN HEALTH SYSTEMS

Goal 3 – Continue to be the health plan of choice for the low income population of Kern County

Task ID	Task Name	Start Date	Due Date	% Complete	Assigned To
3	Continue to be the health plan of choice for the low income population of Kern County				
3.1	Develop member focused approach to ensure members' expectations are met along the member intervention continuum from enrollment through treatment. For their assigned membership, explore ways for SNPs to perform responsibilities under the Member Outreach P	4/30/2015	6/30/2017	90.00%	Louie Iturriria
3.11	Develop performance standards, data tracking system and reporting structure for each functional area along the member intervention continuum (enrollment through treatment) to determine KHS's effectiveness in meeting member's needs	1/4/2016	6/30/2017	75.00%	Alan Avery
3.12	Conduct Member focus groups to determine ways to engage members more in maintaining optimum health through prevention, early intervention or adherence to prescribed treatment modalities	4/30/2015	6/10/2016	100.00%	Louie Iturriria
3.13	Develop a member outreach program with a goal to increase unitization of preventive services e.g. prenatal care, immunizations, well child visits, annual checkups, screening tests, etc. and adherence to prescribed treatment modalities	6/1/2015	6/30/2017	100.00%	Louie Iturriria
3.14	In collaboration with providers, explore ways to report health metrics to members to begin tracking what works and health outcomes	4/1/2016	3/31/2017	100.00%	Alan Avery
3.15	leverage technology to enhance communication and improve service (administrative and clinical) to members	6/1/2015	12/31/2016	100.00%	Alan Avery
3.16	Survey membership to gauge satisfaction with KHS and Caregivers	4/1/2016	9/15/2016	100.00%	Louie Iturriria
3.2	Convey a public image of a health plan that is caring, innovative, and focused on providing high quality, personal care unique to the circumstances and needs of each membership	1/1/2016	12/30/2016	100.00%	Louie Iturriria
3.21	Continue promoting KHS using current image and messaging campaign in all public exposure initiatives including Advertising, Public Relations, Community Events and Sponsorships	1/1/2016	12/30/2016	100.00%	Louie Iturriria
3.22	Identify programs, activities and events aligned with our mission and goals 1. Sponsor programs, activities, events directed at our member demographic 2. Ensure community grant programs (when available) address needs of our member demographic	1/1/2016	12/30/2016	100.00%	Louie Iturriria
3.23	Annually, survey outside sources (SNPs, KCDHS, community based enrollment organizations and State Enrollment Intermediary - who influence member choice) as to their perception of KHS's reputation and image with the public or targeted demographic	7/1/2016	12/16/2016	100.00%	Louie Iturriria

KERN HEALTH SYSTEMS

Goal 4 – Plan Sustainability and Diversification

Task ID	Task Name	Start Date	Due Date	% Complete	Assigned To
4	Plan Sustainability and Diversification				
4.1	Maintain a Financially viable organization capable of meeting its obligations to its members, providers, and government agencies	1/1/2017	12/31/2017	0.00%	Robert Landis
4.12	Annually develop an operating budget enabling KHS to achieve its annual goals	6/1/2017	12/14/2017	0.00%	Robin Plumb
4.121	Develop Utilization and Unit Cost Assumptions for Medical Expenses	8/1/2017	10/13/2017	0.00%	Robin Plumb
4.122	Determine Signifcant Budget Assumptions	6/30/2017	10/13/2017	0.00%	Robert Landis
4.123	Determine 2018 Projects	7/17/2017	8/18/2017	0.00%	Robert Landis
4.124	Develop Enrollment Assumptions by COA	6/1/2017	6/16/2017	0.00%	Robert Landis
4.13	Annually develop capital budget to support new programs, member growth and benefits expansion	9/1/2017	10/13/2017	0.00%	Veronica Barker
4.14	Administrative Expense Budget	6/30/2017	10/13/2017	0.00%	Veronica Barker
4.141	Determine FTE Requirements and administrative costs by department	6/30/2017	10/13/2017	0.00%	Veronica Barker
4.15	Retain sufficient reserves to protect KHS from unexpected events to include but not limited to: unforeseen underwriting risks (adverse selection), actuarially unsound rates, un-financed or under financed required benefits, payment delays, future growth re	1/1/2017	12/31/2017	0.00%	Robert Landis
4.16	Continue an on-going dialogue with DHCS and DMHC in order to convey concerns over reimbursement for any current or proposed, programs, benefits, aid categories or services KHS is required to provide by the State or Federal governments	1/1/2017	12/31/2017	0.00%	Robert Landis
4.2	Relocate KHS offices to a geographic area convenient to members and able to house all functions in one location	1/1/2015	1/31/2019	65.00%	Emily Duran
4.21	Select consultant to assist with identifying qualified locations	6/1/2015	9/30/2015	100.00%	Emily Duran
4.22	Present to the KHS Board all locations suitable for housing KHS current and future growth within the desired location.	5/1/2015	12/31/2015	100.00%	Emily Duran
4.23	Review Construction Proposals	7/1/2015	12/31/2015	100.00%	Emily Duran
4.24	Pre Construction and Construction Phase	9/1/2015	12/31/2016	100.00%	Emily Duran
4.241	Select General Contractor	1/1/2017	3/31/2017	100.00%	Emily Duran
4.242	Select Architect	10/1/2016	12/31/2016	100.00%	Emily Duran
4.25	Construction Project Plan	11/1/2015	1/31/2016	100.00%	Emily Duran
4.26	Construct Building	6/1/2017	1/31/2019	0.00%	Emily Duran
4.27	Create KHS relocation plan	5/1/2016	12/31/2016	100.00%	Emily Duran

KERN HEALTH SYSTEMS

Goal 4 – Plan Sustainability and Diversification

Task ID	Task Name	Start Date	Due Date	% Complete	Assigned To
4	Plan Sustainability and Diversification				
4.3	Consider all opportunities suitable to the mission and business model	1/1/2016	12/31/2017	80.00%	Jeremy McGuire
4.31	Explore alternative product lines consistent with the business model e.g. Health Benefit Exchange, Medicare Advantage, ASO contracting	1/1/2016	9/30/2016	100.00%	Jeremy McGuire
4.32	Present recommendation(s) to the Board of Directors	10/3/2016	10/13/2016	100.00%	Jeremy McGuire
4.33	Develop Feasibility Study for selected Product lines defining the opportunity, market share impact, capital requirements and ROI showing financial results for 3 years	11/1/2016	12/31/2017	15.00%	Jeremy McGuire
4.4	Undertake succession planning to ensure leadership continuity	7/1/2015	4/14/2017	99.00%	Doug Hayward Anita Martin
4.41	Determine need for consulting services	7/1/2015	7/31/2015	100.00%	Doug Hayward Anita Martin
4.42	Defining critical positions in your company	7/1/2015	9/30/2015	100.00%	Doug Hayward Anita Martin
4.43	Identifying competency, skills and success factors of leadership	8/3/2015	9/30/2015	100.00%	Doug Hayward Anita Martin
4.44	Finding and assessing potential successors	1/2/2017	3/13/2017	100.00%	Doug Hayward Anita Martin
4.45	Plan for developing internal talent and monitoring their progress	1/2/2017	3/13/2017	100.00%	Doug Hayward Anita Martin
4.46	Incorporating means for adjusting / modifying Plan for organizational / environmental changes	1/2/2017	3/13/2017	100.00%	Doug Hayward Anita Martin
4.47	Present Plan to Board of Directors for review and approval	1/2/2017	4/13/2017	99.00%	Doug Hayward
4.5	Develop Employee Retention Plan	6/1/2015	4/14/2017	100.00%	Doug Hayward Anita Martin
4.51	Identify factors which influence retention	7/1/2015	7/31/2015	100.00%	
4.52	Evaluate internal opportunities for advancement and growth within KHS	8/3/2015	3/31/2016	100.00%	Anita Martin Doug Hayward
4.53	Evaluate culture to develop a positive, constructive work environment using employee surveys and exit interviews	8/17/2015	3/31/2016	100.00%	Anita Martin Doug Hayward
4.54	Analyze turn-over	1/23/2017	2/20/2017	100.00%	Anita Martin
4.55	Conduct Compensation Study to determine whether KHS's compensation and benefits are competitive with industry and local markets for similar positions	8/3/2015	3/24/2016	100.00%	Anita Martin
4.56	Present findings to Compensation Committee	2/20/2017	4/1/2017	100.00%	Doug Hayward
4.57	Present to Board of Directors	2/20/2017	4/13/2017	99.00%	Doug Hayward

KERN HEALTH SYSTEMS

Goal 5 – Optimize the use of technology to improve service to constituency and increase administrative / operations economies of scale

Task ID	Task Name	Start Date	Due Date	% Complete	Assigned To
5	Optimize the use of technology to improve service to constituency and increase administrative / operations economies of scale				
5.1	Maximize new core claims processing system to promote Electronic Data Interchange (EDI); System Integration; and Dynamic Data Collaboration to increase efficiencies and reduce costs	10/1/2015	12/31/2017	100.00%	Richard Pruitt Alan Avery
5.11	Implement new Core System (QNXT) and all associated software tools	7/1/2015	10/1/2015	100.00%	Richard Pruitt Alan Avery
5.111	Implement PaySpan for QNXT Provider Payments	7/1/2015	10/9/2015	100.00%	Robert Landis Alan Avery
5.12	Identify and implement QNXT process improvement functionality post implementation	10/1/2015	12/31/2016	100.00%	Richard Pruitt Alan Avery
5.121	Member Services to identify "pop-up helps to increase call center staff efficiency	10/1/2015	11/1/2015	100.00%	Alan Avery
5.122	Claims to identify high volume edits and other opportunities for improving automation (Daily Scrum with Config, 101 Edits, Round Table)	10/1/2015	11/15/2015	100.00%	Alan Avery
5.123	Medical Management to identify PA rules and edit enhancements to improve automation	10/1/2015	12/31/2015	100.00%	Chandra Gowda
5.124	I.T. to evaluate all QNXT process improvement functionality requests, perform analysis and develop ROI for recommendation to I.T. Steering Committee for approval.	11/15/2015	12/15/2015	100.00%	Richard Pruitt
5.13	Develop annual process to identify QNXT system process improvement functionality	3/1/2016	4/29/2016	100.00%	Richard Pruitt Alan Avery
5.14	Create/Maintain list of recommended system improvements	6/1/2016	7/29/2016	100.00%	Richard Pruitt
5.15	Create annual budget along with ROI	7/1/2016	9/1/2017	100.00%	Richard Pruitt
5.2	Continue to develop and refine a metrics-driven performance culture within the organizations administrative and medical disciplines to enhance operations	12/1/2015	8/30/2017	80.00%	Alan Avery
5.21	Analyze and establish metric oriented baselines for measurement	1/1/2016	12/15/2016	100.00%	Alan Avery
5.211	Create and Implement provider peer profile for PCPs	10/1/2015	10/15/2016	100.00%	Chandra Gowda
5.212	Identify & Hire New IT Resource to help identify key provider relations measurements and metrics. Implement metrics	2/1/2016	4/29/2016	100.00%	Alan Avery
5.213	Engage new IT resource to identify key claims measurements and metrics. Implement metrics	5/2/2016	12/31/2016	100.00%	Alan Avery
5.214	Engage new IT resource to identify key Member Services measurements and metrics. Implement metrics	8/1/2016	9/28/2016	100.00%	Alan Avery
5.22	Evaluate what changes should be considered for Board level dashboard	4/1/2016	7/31/2017	75.00%	Doug Hayward
5.23	Continuously monitor and affirm metrics and performance for operational/medical effectiveness	8/1/2016	8/1/2017	75.00%	Alan Avery Chandra Gowda

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Goal 5 – Optimize the use of technology to improve service to constituency and increase administrative / operations economies of scale

Task ID	Task Name	Start Date	Due Date	% Complete	Assigned To
5	Optimize the use of technology to improve service to constituency and increase administrative / operations economies of scale				
5.3	Increase data communication between the provider, member, and health plan to promote health information exchange and /or impact access, quality, or costs	1/1/2015	12/31/2017	50.00%	Richard Pruitt
5.31	Identify opportunities/products in the market (e.g. Health Information Exchange, Data	1/1/2015	12/31/2017	85.00%	Richard Pruitt
5.311	Kern County Mental Health Data Exchange	7/1/2015	6/30/2016	100.00%	Deborah Murr
5.312	Provider Portal	7/1/2015	6/30/2016	100.00%	Emily Duran
5.313	Member Portal	7/1/2015	12/31/2016	100.00%	Louie Iturriria
5.314	CAHQ CORE Transactions	1/1/2015	12/31/2015	100.00%	Richard Pruitt
5.315	Member Data Dashboard	1/1/2017	3/31/2017	100.00%	Louie Iturriria
5.316	Provider Data Dashboard (P4P, Scorecard, etc)	1/1/2017	12/31/2017	75.00%	Deborah Murr
5.317	Particpation in a Global Health Information Exchange	1/1/2017	12/31/2017	0.00%	Richard Pruitt
5.32	Analyze and evaluate opportunities/products for effectiveness and compatibility with the health plan and community	1/1/2015	6/30/2017	50.00%	Richard Pruitt
5.321	Provider/Member Portal Analysis	1/1/2016	5/31/2016	100.00%	Emily Duran
5.322	Medical Management Platform Analytics	5/1/2016	7/31/2016	100.00%	Deborah Murr
5.323	Member Rewards Analytics	3/1/2016	1/27/2017	100.00%	Louie Iturriria
5.33	Complete cost analysis for Return on Investment/Cost Benefit	1/1/2015	6/30/2017	50.00%	Richard Pruitt
5.34	Presention to Board of Directors	1/1/2015	12/31/2017	50.00%	Richard Pruitt
5.341	Provider/Member Portal Board Presentation	2/1/2016	5/12/2016	100.00%	Emily Duran
5.342	Medical Management Software Board Presentation	9/1/2016	10/31/2016	100.00%	Deborah Murr
5.343	Member Rewards Board Presentation	7/1/2016	1/27/2017	100.00%	Louie Iturriria
5.35	Create plan for implementation	1/1/2015	9/30/2017	50.00%	Richard Pruitt
5.351	Provider Portal Implementation	6/1/2016	6/30/2017	60.00%	Emily Duran
5.352	Member Portal Implementation	6/1/2016	1/27/2017	100.00%	Louie Iturriria
5.353	Medical Management Platform Implementation	1/1/2017	12/31/2017	20.00%	Deborah Murr
5.354	Member Rewards Implementation	10/3/2016	6/30/2017	100.00%	Louie Iturriria
5.4	Continuously identify and promote organizational efficiencies and process improvement	1/1/2015	12/31/2017	50.00%	Doug Hayward
5.41	Perform Business Processing Improvement Training for Leadership	1/1/2015	6/30/2016	100.00%	Richard Pruitt
5.42	Identify and analyze efficiencies and improvement opportunities	1/1/2015	6/30/2015	100.00%	Execs
5.43	Align these initiatives with annual departmental goals and objectives	1/1/2015	6/30/2015	100.00%	Execs
5.44	Perform cost analysis of efficiencies or improvement opportunity	1/1/2015	6/30/2015	100.00%	Execs
5.45	Establish projects into annual project and budget planning	1/1/2015	10/1/2015	100.00%	Execs
5.46	Create and execute project plans	1/1/2017	12/31/2017	25.00%	Jeremy McGuire
5.47	Continuously monitor and control for operational effectiveness	1/1/2015	12/31/2017	75.00%	Execs

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Next Steps

- Staff continues to work on remaining Strategic Plan items. Updates to the KHS Board of Directors will continue.
- Management is scheduling a Strategic Planning Meeting in September 2017 to discuss the next 3-year Strategic Plan.

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To: KHS Board of Directors

From: Larry Rhoades, Chairman & Douglas A Hayward, CEO

Date: April 13, 2017

Re: Compensation Committee Report - Annual Review of the Succession Plan and Retention Plan and Recommendations

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Background

Annually, in accordance with the Succession and Retention Plans, the Compensation Committee evaluates changes within the organization or environment to determine if either or both Plans need to be modified or adjusted to meet this change. In the Succession Plan and Retention Plan adopted by the Board in April of last year, are instructions for the Compensation Committee to follow for monitoring and assessing each Plan's continued relevance.

On March 31st, 2017 the Compensation Committee (Rhoades (Chairman), Hinojosa, McGlew and Judd) convened to review both Plan's and recommend (if necessary) changes to either Plan and / or their content.

Succession Plan

For certain relevant positions, the Succession Plan identifies key staff that, through professional development and progressive responsibility will be prepared for career advancement in KHS. In evaluating our bench strength, the following jobs were identified as having suitable successors within Kern Health Systems:

- COO
- CIO
- Controller
- Director of Gov't Relations & Business Development
- Director of Pharmacy
- Director of Member Services and Marketing

Last year, a professional development plan was design for each candidate. The Plan is monitored and reviewed annually with the employee on their anniversary.

Compensation Committee Findings:

The Compensation Committee reviewed the current status of the Succession Plan to determine if an update is required. Specifically, the Compensation Committee addressed the following questions with conclusions in italics:

1. Has the level or content of the job changed over the past year, warranting reconsideration of the candidate(s) or the content of their professional development plan?

   No changes or updates are required of candidates considered for key positions of leadership.

2. Are there any changes to KHS business activities and regulatory obligations affecting these key positions of leadership warranting reconsideration of the candidate (s) or the content of their professional development plan?.

   No changes to current key positions are required due to changes in business activity or regulations governing KHS business practices.

3. When evaluating each candidate's development and current performance, are they progressing as expected?

   All candidates' annual reviews indicate they are performing and progressing as expected. One candidate for CIO consideration, Glen Brown, voluntarily left Kern Health Systems. However, a second candidate, Victoria Hurtado, Director of Technical Operations and Information Technology, continues to demonstrate strong technical knowledge and leadership development.

4. Are there any changes, adjustments or modifications need to be made to the Succession Plan to reflect current or known future circumstances.

   No changes, adjustments or modifications are needed to the Succession Plan at this time.

2017 Retention Plan

The Compensation Committee received a summary report, (Attachment A) of activities undertaken in 2017 on the following topics:

1. Employee Satisfaction Survey
2. Employee Compensation and Benefits Assessment
3. Enhance Turnover Report
4. Employee Training and Development
5. 2016 Related Activities

The report showed significant progress toward achieving the Retention Plan's intended goals of:

- Provide KHS the greatest opportunity to retain key employees and in doing so minimize voluntary turnover using resources and practices within KHS's control.
- Recognize our employees are our most valuable asset and that their satisfaction contributes to KHS's organization stability and service performance reliability.
- Promote a work environment and culture that employees perceive as enriching, nourishing and gratifying.
- Enable employees to succeed in their job when performing to their potential and KHS's expectation.

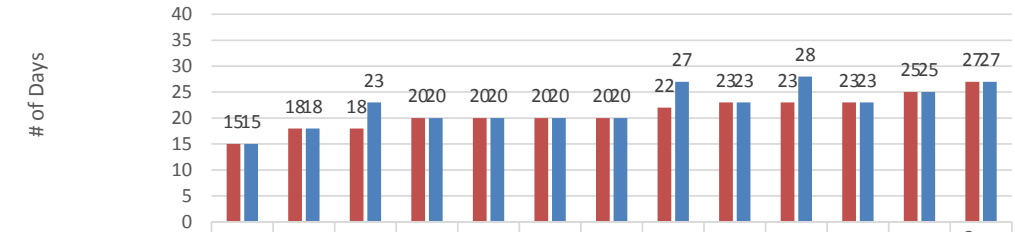
A significant challenge for KHS was to address turnover which in 2016 was increasing from voluntary termination due to uncompetitive salaries and benefits. An evaluation of KHS's compensation structure was undertaken mid 2016 by Mercer Consultants. Later that year the Board adopted several Mercer recommendations addressing compensation. Further studies were required to determine whether benefits were competitive with local market employers and industry standards with which KHS competes for employees. Through our voluntary termination questionnaire, KHS discovered employees were leaving KHS partly due to better PTO benefits. This was also noted, along with tuition reimbursement opportunities in the annual employee satisfaction survey as areas where KHS could improve.

To confirm this sentiment, Anita Martin, KHS's Director of Human Resources surveyed local employers as well as industry employers (similarly structured HMOs) with whom KHS competes for highly desirable employees: Health Professionals (MD's, RN's, LVNs, CSWs) and IT Professionals. Her results showed for PTO benefits, KHS ranked the lowest in the industry and lowest for local competitive employers for exempt and non- exempt employees.

Time-off Entitlements:

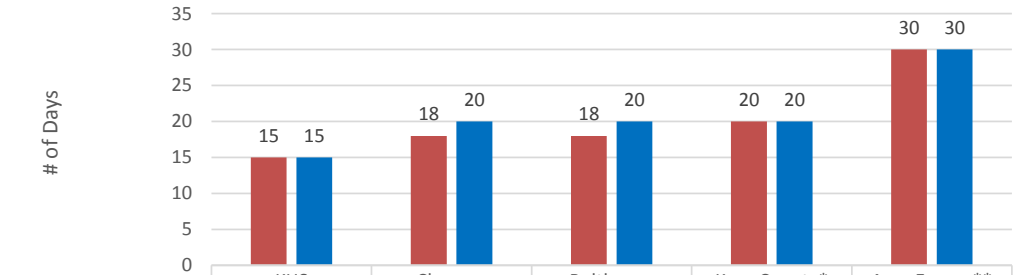
10 CA / HMOs & 7 Local Health Care Companies

PTO Accrual at Date of Hire
Medical/Healthcare



	KHS	IEHP	Santa Clara Family HP	HP of San Joaquin	Alameda Alliance	Partnership	Kern Medical	CenCal Health	Memorial Hospital	Central CA Alliance	San Francisco HP	Clinica Sierra Vista	Community Health Gr.
Non-Exempt (Hourly)	15	18	18	20	20	20	20	22	23	23	23	25	27
Exempt (Salaried)	15	18	23	20	20	20	20	27	23	28	23	25	27

PTO Accrual at Date of Hire
Private Sector & Kern County



	KHS	Chevron	Bolthouse	Kern County*	Aera Energy**
Non-Exempt (Hourly)	15	18	18	20	30
Exempt (Salaried)	15	20	20	20	30

***12 Vacation/8 Sick**
****20 Vacation/10 Sick**

When compared with other health plans and local employers, Professional Development in some manner or form was offered by all who were surveyed. Tuition reimbursement was offered by 9 of 14 health plans and as well as other local employers such as Kern County, KM, Dignity Health and Aera Energy with whom KHS competes for highly sought after employees.

Professional Development

(Tuition Reimbursement, Professional Certification and Professional Development entitlements)

Benefits Survey - Professional Development	Tuition Reimbursement	Professional Certification	Professional Development	Flex Schedule for School	Seminars/Conferences
Alameda	X	X		X	X
Cal Optima	X	X	X	X	X
CenCal Health	X	X	X	X	X
Central Cal Alliance		X	X		
Community HP		X	X		X
Contra Costa HP					
Gold Coast HP		X	X	X	X
HP of San Joaquin					
HP of San Mateo	X	X	X	X	X
IEHP	X	X	X	X	X
LA Care	X	X	X	X	X
Memorial Hospital	X	X	X	X	X
Partnership HP	X	X	X	X	X
San Francisco HP	X	X	X	X	X
Santa Clara HP	X				
Kern County/Kern Medical	X	X			X
Dignity Health	X	X		X	X
Aera Energy	X	X	X	X	X

Compensation Committee Review Summary

Succession Plan

At the present time, the Compensation Committee recommends no changes to the Succession Plan or any candidate's development plan for the positions indicated.

Retention Plan

The Compensation Committee concluded KHS should adjust its PTO to more competitive levels and add tuition reimbursement to its benefits. The recommended PTO adjustment would add 3 days; increasing from 15 days to 18 days for new employees (low end of local competitive employers). With the PTO adjustment, the maximum accrual limit, currently one time annual earned PTO should be increased as well. Current limits force tenured employees to take unplanned time off in order to stay ahead of losing earned PTO days because of the low limit. For exempt and nonexempt employees in critical roles (provider relations, member services), it is disruptive to the business or may require routinely using temps. Extending the accrual limit enable staff to take time off in lower periods of demand that can be planned in advance.

Requested Action

1. Recommend to expand Paid Time Off (PTO) accruals in accordance with the following schedule (fiscal impact - budgeted for $201,000 in 2017):

   - ***Non-exempt Employees***

0-5 years of service: 18 days per yr.

Beginning 6th – 10th year of service: 23 days per yr.

Beginning 11th – 15th year of service: 28 days per yr.

Beginning 16th year of service: 33 days per yr.

   - ***Exempt Employees***

0-2 years of service: 18 days per yr.

Beginning 3rd – 5th yr. of service: 23 days per yr.

Beginning 6th – 15th yr. of service: 28 days per yr.

Beginning 16th year of service: 33 days per yr.

2. Recommend extend the maximum accrual limit from 1x annual earned PTO to 2x annual earned PTO (no fiscal impact).

3. Recommend adopt an Employee Tuition Reimbursement Program in accordance the "Tuition Assistance Program Policy" (Attachment B) (fiscal impact budgeted at $95,000).

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2017 Retention Plan Report

(Attachment A)

Monitoring the Retention Plan

Annually the Compensation Committee will receive a full summary report as to the Action Items and completion or status of each item in each of the four areas:

1. Employee Satisfaction Survey
2. Compensation and Benefits Assessment
3. Enhance Turnover Report
4. Training and Development

1.) Employee Satisfaction Survey 2016

Survey results showed overall increase in employee satisfaction compared to the already high results from the 2015 survey. The full survey was presented at the Board meeting in February, 2017.

1. Overall, how satisfied are you with KHS as an employee?

Answer Options	Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied	Rating Average	Response Count
2016	6	3	15	124	159	4.39	307
2015	13	4	33	138	117	4.12	305

2. Overall, how would you rate the level of enthusiasm you feel toward coming to work and doing your best every day at KHS?

Answer Options	Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied	Rating Average	Response Count
2016	3	6	25	139	134	4.29	307
2015	8	8	42	133	114	4.10	305

16. Would you recommend employment at KHS to a friend or relative?

Answer Options	Definitely Not	Probably Not	Maybe	Probably Would	Definitely Would	Rating Average	Year
	2	3	26	59	217	4.58	2016
	1	7	34	73	190	4.46	2015

2.) **Compensation and Benefits Assessment –**

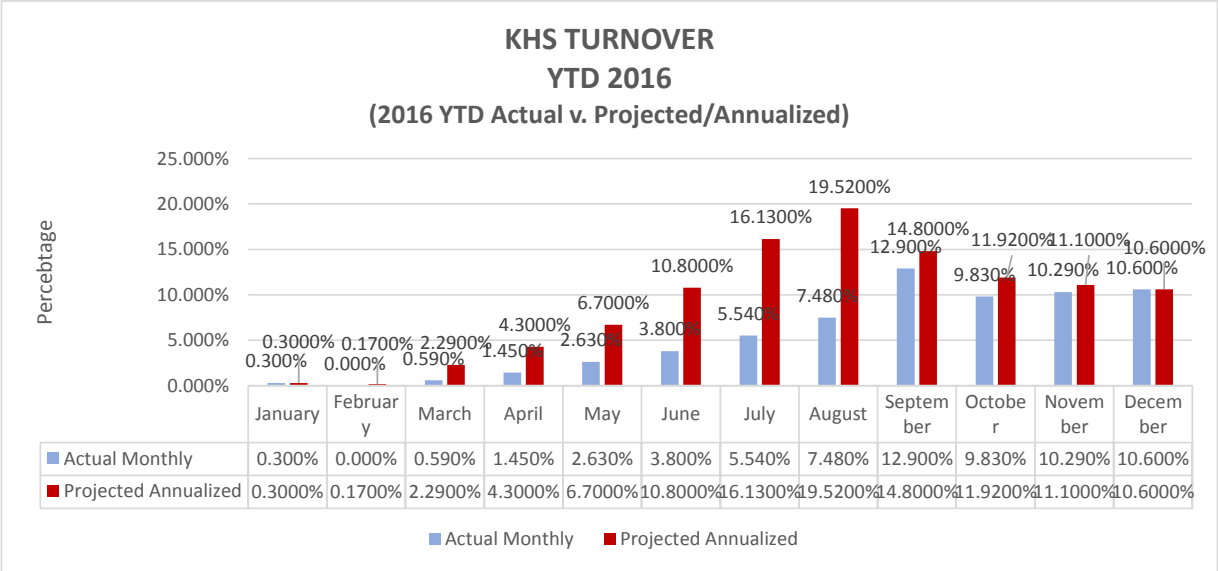
Compensation: An independent compensation study was conducted by Mercer over the summer of 2016. Following completion of the Study, a presentation was given to the Board. At its meeting in September, the Board adopted several Mercer recommendations resulting in compensation adjustments in several areas impacting many employees.

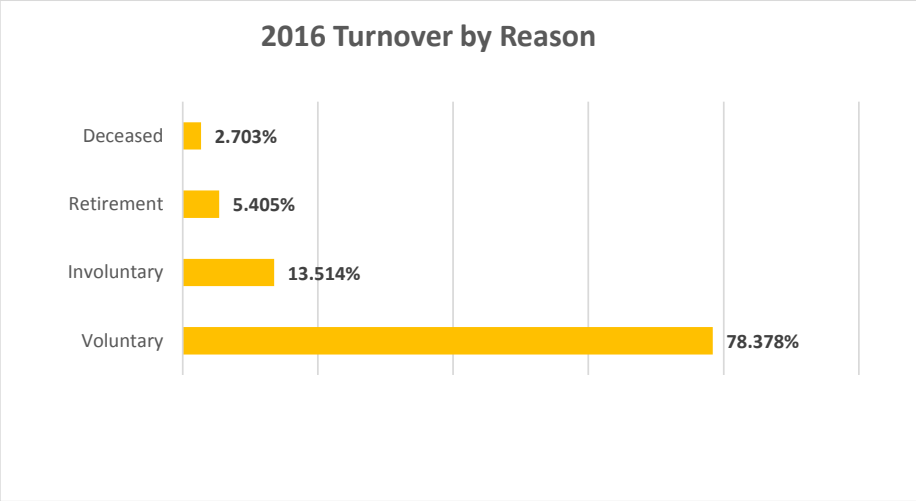
Benefits: In 2017, the Compensation Committee would complete the second phase of its evaluation to determine whether KHS's benefits are competitive with industry and local markets for similar positions. Information received from our Employee Satisfaction Survey, exit interviews with employees who voluntarily terminate their employment and studies comparing KHS benefits with local employers with whom we compete for quality employees, all showed KHS as needing to address two areas:

- Paid Time Off (PTO)
- Tuition Reimbursement

3.) **Turnover Report -**

Employee turnover fell to an annualized rate of 11% post implementation of compensation adjustments adopted in September.





4.) **Training and Development** –

Corporate Training and Development had a very successful 2016 with over 304 classes and 1059 hours of training. Other action items accomplished in 2016 and covered under the Attachment: "2017 Corporate Training and Development Strategic Plan" include:

- Annually review CTD Charter with Steering Committee
- Annually complete T&D Needs Assessment
- Steering Committee meet quarterly to prioritize training needs including annual review for T&D Calendar
- Assess on-line/on-demand skills enhancement training to determine best direction for promotion to employees
- CTD Manager to explore ways for KHS employees to have opportunities for cross-functional training. This strategy will improve engagement and retention because it gives employees opportunities to maximize their employment options through becoming qualified to work in other departments. Report back to Director of HR with findings and recommendations.

- Skillsoft training available for all employees. Enhanced computer training, CPA, PMP, SHRM-CP/SCP Certification prep classes, Supervisor training and professional development training classes available as a CBT's.

Other Related Activities

1. **Enhanced employee communication** – Director of HR to hold quarterly Town Hall meetings beginning in June 2017 to discuss employee suggestions, new ideas or concerns.

2. **Employee empowerment** – 2017 Employee Wellness Committee. Initial efforts have included the KHS Walking Challenge, the 2017 KHS Summer Softball Team and the 2017 Wellness Fair in October with a theme of Breast Cancer Awareness, recognizing our own Survivor's in a Gallery of Portraits.

3. **Reward and recognition honors** – the 2016 Annual Awards Dinner recognized 43 employees for tenure awards, 22 employees as Employees of the Months and 2 very special employees as Employees of the Year. These individuals were recognized in front of their peers and the management team at our Annual Awards Dinner. Each of our 43 employees recognized for their service were given a gift. Gifts (varying in value depending on tenure) were awarded for 5, 10, 15 or 20 years of service.

4. **Work/Life arrangements (e.g. job split, remote work site)** – we are currently still researching these options and will continue to update the Recruitment Plan when/and if these types of work/life arrangements become part of the KHS culture.

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Corporate Training and Development

Strategic Plan 2017

Attachment

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Training Program Goal

- Organizational growth demands optimally trained employees
  - We must provide consistent service
  - We must provide quality service
  - We must provide increased productivity

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Training Focus / Scope

- **Companywide**
  - Mandatory Annual Compliance Training
  - System Upgrades/Enhancements
  - New Hire Training
- **Departmental**
  - Department Specific Training to Enhance Productivity and Ensure accuracy
- **Individual**
  - Employee Skill Development
  - Employee Job Training (new hire & remedial)
  - Leadership Training

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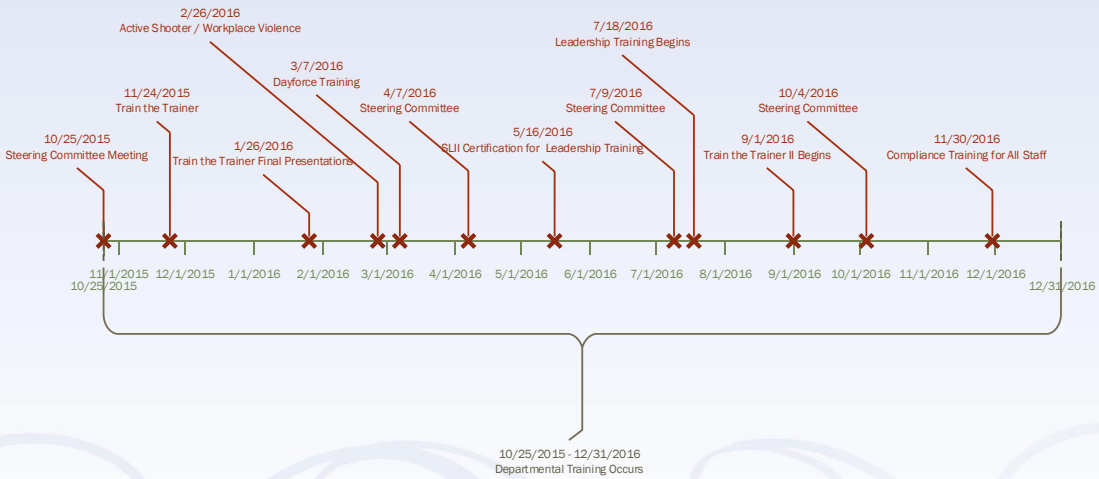
2016 Training Timeline



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2016 KHS Retention Plan
Action Items

- ✓ Annually review CTD Charter with Steering Committee
- ✓ Annually complete T&D Needs Assessment
- ✓ Steering Committee meet quarterly to prioritize training needs including annual review for T&D Calendar
- ✓ Assess on-line/on-demand skills enhancement training to determine best direction for promotion to employees
- ✓ CTD Manager to explore ways for KHS employees to have opportunities for cross-functional training.

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2016 Training Completed

- Active Shooter / Workplace Violence
- After Hours On Call Nurse Process Training
- Agile SCRUM Training
- Auto Q Pricer Training
- Call Tracking Training
- Ceridian Dayforce
- Claims Basics
- Claims New Hire Training
- Coordination of Benefits
- Compliance Training
- Disaster Recovery Training
- EMR NEXTGEN Training
- Grievance Training
- HEDIS Site Review Training
- ICD10 Training

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2016 Training Completed

- Inpatient NOA Training
- Letter of Agreement Process Training
- Member Services New Hire Training
- MHS Case Management Training
- OP Facility Claims Processing
- Provider Contracts Training
- QNXT
- Situational Leadership for Staff
- Situational Leadership for Managers
- Train the Trainer
- UM Inpatient Training

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2016 TRAINING TOTALS

- 304 Classes Trained
- 1059 Total Hours of Training
- 2156 Total Participants

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2017 Training Curriculum

- SLII – Listening Course – Leadership Continuation
- SLII – Building Trust – Leadership Continuation
- SLII – Challenging Conversations – Leadership Continuation
- SLII – Giving Feedback – Leadership Continuation
- DDI – Taking the HEAT – 4 hour course for Member Services Staff
- Train the Trainer 2017 – In Progress (6 week course)
- HR Training for Supervisors – Summer 2017
- Compliance Training – Annual
- Department Specific Training – Monthly
- Performance Evaluation Training – Done Monthly

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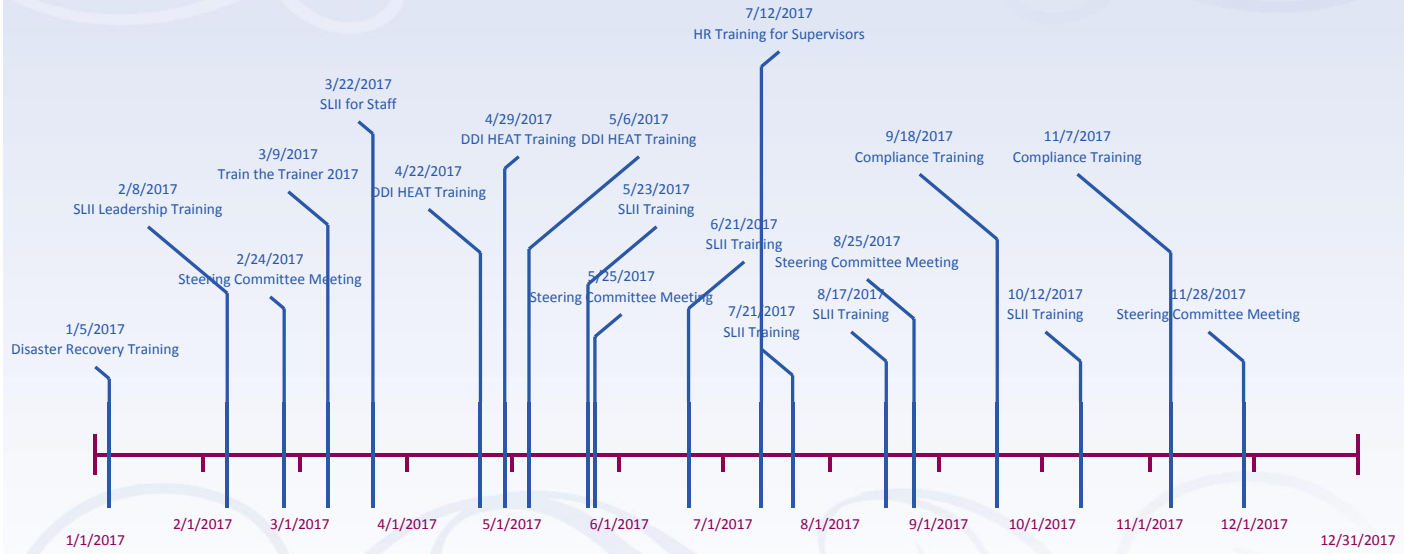
2017 Training Timeline



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Attachment B
Tuition Assistance Program Policy

Kern Health Systems provides financial support to employees who participate in externally sponsored educational courses which meet the criteria outlined in this Policy. Such support is intended to enhance employees' professional development and their skills and knowledge related to our business. This Tuition Assistance Policy is an IRS tax-exempt program and the following guidelines are critical to our being able to offer this tax-free tuition reimbursement process.

Administrative Guidelines

I. Requirements

A. Eligibility
Active employees who are classified as "full-time" (regularly scheduled to work 30 or more hours per week) with at least six months of continuous service immediately prior to the start of the course are eligible to apply for reimbursement for qualified tuition expenses. (For purposes of this policy, "active" means employees who are not on a leave of absence at the time of taking the course.)

B. Termination of Eligibility

1. Eligibility ceases upon notice of termination of employment. No reimbursements will be made to former employees, to employees who have given notice of resignation, or who have been notified that they will be involuntarily terminated. This includes situations in which approval of such reimbursement was previously provided and/or the course was satisfactorily completed prior to the date of termination.

2. Eligibility for tuition reimbursement also ceases when an employee receives an overall performance rating on their most recent annual review **below a "3.00"** –or- is placed on a Performance Improvement Plan ("PIP" or other performance action plan) while taking Tuition Reimbursement courses. In those circumstances, the employee may complete courses that are in session at the time of the performance rating or PIP but will not be eligible for reimbursement for any new courses enrolled in after receiving the performance rating or PIP, and prior to attaining an overall performance rating of "3.00" or better, or resolving any stated performance issues as determined by their manager.

C. Types of Assistance

Assistance, when approved, is given in the form of tuition reimbursement after successful course completion. Successful completion of a course shall be evidenced by a report from the school showing a passing grade of at least "C" or better. If grades are not normally awarded, a statement of satisfactory completion must be presented; for instance, this may include a pass/fail situation.

D. Approved Schools

Courses taken at one of the approved academic institutions listed on the California Universities and Accredited Colleges list (see attached), or listed on the U.S. Department of Education, Accreditation: Universities and Higher Education at https://www.ed.gov/accreditation?src=rn will be eligible for consideration. Correspondence courses or online courses will be considered for reimbursement only from approved academic institutions and only when they are determined to be equivalent or superior to comparable resident instruction.

E. Courses Eligible for Reimbursement

Eligibility for reimbursement of courses applied to a graduate degree program will be determined by any of the following criteria:

- Coursework relevant to the employee's current job assignment;
- Coursework relevant to a position within Kern Health Systems for which the employee is being trained, or aspires to; or
- Coursework relevant to a written development plan established by the employee's manager.

Eligibility for reimbursement of all other courses will be determined by any one of the following criteria:

- Coursework relevant to the employee's current job assignment;
- Coursework relevant to a position within Kern Health Systems for which the employee is being trained or aspires to; or
- Coursework that applies to a specific business-related degree.

Professional certifications are specifically covered under this policy. Decisions regarding the fees and expenses associated with preparatory courses or certification exams are left to the discretion of the department Director.

Situations which are not described, such as testing out of a course for the purpose of credit toward a business-related degree, or reimbursement for the costs of establishing credit for life experience that are applied toward a degree, will be reviewed by the Director of Human Resources and will be considered on an individual basis.

II. Educational Benefit

A. Amount Reimbursed

For eligible employees classified as "full-time," reimbursement for eligible expenses is limited to 75% of tuition expenses up to the following amounts:

- For eligible courses applied to a graduate degree program, up to $5,250 per calendar year
- For all other eligible courses (including undergraduate programs), up to $5,250 per calendar year

For purposes of these limits, an employee who begins pursuing a graduate degree in the fall is considered a graduate student for the entire year and is subject to 75% of the tuition up to $5,250 limit for all reimbursements sought January 1 - December 31 of the current year. Currently, reimbursements of up to $5,250 annually will not be subject to income tax withholdings.

B. Financial Assistance Outside of the Company

Eligible employees who receive assistance from outside sources (scholarships, grants, GI Bill, fellowships, and other stipends) are eligible for tuition reimbursement only if the cost of the tuition exceeds the amount of assistance received. In such cases, Kern Health Systems will reimburse 75% of the difference for qualifying tuition, up to the total dollar amounts noted above.

C. Payback Agreement

As a condition of tuition reimbursement, for undergraduate degree programs, the employee must agree that if he or she voluntarily or involuntarily leaves Kern Health Systems, the employee will repay KHS the full amount of any tuition reimbursements received during the twelve month period preceding the employee's termination date.

For graduate degree programs,

- The employee must pay 100% of any tuition reimbursements received during the twelve month period preceding the employee's termination date;

AND

- The employee must repay 50% of any tuition reimbursements received 13-24 months prior to the employee's termination date.

This payback agreement will not be enforced in situations where the employee's position is eliminated and he/she is eligible for severance.

III. Procedures

To qualify for and receive tuition reimbursement, the employee is required to:

- Complete the Tuition Reimbursement Request Form and the Repayment Agreement form and have both approved by his/her manager and the Director of HR before enrolling in the course. Retain the completed form until the course is completed.
- Enroll, pay the tuition and complete the course.
- Obtain evidence of satisfactory completion of the course as well as a statement/receipt reflecting the amount of the tuition paid (such as a tuition statement or receipt of payment for tuition).
- Submit the approved and signed Tuition Reimbursement Request Form, as well as the grade report and a statement/receipt reflecting the amount of the tuition paid (such as a tuition statement or receipt of payment for tuition) to Human Resources. Any additional paperwork that may affect the amount to be reimbursed (i.e., grants, scholarships, GI bill, etc.) should accompany the paperwork.
- Paperwork should be submitted within 90 days of course completion.
- Approved reimbursements will be paid through Accounting. Reimbursement will generally occur within 30-days of all of the appropriate paperwork. For example, if paperwork is completed and approved by the 1st of the month, the reimbursement will generally occur by the end of that month.

KERN HEALTH SYSTEMS

To: **KHS Board of Directors**

From: **Douglas A. Hayward, CEO**

Date: **April 13, 2017**

Re: **2016 DMHC SPD Survey - Deficiencies**

Background

The California Department of Health Care Services ("DHCS") received authorization ("1115 Waiver") from the federal government to conduct mandatory enrollment of seniors and persons with disabilities ("SPD") into managed care to achieve care coordination, better manage chronic conditions, and improve health outcomes. The DHCS then entered into an Inter-Agency Agreement with the Department of Managed Health Care (DMHC) to conduct health plan medical surveys to ensure that enrollees affected by this mandatory transition are assisted and protected under California's strong patient-rights laws. Mandatory enrollment of SPDs into managed care began in June 2011.

DMHC medical survey team conducted the onsite portion of the SPD survey of Kern Health Systems on August 29, 2016 through September 1, 2016. The audit consisted of an evaluation of the Plan's delivery of care to the SPD population as delineated by the DHCS-Plan Contract, the Knox-Keene Act, and Title 28 of the California Code of Regulations.

DMHC evaluated the areas of Utilization Management; Case Management; Access & Availability; Member Rights; and Quality Improvement. The audit review period included August 1, 2015 through July 31, 2016. The results of the audit showed KHS to be fully compliant in areas: Utilization Management; Case Management and Quality Improvement. A few exceptions were identified in categories: Access and Availability and Member Rights / Confidentiality. Corrective steps were submitted to DMHC addressing each item found to be out of compliance which was acceptable to DMHC. DMHC issued KHS a final closeout letter on March 16, 2017 indicating that all items submitted by the Plan have been reviewed and found to be in compliance by the Department.

The results of the audit have been summarized in the attached DHCS matrix, which indicates that the findings represent no risk to the member since they involve only policy updates or procedural changes.

Requested Action

Receive and file.

State of California—Health and Human Services Agency
Department of Health Care Services

JENNIFER KENT
DIRECTOR

2016 – SPD SURVEY
AUDIT PERIOD: August 1, 2015 to July 31, 2016
CAPs APPROVED: March 16, 2017
AUDIT CATEGORIES: Utilization Management; Case Management; Access & Availability; Member Rights; and Quality Improvement

Category/Item	Resolution	Member Impact
ACCESS AND AVAILABILITY		
Deficiency 1 – Provider to Member ratio (FTE calculation)	Policy updated	low
MEMBER RIGHTS/CONFIDIENTIALTY		
Deficiency 2 – BOD review of KFHC member grievances	CMO report revision	low
Deficiency 3 – Grievance Policy – DMHC contact timeframe	Policy updated	low

Key –Member Impact

High –	beneficiary risk
Medium -	possible beneficiary risk
Low –	no beneficiary risk

Prepared by: Carl R. Breining, CHC
April 5, 2017

State of California—Health and Human Services Agency
Department of Health Care Services

JENNIFER KENT
DIRECTOR

EDMUND G. BROWN JR.
GOVERNOR

March 16, 2017

Carl Breining, Director of Compliance and Regulatory Affairs
Kern Health Systems
9700 Stockdale Highway
Bakersfield, CA 93311

RE: Department of Managed Health Care 1115 Waiver Seniors and Persons with Disabilities Survey

Dear Mr.Breining:

The Department of Managed Health Care conducted an on-site 1115 Waiver Senior and Persons with Disabilities (SPD) Survey of Kern Health Systems, a Managed Care Plan (MCP), from August 29, 2016 through September 1, 2016. The survey covered the period of August 1, 2015 through July 31, 2016.

On March 3, 2017, the MCP provided DHCS with additional information regarding its Corrective Action Plan (CAP) in response to the report originally issued on January 9, 2017.

All items have been reviewed and found to be in compliance. The CAP is hereby closed. The enclosed report will serve as DHCS' final response to the MCP's CAP.

Please be advised that in accordance with Health & Safety Code Section 1380(h) and the Public Records Act, the final report will become a public document and will be made available on the DHCS website and to the public upon request.

If you have any questions, feel free to contact me at (916) 552-8946 or Lyubov Poonka at (916) 552-8946.

Sincerely,

Managed Care Quality and Monitoring Division
1501 Capitol Avenue, P.O. Box 997413, MS 4400
Sacramento, CA 95899-7413
Phone (916) 449-5000 Fax (916) 449-5005
www.dhcs.ca.gov

Jeanette Fong, Chief
Compliance Unit

Enclosures: Attachment A CAP Response Form

cc: Jonathan Prince, Contract Manager
Department of Health Care Services
Medi-Cal Managed Care Division
P.O. Box 997413, MS 4408
Sacramento, CA 95899-7413

ATTACHMENT A
Corrective Action Plan Response Form

Plan Name: Kern Family Health Care

Survey Type: 1115 Waiver SPD Medical Survey Report **Review Period: 08/01/15 - 07/31/16**

MCPs are required to provide a CAP and respond to all documented deficiencies within 30 calendar days, unless an alternative timeframe is indicated in the letter. MCPs are required to submit the CAP via email in word format which will reduce turnaround time for DHCS to complete its review.

The CAP submission must include a written statement identifying the deficiency and describing the plan of action taken to correct the deficiency, and the operational results of that action. For deficiencies that require long term corrective action or a period of time longer than 30 days to remedy or operationalize, the MCP must demonstrate it has taken remedial action and is making progress toward achieving an acceptable level of compliance. The MCP will be required to include the date when full compliance is expected to be achieved.

DHCS will maintain close communication with the MCP throughout the CAP process and provide technical assistance to ensure the MCP provides sufficient documentation to correct deficiencies. Depending on the volume and complexity of deficiencies identified, DHCS may require the MCP to provide weekly updates, as applicable.

Deficiency Number and Finding	Action Taken	Supporting Documentation	Implementation Date* (*anticipated or completed)	DHCS Comments
3. Availability and Accessibility				
Deficiency 1 The Plan fails to ensure it satisfies required provider-to-member ratios. DHCS-Plan Contract, Exhibit A, Attachment 4	KHS will develop a process to determine FTE percentage for providers in network based on a (40) forty hour workweek. KHS will develop a process to identify providers that are only		**Estimated date, Q2 2017	**02/08/17** - MCP submitted the following documentation to support its efforts to correct this finding: - Draft Policy 5.06-P: "Assignment of Primary Care Provider" (revised 01/25/17). Section 2.4, Provider to Member Ratio, now includes a process for validating full-time equivalency (FTE).

Deficiency Number and Finding	Action Taken	Supporting Documentation	Implementation Date* (*anticipated or completed)	DHCS Comments
– Quality Improvement System, Provision 1 – General Requirement and Attachment 6 – Provider Network, Provision 3 – Provider to Member Ratios; Rule 1300.70(a)(3), (b)(2)(B).	servicing members on a per-diem or locum bases. KHS will revise the applicable policy to reflect the process of validating FTE equivalent. <u>Operational Results</u> KHS is now capturing the FTE percentage for providers in network based on a (40) forty hour work week. KHS is also identifying those providers that are only servicing members on a per-diem or locum basis and will exclude those providers from the member to provider ratio. KHS revised policy 5.06-P, *Assignment of Primary Care Providers*, §2.4, *Provider to Member Ratio* to include validating FTE equivalent process.	5.06-P, *Assignment of Primary Care Providers,* §2.4, *Provider to Member Ratio* (Attachment A)	01/25/17	**02/28/17** - MCP submitted the following documentation to support its efforts to correct this finding: - MCP response explaining that the red-lined versions of policy have been submitted to DMHC for approval. **This finding is closed.**
4. Members' Rights				

Deficiency Number and Finding	Action Taken	Supporting Documentation	Implementation Date* (*anticipated or completed)	DHCS Comments
Deficiency 2 The Plan's Board of Director's does not periodically review the written record of grievances and document its review. DHCS-Plan Contract, Exhibit A, Attachment 14, Member Grievance System – Provision 1 – Member Grievance System; Rule 1300.68.	The Plan will prepare dashboard reports, to be included in the CMO report to the Board of Directors on a quarterly basis. The Grievance Dashboards will be provided to the Board the 2nd or 3rd month after the quarter closes, to ensure all cases have been closed and all quarterly reports have been reviewed and approved. The Grievance Dashboards will include data from the most recent quarter and the previous 3 quarters. Information included will be: cases closed in favor of Enrollee vs. Plan; types of cases received, i.e. Quality of Care, Quality of Service, Access to Care, Medical Necessity, Coverage Issues, Other, etc. **Operational Results**: The Board of Directors will electronically receive a Board Packet that will include quarterly Grievance dashboard reports as part of the Chief Medical Officer report.	N/A	The Plan anticipates the first set of Grievance Dashboards to be presented at the June 2017 Board of Directors meeting.	**03/03/17** - MCP submitted the following documentation to support its efforts to correct this finding: - MCP's written response (03/03/17) which commits the plan towards preparing grievance dashboard reports. The Board will receive the CMO's report which will include the grievance dashboards as part of the Board packet. Grievance dashboards will be presented at the June 2017 Board of Director's meeting. **This finding is closed.**
Deficiency 3	KHS staff will revise policy 5.01-I,	5.01-I, *Member*	1/20/2017	02/08/17 - MCP submitted the following

Deficiency Number and Finding	Action Taken	Supporting Documentation	Implementation Date* (*anticipated or completed)	DHCS Comments
The Plan's urgent grievance policies do not specify it will respond to the Department within 30 minutes during working hours and within 1 hour during non-work hours, after initial contact from the Department. DHCS-Plan Contract, Exhibit A, Attachment 14 – Member Grievance System, Provision 1 – Member Grievance System; Rule 1300.68.01(b).	*Member Grievance Process*, to include the requirement to respond to the Department within 30 minutes during working hours and within 1 hour during non-work hours, after initial contact from the Department. <u>Operational Results</u> Policy 5.01-I, *Member Grievance Process*, §2.2.3.1, *Contracts for Urgent Grievances*, was revised to include Knox-Keene response times for urgent grievances during work and after hours situations	*Grievance Process*, §2.2.3.1, *Contracts for Urgent Grievances* (Attachment B)		documentation to support its efforts to correct this finding: - Draft P&P 5.01-1: "KHS Member Grievance Process" policy and procedures. Section 2.2.3.1 has been revised to address urgent grievance response times during working and non-working hours according to Rule 1300.68.01(b). **02/28/17** - MCP submitted the following documentation to support its efforts to correct this finding: - MCP response explaining that the red-lined versions of policy have been submitted to DMHC for approval. **This finding is closed.**

Submitted by: **Date:**
Title: Kern Health Systems CEO

KERN HEALTH SYSTEMS

To: KHS Board of Directors

From: Douglas A. Hayward, CEO

Date: April 13, 2017

Re: Approval of the 03-75798, A12, Contract Amendment

Background

Contract Amendment A12 was sent to the Compliance Department by the Department of Health Care Services (DHCS) before the April Board meeting. The Department requested that the CEO sign two (2) original copies of Contract Amendment A12 and returned them in advance of the meeting.

The purpose of the amendment is to extend the KHS contract term with the State of California to serve the Medi-Cal population assigned to KHS in Kern County to December 31, 2020.

Requested Action

Retroactive authorization is given to the Chief Executive Officer on behalf of the Kern Health Systems to sign the Medi-Cal contract extending service to the State through 12/2020.

STATE OF CALIFORNIA
STANDARD AGREEMENT AMENDMENT
STD. 213A_DHCS (Rev. 08/14)

☐ Check here if additional pages are added: Page(s)

Agreement Number	Amendment Number
03-75798	A12
Registration Number:	

1. This Agreement is entered into between the State Agency and Contractor named below:

State Agency's Name (Also known as DHCS, CDHS, DHS or the State)
Department of Health Care Services

Contractor's Name (Also referred to as Contractor)
Kern Health Systems dba Kern Family Health Care

2. The term of this Agreement is: August 1, 2003 through December 31, 2020

3. The maximum amount of this Agreement after this amendment is: Budget Act Line Items 4260-601-0912 and 4260-601-0555

4. The parties mutually agree to this amendment as follows. All actions noted below are by this reference made a part of the Agreement and incorporated herein:

I. **Amendment effective date:** December 31, 2016, or until approved by DGS (if DGS approval is required).

II. **Purpose of amendment:** It extends the contract term to December 31, 2020. DHCS is obtaining a continuation of the services identified in the original agreement.

III. Certain changes made in this amendment are shown as: Text additions are displayed in **bold and underline**. Text deletions are displayed as strike through text (i.e., Strike).

IV. Paragraph 2 (term) on the face of the original STD 213 is amended to read: August 1, 2003 through ~~December 31, 2016~~**December 31, 2020**. All references to the former contract term of August 1, 2003 through December 31, 2016 in any exhibit incorporated into this agreement are hereinafter deemed to read August 1, 2003 through December 31, 2020.

All other terms and conditions shall remain the same.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.

CONTRACTOR

Contractor's Name *(If other than an individual, state whether a corporation, partnership, etc.)*
Kern Health Systems dba Kern Family Health Care

By *(Authorized Signature)* ✍ [signature] — Date Signed *(Do not type)* 3/17/2017

Printed Name and Title of Person Signing
Douglas Hayward, CEO

Address
9700 Stockdale Highway
Bakersfield, CA 93311

STATE OF CALIFORNIA

Agency Name
Department of Health Care Services

By *(Authorized Signature)* ✍ — Date Signed *(Do not type)*

Printed Name and Title of Person Signing
Javier Portela, Chief
Managed Care Operations Division

Address
1501 Capitol Avenue, MS 4415, P.O. Box 997413
Sacramento, CA 95899-7413

CALIFORNIA
Department of General Services
Use Only

☒ Exempt per: **W&I Code Section 4087.55(c)**

KERN HEALTH SYSTEMS

To: KHS Board of Directors

From: Robert Landis, CFO

Date: April 13, 2017

Re: December 2016 Financial Results

The December results reflect a $4,570,434 Net Increase in Net Position which is a $4,516,945 favorable variance to the budget. Listed below are the major variances for the month:

1) Total Revenues reflect a $11.1 million favorable variance primarily due to:

   A) $1.1 million unfavorable variance relating to Family and Other primarily due to lower than expected Maternity revenue (1.0 million) and lower than expected HEP-C revenue ($.1 million).

   B) $3.0 million favorable variance relating to Expansion primarily due to higher than expected enrollment ($2.7 million), a lower than expected budgeted rate decrease effective July 1, 2016 ($1.7 million), lower than expected Maternity revenue ($.2 million) and lower than expected HEP-C revenue ($1.2 million).

   C) $.8 million unfavorable variance relating to SPD members primarily due to lower than expected HEP-C revenue ($1.1 million) and higher than expected BHT revenue ($.3 million)

   D) $8.1 million favorable variance in Premium-MCO Tax due to the State changing their methodology in calculating the MCO Tax based on projected membership as opposed to a percentage of revenue. Using the previous methodology, the monthly accrual would have been approximately $2.0 million versus the new monthly accrual of $7.2 million. Additionally, we received $2.9 million of additional MCO Taxes relating to IGT and other Pass-through monies. There is no impact to the bottom as line as there is a corresponding $10.1 million amount recorded in MCO Tax Expense.

   E) $2.7 million favorable variance relating to Rate/Income Adjustments primarily due to receiving 25% of the Expansion Rate Range relating to prior years ($2.9 million) and a $.2 million unfavorable variance for retroactive rate changes.

   F) $1.3 million unfavorable variance relating to Other Income (Expense) primarily due to marking the investment portfolio to market.

2) Total Medical Costs reflect a $.3 million unfavorable variance primarily due to:

   A) $1.7 million unfavorable variance in Outpatient Hospital primarily due to higher than expected utilization for the Family and Other population.

   B) $1.9 million favorable variance in Pharmacy primarily due to lower than expected HEP-C utilization.

   C) $1.0 million unfavorable IBNR Adjustment from the prior year primarily related to the accruing of extra expense associated with the favorable Expansion Rate/Income Adjustment mentioned in 1E above ($2.0 million) and a favorable prior year P4P adjustment ($1.0 million).

3) Total Administrative Expense Expenses reflect a $1.8 million favorable variance primarily due to:

   A) $.2 million unfavorable variance in Compensation primarily due to the annual true-up of the PTO accrual.

   B) $2.0 million favorable variance in Administrative Expense Adjustment relating to a favorable net pension liability expense adjustment for the period July 1, 2015 to June 30, 2016 reported in accordance with Governmental Accounting Standards Board (GASB) statement 68.

The December Medical Loss Ratio is 90.3% which is favorable to the 95.0% budgeted amount. The December Administrative Expense Ratio is 1.3 % which is favorable to the 4.9% budgeted amount. The Administrative Expense Ratio is 4.9% excluding the GASB 68 adjustment.

The results for the 12 months ended December 31, 2016 reflect a Net Increase in Net Position of $61,282,148. This is a $49,709,349 favorable variance to budget and includes approximately $8.2 million of favorable adjustments from the prior year. The year-to-date Medical Loss Ratio is 85.9% which is favorable to the 93.2% budgeted amount. The year-to-date Administrative Expense Ratio is 4.6% which is favorable to the 4.9% budgeted amount.

Kern Health Systems
Financial Packet
December 2016

KHS – Medi-Cal Line of Business

KHS Group Health Plan – Healthy Families Line of Business

KHS Administrative Analysis and Other Reporting

KERN HEALTH SYSTEMS
MEDI-CAL
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2016

ASSETS	DECEMBER 2016	NOVEMBER 2016	INC(DEC)
CURRENT ASSETS:			
Cash and Cash Equivalents	$ 182,186,349	$ 80,864,998	$ 101,321,351
Short-Term Investments	88,167,704	112,697,307	(24,529,603)
Pass-through Monies Held for Future Payment	20,098,971	1,768,051	18,330,920
Premiums Receivable - Net	28,440,297	85,598,847	(57,158,550)
Interest Receivable	109,552	291,730	(182,178)
Other Receivables	864,768	950,505	(85,737)
Prepaid Expenses & Other Current Assets	885,596	868,523	17,073
Total Current Assets	$ 320,753,237	$ 283,039,961	$ 37,713,276
RESTRICTED ASSETS	$ 300,000	$ 300,000	$ -
CAPITAL ASSETS - NET OF ACCUM DEPRE:			
Land	4,851,562	4,851,562	-
Furniture and Equipment	7,007,728	7,372,384	(364,656)
Automobile - Net	22,499	23,108	(609)
Building and Building Improvements - Net	6,978,505	7,006,361	(27,856)
Capital Projects in Process	3,382,739	580,077	2,802,662
Total Capital Assets	$ 22,243,033	$ 19,833,492	$ 2,409,541
DEFERRED OUTFLOWS OF RESOURCES	$ 4,540,339	$ 1,956,217	$ 2,584,122
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 347,836,609	$ 305,129,670	$ 42,706,939
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Accounts Payable	61,988	24,877	37,111
Accrued Salaries and Employee Benefits	2,457,344	2,220,356	236,988
Accrued Other Operating Expenses	3,660,162	1,097,046	2,563,116
Accrued Taxes and Licenses	24,018,805	13,953,271	10,065,534
Other Medical Liabilities - Nonoperating Pass-through	20,098,971	1,768,051	18,330,920
Claims Payable (Reported)	21,446,519	16,241,275	5,205,244
IBNR - Inpatient Claims	25,971,768	27,451,495	(1,479,727)
IBNR - Physician Claims	12,225,659	11,884,539	341,120
IBNR - Accrued Other Medical	16,445,098	15,677,212	767,886
Risk Pool and Withholds Payable	3,418,439	4,973,928	(1,555,489)
Statutory Allowance for Claims Processing Expense	1,926,674	1,970,991	(44,317)
Other Liabilities	38,280,088	35,224,374	3,055,714
Total Current Liabilities	$ 170,011,515	$ 132,487,415	$ 37,524,100
NONCURRENT LIABILITIES:			
Net Pension Liability	4,769,187	3,017,955	1,751,232
TOTAL NONCURRENT LIABILITIES	$ 4,769,187	$ 3,017,955	$ 1,751,232
DEFERRED INFLOWS OF RESOURCES	$ 1,840,334	$ 2,979,161	$ (1,138,827)
NET POSITION:			
Net Position - Beg. of Year	109,933,425	109,933,425	-
Increase (Decrease) in Net Position - Current Year	61,282,148	56,711,714	4,570,434
Total Net Position	$ 171,215,573	$ 166,645,139	$ 4,570,434
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 347,836,609	$ 305,129,670	$ 42,706,939

KERN HEALTH SYSTEMS
MEDI-CAL - ALL COA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE MONTH ENDED DECEMBER 31, 2016

CURRENT MONTH MEMBERS				YEAR-TO-DATE MEMBER MONTHS		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
			ENROLLMENT			
161,301	163,650	(2,349)	Family Members	1,885,999	1,896,300	(10,301)
54,828	47,200	7,628	Expansion Members	626,867	553,200	73,667
13,506	13,550	(44)	SPD Members	162,087	159,300	2,787
4,856	4,275	581	Other Members	54,539	49,650	4,889
7,116	6,200	916	Kaiser Members	74,638	67,800	6,838
241,607	234,875	6,732	Total Members - MCAL	2,804,130	2,726,250	77,880
			REVENUES			
20,429,201	21,548,759	(1,119,558)	Title XIX - Medicaid - Family and Other	245,815,484	245,655,215	160,269
20,105,649	17,076,620	3,029,029	Title XIX - Medicaid - Expansion Members	249,434,199	222,160,302	27,273,897
9,940,753	10,693,829	(753,076)	Title XIX - Medicaid - SPD Members	117,259,077	124,117,070	(6,857,993)
10,065,534	2,004,855	8,060,679	Premium - MCO Tax	58,966,477	23,307,346	35,659,131
194,711	123,883	70,828	Interest /Dividends	2,080,354	1,435,578	644,776
(210,968)	182,940	(393,908)	Reinsurance Recoveries	303,198	2,126,760	(1,823,562)
2,839,103	2,139,939	699,164	COB/Subrogation Collections	35,120,169	24,838,908	10,281,261
2,736,951	-	2,736,951	Rate/Income Adjustments	4,256,568	-	4,256,568
(1,262,113)	-	(1,262,113)	Other Income (Expense)	(1,698,769)	-	(1,698,769)
64,838,821	53,770,824	11,067,997	TOTAL REVENUES	711,536,757	643,641,179	67,895,578
			EXPENSES			
			Medical Costs:			
11,369,024	11,453,156	84,132	Physician Services	133,373,042	133,437,077	64,035
2,850,615	2,415,227	(435,388)	Other Professional Services	25,419,316	28,302,471	2,883,155
4,106,435	4,710,341	603,906	Emergency Room	52,199,000	54,839,903	2,640,903
12,926,841	13,407,262	480,421	Inpatient	157,012,418	156,562,951	(449,467)
187,380	182,940	(4,440)	Reinsurance Expense	2,169,266	2,126,760	(42,506)
6,388,140	4,696,219	(1,691,921)	Outpatient Hospital	60,590,102	54,818,257	(5,771,845)
1,515,058	1,715,721	200,663	Other Medical	22,714,329	20,337,017	(2,377,312)
8,098,176	10,040,617	1,942,441	Pharmacy	95,817,323	117,436,080	21,618,757
566,068	551,667	(14,401)	Pay for Performance Quality Incentive	6,590,121	6,413,653	(176,468)
413,346	-	(413,346)	Expansion Risk Corridor Expense	10,802,949	3,822,000	(6,980,949)
1,045,552	-	(1,045,552)	IBNR, Incentive, Paid Claims Adjustment	(5,911,809)	-	5,911,809
49,466,635	49,173,150	(293,485)	Total Medical Costs	560,776,057	578,096,169	17,320,112
15,372,186	4,597,673	10,774,513	GROSS MARGIN	150,760,700	65,545,010	85,215,690
			Administrative:			
1,748,853	1,568,990	(179,863)	Compensation	18,312,370	18,951,459	639,089
470,957	431,242	(39,715)	Purchased Services	4,896,332	5,728,705	832,373
53,867	91,824	37,957	Supplies	696,795	1,141,017	444,222
423,090	447,273	24,183	Other Administrative Expenses	4,437,451	4,843,685	406,234
(1,960,549)	-	1,960,549	Administrative Expense Adjustment	1,948,722	-	(1,948,722)
736,218	2,539,329	1,803,111	Total Administrative Expenses	30,291,670	30,664,866	373,196
50,202,853	51,712,479	1,509,626	TOTAL EXPENSES	591,067,727	608,761,035	17,693,308
14,635,968	2,058,344	12,577,624	OPERATING INCOME (LOSS) BEFORE TAX	120,469,030	34,880,145	85,588,885
10,065,534	2,004,855	(8,060,679)	MCO TAX	58,966,477	23,307,346	(35,659,131)
4,570,434	53,489	4,516,945	OPERATING INCOME (LOSS) NET OF TAX	61,502,553	11,572,799	49,929,754
			NONOPERATING REVENUE (EXPENSES)			
	-	-	Reserve Fund Projects/Community Grants	(220,405)	-	(220,405)
-	-	-	TOTAL NONOPERATING REVENUES (EXPENSES)	(220,405)	-	(220,405)
4,570,434	53,489	4,516,945	NET INCREASE (DECREASE) IN NET POSITION	61,282,148	11,572,799	49,709,349
90.3%	95.0%	4.7%	MEDICAL LOSS RATIO	85.9%	93.2%	7.3%
1.3%	4.9%	3.6%	ADMINISTRATIVE EXPENSE RATIO	4.6%	4.9%	0.3%

KERN HEALTH SYSTEMS
MEDI-CAL
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - PMPM
FOR THE MONTH ENDED DECEMBER 31, 2016

CURRENT MONTH				YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
			ENROLLMENT			
161,301	163,650	(2,349)	Family Members	1,885,999	1,896,300	(10,301)
54,828	47,200	7,628	Expansion Members	626,867	553,200	73,667
13,506	13,550	(44)	SPD Members	162,087	159,300	2,787
4,856	4,275	581	Other Members	54,539	49,650	4,889
7,116	6,200	916	Kaiser Members	74,638	67,800	6,838
241,607	234,875	6,732	Total Members - MCAL	2,804,130	2,726,250	77,880
			REVENUES			
122.95	128.32	(5.37)	Title XIX - Medicaid - Family and Other	126.67	126.24	0.43
366.70	361.79	4.91	Title XIX - Medicaid - Expansion Members	397.91	401.59	(3.69)
736.02	789.21	(53.19)	Title XIX - Medicaid - SPD Members	723.43	779.14	(55.71)
42.93	8.77	34.16	Premium - MCO Tax	21.60	8.77	12.84
0.83	0.54	0.29	Interest /Dividends	0.76	0.54	0.22
(0.90)	0.80	(1.70)	Reinsurance Recoveries	0.11	0.80	(0.69)
12.11	9.36	2.75	COB/Subrogation Collections	12.87	9.34	3.52
11.67	0.00	11.67	Rate/Income Adjustments	1.56	0.00	1.56
(5.38)	0.00	(5.38)	Other Income (Expense)	(0.62)	0.00	(0.62)
276.51	235.14	41.37	TOTAL REVENUES	260.68	242.11	18.57
			EXPENSES			
			Medical Costs:			
48.48	50.08	1.60	Physician Services	48.86	50.19	1.33
12.16	10.56	(1.59)	Other Professional Services	9.31	10.65	1.33
17.51	20.60	3.09	Emergency Room	19.12	20.63	1.50
55.13	58.63	3.50	Inpatient	57.52	58.89	1.37
0.80	0.80	0.00	Reinsurance Expense	0.79	0.80	0.01
27.24	20.54	(6.71)	Outpatient Hospital	22.20	20.62	(1.58)
6.46	7.50	1.04	Other Medical	8.32	7.65	(0.67)
34.54	43.91	9.37	Pharmacy	35.10	44.17	9.07
2.41	2.41	(0.00)	Pay for Performance Quality Incentive	2.41	2.41	(0.00)
1.76	0.00	(1.76)	Expansion Risk Corridor Expense	3.96	1.44	(2.52)
4.46	0.00	(4.46)	IBNR, Incentive, Paid Claims Adjustment	(2.17)	0.00	2.17
210.95	215.04	4.08	Total Medical Costs	205.45	217.46	12.01
65.56	20.11	45.45	GROSS MARGIN	55.23	24.66	30.58
			Administrative:			
7.46	6.86	(0.60)	Compensation	6.71	7.13	0.42
2.01	1.89	(0.12)	Purchased Services	1.79	2.15	0.36
0.23	0.40	0.17	Supplies	0.26	0.43	0.17
1.80	1.96	0.15	Other Administrative Expenses	1.63	1.82	0.20
(8.36)	0.00	8.36	Administrative Expense Adjustment	0.71	0.00	(0.71)
3.14	11.10	7.96	Total Administrative Expenses	11.10	11.53	0.44
214.09	226.14	12.05	TOTAL EXPENSES	216.55	228.99	12.44
62.42	9.00	53.41	OPERATING INCOME (LOSS) BEFORE TAX	44.14	13.12	31.02
42.93	8.77	(34.16)	MCO TAX	21.60	8.77	(12.84)
19.49	0.23	19.26	OPERATING INCOME (LOSS) NET OF TAX	22.53	4.35	18.18
			NONOPERATING REVENUE (EXPENSES)			
0.00	0.00	0.00	Reserve Fund Projects/Community Grants	(0.08)	0.00	(0.08)
0.00	0.00	0.00	TOTAL NONOPERATING REVENUES (EXPENSES)	(0.08)	0.00	(0.08)
19.49	0.23	19.26	NET INCREASE (DECREASE) IN NET POSITION	22.45	4.35	18.10
90.3%	95.0%	4.7%	MEDICAL LOSS RATIO	85.9%	93.2%	7.3%
1.3%	4.9%	3.6%	ADMINISTRATIVE EXPENSE RATIO	4.6%	4.9%	0.3%

KERN HEALTH SYSTEMS MEDI-CAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION BY MONTH - ROLLING 13 MONTHS THROUGH DECEMBER 31, 2016	DECEMBER 2015	JANUARY 2016	FEBRUARY 2016	MARCH 2016	APRIL 2016	MAY 2016	JUNE 2016	JULY 2016	AUGUST 2016	SEPTEMBER 2016	OCTOBER 2016	NOVEMBER 2016	DECEMBER 2016	13 MONTH TOTAL
ENROLLMENT														
Members - MCAL	216,581	216,443	219,042	222,155	224,803	225,873	228,073	228,789	229,560	232,053	233,985	234,225	234,491	2,946,073
REVENUES														
Title XIX - Medicaid - Family and Other	18,769,676	19,334,650	18,819,164	18,893,342	19,268,416	20,200,699	21,721,996	21,057,468	21,487,293	21,539,111	21,717,599	21,346,545	20,429,201	264,585,160
Title XIX - Medicaid - Expansion Members	20,809,996	20,493,525	21,186,984	22,332,378	22,221,335	22,681,126	20,013,241	20,106,340	20,307,212	20,219,075	19,620,974	20,146,360	20,105,649	270,244,195
Title XIX - Medicaid - SPD Members	9,936,180	9,763,769	9,117,133	9,250,198	9,598,222	9,500,904	8,974,279	10,385,333	10,279,833	10,007,635	10,231,800	10,209,218	9,940,753	127,195,257
Premium - MCO Tax	2,130,143	2,117,552	2,016,667	2,116,879	2,135,629	2,201,211	2,176,933	115,627	23,082	21,614,834	7,184,130	7,198,399	10,065,534	61,096,620
Interest /Dividends	142,265	150,319	145,775	174,396	162,990	155,221	144,418	156,158	150,143	186,999	236,189	223,035	194,711	2,222,619
Reinsurance Recoveries	301,698	-	-	105,967	-	-	136,469	-	35,587	30,454	205,689	-	(210,968)	604,896
COB/Subrogation Collections	1,120,790	1,979,998	1,794,713	2,530,658	2,134,967	1,867,649	2,758,967	1,886,161	9,063,870	2,787,116	3,407,813	2,069,154	2,839,103	36,240,959
Rate/Income Adjustments	3,252	(48,811)	530,682	43,719	61,906	(709,861)	182,133	(14,918)	1,795,534	13,093	(333,319)	(541)	2,736,951	4,259,820
Other Income (Expense)	(579,736)	40,652	241	34,127	129	(1,527)	(101,654)	66,531	(67,508)	(407,903)	215	41	(1,262,113)	(2,278,505)
TOTAL REVENUES	52,634,264	53,831,654	53,611,359	55,481,664	55,583,594	55,895,422	56,006,782	53,758,700	63,075,046	75,990,414	62,271,090	61,192,211	64,838,821	764,171,021
EXPENSES														
Medical Costs:														
Physician Services	7,602,861	11,233,565	10,570,109	8,387,281	10,184,063	10,067,372	9,773,684	13,528,740	12,319,200	12,407,247	11,839,584	11,693,173	11,369,024	140,975,903
Other Professional Services	1,978,295	1,328,149	1,749,050	1,996,280	1,918,865	2,041,275	2,438,637	2,115,049	2,389,356	2,329,736	1,836,321	2,425,983	2,850,615	27,397,611
Emergency Room	4,130,894	4,664,640	4,442,421	4,418,069	4,384,207	4,004,335	3,936,263	4,823,966	4,534,245	4,327,181	4,374,358	4,182,880	4,106,435	56,329,894
Inpatient	7,023,019	13,476,116	13,274,742	13,526,617	14,151,250	13,224,036	12,777,639	16,712,009	13,075,786	10,660,875	11,423,068	11,783,439	12,926,841	164,035,437
Reinsurance Expense	146,554	173,265	173,105	175,283	177,724	179,842	180,699	182,458	183,031	183,648	185,643	187,188	187,380	2,315,820
Outpatient Hospital	7,547,348	5,123,005	5,456,797	4,694,700	6,199,589	4,835,347	4,986,698	2,738,213	6,364,762	3,990,250	5,114,588	4,698,013	6,388,140	68,137,450
Other Medical	2,937,168	1,706,638	2,231,066	2,877,876	2,473,455	2,889,123	3,577,133	(1,333,149)	2,534,421	1,143,970	1,801,979	1,296,759	1,515,058	25,651,497
Pharmacy	7,499,968	7,642,329	7,848,662	8,591,490	7,666,735	8,154,315	7,887,127	7,291,244	8,712,624	8,096,666	7,680,935	8,147,020	8,098,176	103,317,291
Pay for Performance Quality Incentive	504,633	523,721	528,669	536,256	542,674	545,291	550,605	552,273	554,141	560,172	564,834	565,417	566,068	7,094,754
Expansion Risk Corridor Expense	1,379,867	1,363,721	1,355,257	1,518,741	1,518,741	1,469,399	1,329,868	(215,621)	-	1,059,120	853,019	137,358	413,346	12,182,816
IBNR, Incentive, Paid Claims Adjustment	2,169,224	-	(68)	(1,433,650)	(1,978,994)	(2,887,073)	(3,748,854)	-	3,244,295	128,791	162,526	(444,334)	1,045,552	(3,742,585)
Total Medical Costs	42,919,831	47,235,149	47,629,810	45,288,943	47,238,309	44,523,262	43,689,499	46,395,182	53,911,861	44,887,656	45,836,855	44,672,896	49,466,635	603,695,888
GROSS MARGIN	9,714,433	6,596,505	5,981,549	10,192,721	8,345,285	11,372,160	12,317,283	7,363,518	9,163,185	31,102,758	16,434,235	16,519,315	15,372,186	160,475,133
Administrative:														
Compensation	1,818,317	1,419,745	1,432,846	1,499,527	1,428,925	1,493,127	1,458,666	1,398,183	1,503,706	1,589,763	1,621,722	1,717,307	1,748,853	20,130,687
Purchased Services	579,453	291,548	298,383	546,034	485,217	231,179	532,780	256,055	354,966	343,359	478,654	607,200	470,957	5,475,785
Supplies	82,728	81,789	41,417	36,431	78,743	81,297	84,932	61,144	1,284	70,613	62,414	42,864	53,867	779,523
Other Administrative Expenses	1,081,974	278,404	379,302	316,107	375,558	304,432	391,548	333,267	338,202	368,192	663,609	265,740	423,090	5,519,425
Administrative Expense Adjustment	-	-	-	3,600,000	500,000	-	-	-	-	(190,729)	-	-	(1,960,549)	1,948,722
Total Administrative Expenses	3,562,472	2,071,486	2,151,948	5,998,099	2,868,443	2,110,035	2,467,926	2,048,649	2,198,158	2,181,198	2,826,399	2,633,111	736,218	33,854,142
TOTAL EXPENSES	46,482,303	49,306,635	49,781,758	51,287,042	50,106,752	46,633,297	46,157,425	48,443,831	56,110,019	47,068,854	48,663,254	47,306,007	50,202,853	637,550,030
OPERATING INCOME (LOSS) BEFORE TAX	6,151,961	4,525,019	3,829,601	4,194,622	5,476,842	9,262,125	9,849,357	5,314,869	6,965,027	28,921,560	13,607,836	13,886,204	14,635,968	126,620,991
MCO TAX	2,130,143	2,117,552	2,016,667	2,116,879	2,135,629	2,201,211	2,176,933	115,627	23,082	21,614,834	7,184,130	7,198,399	10,065,534	61,096,620
OPERATING INCOME (LOSS) NET OF TAX	4,021,818	2,407,467	1,812,934	2,077,743	3,341,213	7,060,914	7,672,424	5,199,242	6,941,945	7,306,726	6,423,706	6,687,805	4,570,434	65,524,371
NONOPERATING REVENUE (EXPENSES)														
Reserve Fund Projects/Community Grants	-	-	-	-	-	-	-	-	-	-	-	(220,405)	-	(220,405)
TOTAL NONOPERATING REVENUE (EXPENSES)	-	-	-	-	-	-	-	-	-	-	-	(220,405)	-	(220,405)
NET INCREASE (DECREASE) IN NET POSITION	4,021,818	2,407,467	1,812,934	2,077,743	3,341,213	7,060,914	7,672,424	5,199,242	6,941,945	7,306,726	6,423,706	6,467,400	4,570,434	65,303,966
MEDICAL LOSS RATIO	85.0%	91.3%	92.3%	84.9%	88.4%	82.9%	81.2%	86.5%	85.5%	82.6%	83.2%	82.7%	90.3%	85.9%
ADMINISTRATIVE EXPENSE RATIO	7.1%	4.0%	4.2%	11.2%	5.4%	3.9%	4.6%	3.8%	3.5%	4.0%	5.1%	4.9%	1.3%	4.8%

KERN HEALTH SYSTEMS MEDI-CAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION BY MONTH - PMPM ROLLING 13 MONTHS THROUGH DECEMBER 31, 2016	DECEMBER 2015	JANUARY 2016	FEBRUARY 2016	MARCH 2016	APRIL 2016	MAY 2016	JUNE 2016	JULY 2016	AUGUST 2016	SEPTEMBER 2016	OCTOBER 2016	NOVEMBER 2016	DECEMBER 2016	13 MONTH TOTAL
ENROLLMENT														
Members - MCAL	216,581	216,443	219,042	222,155	224,803	225,873	228,073	228,789	229,560	232,053	233,985	234,225	234,491	2,946,073
REVENUES														
Title XIX - Medicaid - Family and Other	120.53	125.30	120.49	120.10	121.45	126.97	129.88	129.86	132.03	130.94	130.83	128.46	122.95	126.22
Title XIX - Medicaid - Expansion Members	436.25	426.85	428.26	434.58	423.63	425.86	417.14	379.40	381.12	373.84	360.02	368.90	366.70	400.62
Title XIX - Medicaid - SPD Members	755.49	691.29	681.04	687.59	700.75	703.09	698.55	760.11	759.39	743.07	758.87	759.67	736.02	725.84
Premium - MCO Tax	9.84	9.78	9.21	9.53	9.50	9.75	9.54	0.51	0.10	93.15	30.70	30.73	42.93	20.74
Interest /Dividends	0.66	0.69	0.67	0.79	0.73	0.69	0.63	0.68	0.65	0.81	1.01	0.95	0.83	0.75
Reinsurance Recoveries	1.39	0.00	0.00	0.48	0.00	0.00	0.60	0.00	0.16	0.13	0.88	0.00	(0.90)	0.21
COB/Subrogation Collections	5.17	9.15	8.19	11.39	9.50	8.27	12.10	8.24	39.48	12.01	14.56	8.83	12.11	12.30
Rate/Income Adjustments	0.02	(0.23)	2.42	0.20	0.28	(3.14)	0.80	(0.07)	7.82	0.06	(1.42)	(0.00)	11.67	1.45
Other Income (Expense)	(2.68)	0.19	0.00	0.15	0.00	(0.01)	(0.45)	0.29	(0.29)	(1.76)	0.00	0.00	(5.38)	(0.77)
TOTAL REVENUES	243.02	248.71	244.75	249.74	247.25	247.46	245.57	234.97	274.76	327.47	266.13	261.25	276.51	259.39
EXPENSES														
Medical Costs:														
Physician Services	35.10	51.90	48.26	37.75	45.30	44.57	42.85	59.13	53.66	53.47	50.60	49.92	48.48	47.85
Other Professional Services	9.13	6.14	7.98	8.99	8.54	9.04	10.69	9.24	10.41	10.04	7.85	10.36	12.16	9.30
Emergency Room	19.07	21.55	20.28	19.89	19.50	17.73	17.26	21.08	19.75	18.65	18.70	17.86	17.51	19.12
Inpatient	32.43	62.26	60.60	60.89	62.95	58.55	56.02	73.05	56.96	45.94	48.82	50.31	55.13	55.68
Reinsurance Expense	0.68	0.80	0.79	0.79	0.79	0.80	0.79	0.80	0.80	0.79	0.79	0.80	0.80	0.79
Outpatient Hospital	34.85	23.67	24.91	21.13	27.58	21.41	21.86	11.97	27.73	17.20	21.86	20.06	27.24	23.13
Other Medical	13.56	7.88	10.19	12.95	11.00	12.79	15.68	(5.83)	11.04	4.93	7.70	5.54	6.46	8.71
Pharmacy	34.63	35.31	35.83	38.67	34.10	36.10	34.58	31.87	37.95	34.89	32.83	34.78	34.54	35.07
Pay for Performance Quality Incentive	2.33	2.42	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41
Expansion Risk Corridor Expense	6.37	6.30	6.19	6.84	6.76	6.51	5.83	(0.94)	0.00	4.56	3.65	0.59	1.76	4.14
IBNR, Incentive, Paid Claims Adjustment	10.02	0.00	(0.00)	(6.45)	(8.80)	(12.78)	(16.44)	0.00	14.13	0.56	0.69	(1.90)	4.46	(1.27)
Total Medical Costs	198.17	218.23	217.45	203.86	210.13	197.12	191.56	202.79	234.85	193.44	195.90	190.73	210.95	204.92
GROSS MARGIN	44.85	30.48	27.31	45.88	37.12	50.35	54.01	32.18	39.92	134.03	70.24	70.53	65.56	54.47
Administrative:														
Compensation	8.40	6.56	6.54	6.75	6.36	6.61	6.40	6.11	6.55	6.85	6.93	7.33	7.46	6.83
Purchased Services	2.68	1.35	1.36	2.46	2.16	1.02	2.34	1.12	1.55	1.48	2.05	2.59	2.01	1.86
Supplies	0.38	0.38	0.19	0.16	0.35	0.36	0.37	0.27	0.01	0.30	0.27	0.18	0.23	0.26
Other Administrative Expenses	5.00	1.29	1.73	1.42	1.67	1.35	1.72	1.46	1.47	1.59	2.84	1.13	1.80	1.87
Administrative Expense Adjustment	0.00	0.00	0.00	16.20	2.22	0.00	0.00	0.00	0.00	(0.82)	0.00	0.00	(8.36)	0.66
Total Administrative Expenses	16.45	9.57	9.82	27.00	12.76	9.34	10.82	8.95	9.58	9.40	12.08	11.24	3.14	11.49
TOTAL EXPENSES	214.62	227.80	227.27	230.86	222.89	206.46	202.38	211.74	244.42	202.84	207.98	201.97	214.09	216.41
OPERATING INCOME (LOSS) BEFORE TAX	28.40	20.91	17.48	18.88	24.36	41.01	43.19	23.23	30.34	124.63	58.16	59.29	62.42	42.98
MCO TAX	9.84	9.78	9.21	9.53	9.50	9.75	9.54	0.51	0.10	93.15	30.70	30.73	42.93	20.74
OPERATING INCOME (LOSS) NET OF TAX	18.57	11.12	8.28	9.35	14.86	31.26	33.64	22.73	30.24	31.49	27.45	28.55	19.49	22.24
NONOPERATING REVENUE (EXPENSES)														
Reserve Fund Projects/Community Grants	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.94)	0.00	(0.07)
TOTAL NONOPERATING REVENUE (EXPENSES)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.94)	0.00	(0.07)
NET INCREASE (DECREASE) IN NET POSITION	18.57	11.12	8.28	9.35	14.86	31.26	33.64	22.73	30.24	31.49	27.45	27.61	19.49	22.17
MEDICAL LOSS RATIO	85.0%	91.3%	92.3%	84.9%	88.4%	82.9%	81.2%	86.5%	85.5%	82.6%	83.2%	82.7%	90.3%	85.9%
ADMINISTRATIVE EXPENSE RATIO	7.1%	4.0%	4.2%	11.2%	5.4%	3.9%	4.6%	3.8%	3.5%	4.0%	5.1%	4.9%	1.3%	4.8%

KERN HEALTH SYSTEMS
MEDI-CAL
SCHEDULE OF REVENUES - ALL COA
FOR THE MONTH ENDED DECEMBER 31, 2016

CURRENT MONTH				YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
			REVENUES			
			Title XIX - Medicaid - Family & Other			
18,865,468	18,898,092	(32,624)	Premium - Medi-Cal	217,282,313	214,467,038	2,815,275
1,178,210	2,125,589	(947,379)	Premium - Maternity Kick	25,436,346	25,103,911	332,435
98,346	190,579	(92,233)	Premium - Hep C Kick	1,551,958	2,208,464	(656,506)
207,581	234,937	(27,356)	Premium - BHT Kick	447,549	2,722,499	(2,274,950)
79,596	99,562	(19,966)	Other	1,097,318	1,153,304	(55,986)
20,429,201	21,548,759	(1,119,558)	Total Title XIX - Medicaid - Family & Other	245,815,484	245,655,216	160,268
			Title XIX - Medicaid - Expansion Members			
19,590,145	15,215,392	4,374,753	Premium - Medi-Cal	238,441,437	200,330,625	38,110,812
6,037	147,366	(141,329)	Premium - Maternity Kick	2,931,388	1,742,640	1,188,748
507,225	1,676,573	(1,169,348)	Premium - Hep C Kick	7,630,036	19,650,007	(12,019,971)
2,242	37,288	(35,046)	Other	431,338	437,028	(5,690)
20,105,649	17,076,620	3,029,029	Total Title XIX - Medicaid - Expansion Members	249,434,199	222,160,301	27,273,898
			Title XIX - Medicaid - SPD Members			
9,491,924	9,478,455	13,469	Premium - Medi-Cal	111,178,591	109,828,575	1,350,016
277,832	-	277,832	Premium - BHT Kick	884,128	-	884,128
170,997	1,215,374	(1,044,377)	Premium - Hep C Kick	5,196,358	14,288,496	(9,092,138)
9,940,753	10,693,829	(753,076)	Total Title XIX - Medicaid - SPD Members	117,259,077	124,117,071	(6,857,994)

KERN HEALTH SYSTEMS
MEDI-CAL
SCHEDULE OF MEDICAL COSTS - ALL COA
FOR THE MONTH ENDED DECEMBER 31, 2016

CURRENT MONTH				YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
			PHYSICIAN SERVICES			
2,839,436	2,654,500	(184,936)	Primary Care Physician Services	36,912,152	30,885,814	(6,026,338)
7,427,812	8,310,582	882,770	Referral Specialty Services	88,569,701	96,881,183	8,311,482
1,101,776	488,075	(613,701)	Urgent Care & After Hours Advise	7,891,189	5,670,080	(2,221,109)
11,369,024	11,453,156	84,132	TOTAL PHYSICIAN SERVICES	133,373,042	133,437,077	64,035
			OTHER PROFESSIONAL SERVICES			
234,225	250,559	16,334	Vision Service Capitation	2,751,808	2,912,981	161,173
737,155	654,998	(82,157)	310 - Health Services - Utilization Management - UM Allocation *	7,346,612	7,859,972	513,360
114,519	112,070	(2,449)	311 - Health Services - Quality Improvement - UM Allocation *	1,114,117	1,198,368	84,251
63,743	52,772	(10,971)	312 - Health Services - Education - UM Allocation *	622,331	651,264	28,933
86,735	80,779	(5,956)	313 - Health Services - Pharmacy - UM Allocation *	955,692	969,348	13,656
37,549	51,847	14,298	616 - Disease Management - UM Allocation *	526,848	622,164	95,316
104,000	704,811	600,811	Behavior Health Treatment	1,212,090	8,167,500	6,955,410
476,911	30,755	(446,156)	Mental Health Services	1,254,985	358,748	(896,237)
995,778	476,636	(519,142)	Other Professional Services	9,634,833	5,562,126	(4,072,707)
2,850,615	2,415,227	(435,388)	TOTAL OTHER PROFESSIONAL SERVICES	25,419,316	28,302,471	2,883,155
4,106,435	4,710,341	603,906	EMERGENCY ROOM	52,199,000	54,839,903	2,640,903
12,926,841	13,407,262	480,421	INPATIENT HOSPITAL	157,012,418	156,562,951	(449,467)
187,380	182,940	(4,440)	REINSURANCE EXPENSE PREMIUM	2,169,266	2,126,760	(42,506)
6,388,140	4,696,219	(1,691,921)	OUTPATIENT HOSPITAL SERVICES	60,590,102	54,818,257	(5,771,845)
			OTHER MEDICAL			
325,840	316,336	(9,504)	Ambulance	3,755,894	3,678,321	(77,573)
305,885	217,449	(88,436)	Home Health Services	3,364,282	2,542,721	(821,561)
90,564	103,547	12,983	CBAS Adult Day Health Care	1,111,569	1,206,881	95,312
194,245	170,420	(23,825)	Utilization and Quality Review Expenses	1,138,241	2,287,740	1,149,499
290,685	697,030	406,345	Long Term/SNF/Hospice	10,286,838	8,160,338	(2,126,500)
307,839	210,939	(96,900)	Non-Medical Transportation	3,057,505	2,461,016	(596,489)
1,515,058	1,715,721	200,663	TOTAL OTHER MEDICAL	22,714,329	20,337,017	(2,377,312)
			PHARMACY SERVICES			
7,096,433	6,444,292	(652,141)	RX - Drugs & OTC	76,526,425	75,273,611	(1,252,814)
810,731	3,082,526	2,271,795	RX - HEP-C	15,070,656	36,146,968	21,076,312
471,340	513,799	42,459	RX - DME	5,253,993	6,015,501	761,508
(280,328)	-	280,328	RX - Pharmacy Rebates	(1,033,751)	-	1,033,751
8,098,176	10,040,617	1,942,441	TOTAL PHARMACY SERVICES	95,817,323	117,436,080	21,618,757
566,068	551,667	(14,401)	PAY FOR PERFORMANCE QUALITY INCENTIVE	6,590,121	6,413,653	(176,468)
413,346	-	(413,346)	EXPANSION RISK CORRIDOR EXPENSE	10,802,949	3,822,000	(6,980,949)
1,045,552	-	(1,045,552)	IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT	(5,911,809)	-	5,911,809
49,466,635	49,173,150	(293,485)	TOTAL MEDICAL COSTS	560,776,057	578,096,169	17,320,112

* Medical costs per DMHC regulations

KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS BY MONTH THROUGH DECEMBER 31, 2016	JANUARY 2016	FEBRUARY 2016	MARCH 2016	APRIL 2016	MAY 2016	JUNE 2016	JULY 2016	AUGUST 2016	SEPTEMBER 2016	OCTOBER 2016	NOVEMBER 2016	DECEMBER 2016	YEAR TO DATE 2016
PHYSICIAN SERVICES													
Primary Care Physician Services	2,579,637	2,893,172	2,294,992	3,238,429	3,630,989	3,221,312	3,775,123	3,335,590	3,244,871	3,165,657	2,692,944	2,839,436	36,912,152
Referral Specialty Services	8,237,919	7,247,168	5,552,443	6,428,643	5,879,355	5,856,106	9,058,549	8,500,963	8,341,179	7,884,657	8,154,907	7,427,812	88,569,701
Urgent Care & After Hours Advise	416,009	429,769	539,846	516,991	557,028	696,266	695,068	482,647	821,197	789,270	845,322	1,101,776	7,891,189
TOTAL PHYSICIAN SERVICES	11,233,565	10,570,109	8,387,281	10,184,063	10,067,372	9,773,684	13,528,740	12,319,200	12,407,247	11,839,584	11,693,173	11,369,024	133,373,042
OTHER PROFESSIONAL SERVICES													
Vision Service Capitation	220,913	220,708	223,486	226,598	229,299	230,391	232,634	233,365	234,152	236,693	229,344	234,225	2,751,808
310 - Health Services - Utilization Management - UM Allocation *	544,912	567,946	587,944	557,008	588,291	591,809	563,757	584,152	656,793	658,280	708,565	737,155	7,346,612
311 - Health Services - Quality Improvement - UM Allocation *	79,154	80,449	85,646	70,428	93,644	80,678	68,915	87,226	111,305	115,750	126,403	114,519	1,114,117
312 - Health Services - Education - UM Allocation *	45,239	46,408	49,189	46,345	48,468	49,519	48,082	53,794	53,816	58,333	59,395	63,743	622,331
313 - Health Services - Pharmacy - UM Allocation *	77,684	76,086	79,191	74,640	76,137	75,958	70,675	84,973	82,630	82,929	88,054	86,735	955,692
616 - Disease Management - UM Allocation *	37,755	37,408	41,948	45,328	45,827	45,809	45,305	49,657	54,179	44,111	41,972	37,549	526,848
Behavior Health Treatment	-	-	-	-	-	196,000	144,000	232,000	192,000	284,090	60,000	104,000	1,212,090
Mental Health Services	31,781	30,135	27,932	50,795	32,603	163,022	29,697	303,546	234,414	(474,213)	348,362	476,911	1,254,985
Other Professional Services	290,711	689,910	900,944	847,723	927,006	1,005,451	911,984	760,643	710,447	830,348	763,888	995,778	9,634,833
TOTAL OTHER PROFESSIONAL SERVICES	1,328,149	1,749,050	1,996,280	1,918,865	2,041,275	2,438,637	2,115,049	2,389,356	2,329,736	1,836,321	2,425,983	2,850,615	25,419,316
EMERGENCY ROOM	4,664,640	4,442,421	4,418,069	4,384,207	4,004,335	3,936,263	4,823,966	4,534,245	4,327,181	4,374,358	4,182,880	4,106,435	52,199,000
INPATIENT HOSPITAL	13,476,116	13,274,742	13,526,617	14,151,250	13,224,036	12,777,639	16,712,009	13,075,786	10,660,875	11,423,068	11,783,439	12,926,841	157,012,418
REINSURANCE EXPENSE PREMIUM	173,265	173,105	175,283	177,724	179,842	180,699	182,458	183,031	183,648	185,643	187,188	187,380	2,169,266
OUTPATIENT HOSPITAL SERVICES	5,123,005	5,456,797	4,694,700	6,199,589	4,835,347	4,986,698	2,738,213	6,364,762	3,990,250	5,114,588	4,698,013	6,388,140	60,590,102
OTHER MEDICAL													
Ambulance	290,534	316,280	501,141	341,499	394,013	393,465	(84,704)	316,128	343,840	343,105	274,753	325,840	3,755,894
Home Health Services	279,716	565,059	1,163,898	932,359	1,095,338	958,690	(2,680,575)	190,749	84,967	250,170	218,026	305,885	3,364,282
CBAS Adult Day Health Care	105,520	107,212	79,769	89,136	97,995	76,449	62,183	72,317	108,216	105,421	116,787	90,564	1,111,569
Utilization and Quality Review Expenses	60,445	65,254	68,430	87,004	94,867	81,357	57,501	138,521	72,756	85,387	132,474	194,245	1,138,241
Long Term/SNF/Hospice	757,096	955,666	939,726	919,969	1,073,166	1,933,373	770,043	1,511,263	263,987	632,223	239,641	290,685	10,286,838
Non-Medical Transportation	213,327	221,595	124,912	103,488	133,744	133,799	542,403	305,443	270,204	385,673	315,078	307,839	3,057,505
TOTAL OTHER MEDICAL	1,706,638	2,231,066	2,877,876	2,473,455	2,889,123	3,577,133	(1,333,149)	2,534,421	1,143,970	1,801,979	1,296,759	1,515,058	22,714,329
PHARMACY SERVICES													
RX - Drugs & OTC	5,926,322	6,139,949	6,541,885	6,128,433	6,263,382	6,386,887	6,092,212	6,802,324	6,313,410	6,257,707	6,577,481	7,096,433	76,526,425
RX - HEP-C	1,162,819	1,206,349	1,577,331	1,082,659	1,388,036	1,367,869	1,374,289	1,543,338	1,433,191	1,067,135	1,056,909	810,731	15,070,656
Rx - DME	553,188	502,364	472,274	455,643	502,897	738,120	(175,257)	366,962	365,739	422,093	578,630	471,340	5,253,993
Rx - Pharmacy Rebates	-	-	-	-	-	(605,749)	-	-	(15,674)	(66,000)	(66,000)	(280,328)	(1,033,751)
TOTAL PHARMACY SERVICES	7,642,329	7,848,662	8,591,490	7,666,735	8,154,315	7,887,127	7,291,244	8,712,624	8,096,666	7,680,935	8,147,020	8,098,176	95,817,323
PAY FOR PERFORMANCE QUALITY INCENTIVE	523,721	528,669	536,256	542,674	545,291	550,605	552,273	554,141	560,172	564,834	565,417	566,068	6,590,121
EXPANSION RISK CORRIDOR EXPENSE	1,363,721	1,355,257	1,518,741	1,518,741	1,469,399	1,329,868	(215,621)	-	1,059,120	853,019	137,358	413,346	10,802,949
IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT	-	(68)	(1,433,650)	(1,978,994)	(2,887,073)	(3,748,854)	-	3,244,295	128,791	162,526	(444,334)	1,045,552	(5,911,809)
Total Medical Costs	47,235,149	47,629,810	45,288,943	47,238,309	44,523,262	43,689,499	46,395,182	53,911,861	44,887,656	45,836,855	44,672,896	49,466,635	560,776,057

KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS BY MONTH - PMPM THROUGH DECEMBER 31, 2016	JANUARY 2016	FEBRUARY 2016	MARCH 2016	APRIL 2016	MAY 2016	JUNE 2016	JULY 2016	AUGUST 2016	SEPTEMBER 2016	OCTOBER 2016	NOVEMBER 2016	DECEMBER 2016	YEAR TO DATE 2016
PHYSICIAN SERVICES													
Primary Care Physician Services	11.92	13.21	10.33	14.41	16.08	14.12	16.50	14.53	13.98	13.53	11.50	12.11	13.52
Referral Specialty Services	38.06	33.09	24.99	28.60	26.03	25.68	39.59	37.03	35.95	33.70	34.82	31.68	32.45
Urgent Care & After Hours Advise	1.92	1.96	2.43	2.30	2.47	3.05	3.04	2.10	3.54	3.37	3.61	4.70	2.89
TOTAL PHYSICIAN SERVICES	51.90	48.26	37.75	45.30	44.57	42.85	59.13	53.66	53.47	50.60	49.92	48.48	48.86
OTHER PROFESSIONAL SERVICES													
Vision Service Capitation	1.02	1.01	1.01	1.01	1.02	1.01	1.02	1.02	1.01	1.01	0.98	1.00	1.01
310 - Health Services - Utilization Management - UM Allocation *	2.52	2.59	2.65	2.48	2.60	2.59	2.46	2.54	2.83	2.81	3.03	3.14	2.69
311 - Health Services - Quality Improvement - UM Allocation *	0.37	0.37	0.39	0.31	0.41	0.35	0.30	0.38	0.48	0.49	0.54	0.49	0.41
312 - Health Services - Education - UM Allocation *	0.21	0.21	0.22	0.21	0.21	0.22	0.21	0.23	0.23	0.25	0.25	0.27	0.23
313 - Health Services - Pharmacy - UM Allocation *	0.36	0.35	0.36	0.33	0.34	0.33	0.31	0.37	0.36	0.35	0.38	0.37	0.35
616 - Disease Management - UM Allocation *	0.17	0.17	0.19	0.20	0.20	0.20	0.20	0.22	0.23	0.19	0.18	0.16	0.19
Behavior Health Treatment	0.00	0.00	0.00	0.00	0.00	0.86	0.63	1.01	0.83	1.21	0.26	0.44	0.44
Mental Health Services	0.15	0.14	0.13	0.23	0.14	0.71	0.13	1.32	1.01	(2.03)	1.49	2.03	0.46
Other Professional Services	1.34	3.15	4.06	3.77	4.10	4.41	3.99	3.31	3.06	3.55	3.26	4.25	3.53
TOTAL OTHER PROFESSIONAL SERVICES	6.14	7.98	8.99	8.54	9.04	10.69	9.24	10.41	10.04	7.85	10.36	12.16	9.31
EMERGENCY ROOM	21.55	20.28	19.89	19.50	17.73	17.26	21.08	19.75	18.65	18.70	17.86	17.51	19.12
INPATIENT HOSPITAL	62.26	60.60	60.89	62.95	58.55	56.02	73.05	56.96	45.94	48.82	50.31	55.13	57.52
REINSURANCE EXPENSE PREMIUM	0.80	0.79	0.79	0.79	0.80	0.79	0.80	0.80	0.79	0.79	0.80	0.80	0.79
OUTPATIENT HOSPITAL SERVICES	23.67	24.91	21.13	27.58	21.41	21.86	11.97	27.73	17.20	21.86	20.06	27.24	22.20
OTHER MEDICAL													
Ambulance	1.34	1.44	2.26	1.52	1.74	1.73	(0.37)	1.38	1.48	1.47	1.17	1.39	1.38
Home Health Services	1.29	2.58	5.24	4.15	4.85	4.20	(11.72)	0.83	0.37	1.07	0.93	1.30	1.23
CBAS Adult Day Health Care	0.49	0.49	0.36	0.40	0.43	0.34	0.27	0.32	0.47	0.45	0.50	0.39	0.41
Utilization and Quality Review Expenses	0.28	0.30	0.31	0.39	0.42	0.36	0.25	0.60	0.31	0.36	0.57	0.83	0.42
Long Term/SNF/Hospice	3.50	4.36	4.23	4.09	4.75	8.48	3.37	6.58	1.14	2.70	1.02	1.24	3.77
Non-Medical Transportation	0.99	1.01	0.56	0.46	0.59	0.59	2.37	1.33	1.16	1.65	1.35	1.31	1.12
TOTAL OTHER MEDICAL	7.88	10.19	12.95	11.00	12.79	15.68	(5.83)	11.04	4.93	7.70	5.54	6.46	8.32
PHARMACY SERVICES													
RX - Drugs & OTC	27.38	28.03	29.45	27.26	27.73	28.00	26.63	29.63	27.21	26.74	28.08	30.26	28.04
RX - HEP-C	5.37	5.51	7.10	4.82	6.15	6.00	6.01	6.72	6.18	4.56	4.51	3.46	5.52
Rx - DME	2.56	2.29	2.13	2.03	2.23	3.24	(0.77)	1.60	1.58	1.80	2.47	2.01	1.92
Rx - Pharmacy Rebates	0.00	0.00	0.00	0.00	0.00	(2.66)	0.00	0.00	(0.07)	(0.28)	(0.28)	(1.20)	(0.38)
TOTAL PHARMACY SERVICES	35.31	35.83	38.67	34.10	36.10	34.58	31.87	37.95	34.89	32.83	34.78	35.73	35.10
PAY FOR PERFORMANCE QUALITY INCENTIVE	2.42	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41
EXPANSION RISK CORRIDOR EXPENSE	6.30	6.19	6.84	6.76	6.51	5.83	(0.94)	0.00	4.56	3.65	0.59	1.76	3.96
IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT	0.00	(0.00)	(6.45)	(8.80)	(12.78)	(16.44)	0.00	14.13	0.56	0.69	(1.90)	4.46	(2.17)
Total Medical Costs	218.23	217.45	203.86	210.13	197.12	191.56	202.79	234.85	193.44	195.90	190.73	212.15	205.45

KERN HEALTH SYSTEMS

MEDI-CAL

SCHEDULE OF ADMINISTRATIVE EXPENSES BY DEPT

FOR THE MONTH ENDED DECEMBER 31, 2016

CURRENT MONTH				YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
242,495	203,976	(38,519)	110 - Executive	2,422,705	2,799,166	376,461
195,161	116,890	(78,271)	210 - Accounting	1,491,561	1,435,910	(55,651)
435,504	422,759	(12,745)	220 - Management Information Systems (MIS)	4,971,979	5,073,112	101,133
89,756	169,637	79,881	225 - Infrastructure	1,293,653	2,035,641	741,988
341,879	380,086	38,207	230 - Claims	5,100,551	4,660,403	(440,148)
30,469	79,156	48,687	240 - Project Management	771,825	974,913	203,088
1,015	2,000	985	310 - Health Services - Utilization Management	18,351	29,500	11,149
140	2,600	2,460	311 - Health Services - Quality Improvement	1,789	29,175	27,386
791	1,000	209	312 - Health Services - Education	1,827	11,650	9,823
75,114	67,350	(7,764)	313- Pharmacy	871,607	856,325	(15,282)
4,047	-	(4,047)	314- Health Homes	4,047	-	(4,047)
(865)	-	865	616 - Disease Management	296	-	(296)
235,214	145,055	(90,159)	320 - Provider Relations	1,608,703	1,740,664	131,961
351,517	385,482	33,965	330 - Member Services	3,895,130	4,590,994	695,864
355,312	343,166	(12,146)	340 - Corporate Services	3,060,468	3,493,992	433,524
52,057	41,342	(10,715)	360 - Audit & Investigative Services	489,959	496,104	6,145
44,453	18,075	(26,378)	410 - Advertising Media	423,757	449,950	26,193
101,600	48,520	(53,080)	420 - Sales/Marketing/Public Relations	642,726	587,840	(54,886)
141,108	101,750	(39,358)	510 - Human Resources	1,272,014	1,399,527	127,513
(1,960,549)	-	1,960,549	Administrative Expense Adjustment	1,948,722	-	(1,948,722)
736,218	2,528,844	1,792,626	Total Administrative Expenses	30,291,670	30,664,866	373,196

KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF ADMIN EXPENSES BY DEPT BY MONTH FOR THE MONTH ENDED DECEMBER 31, 2016	JANUARY 2016	FEBRUARY 2016	MARCH 2016	APRIL 2016	MAY 2016	JUNE 2016	JULY 2016	AUGUST 2016	SEPTEMBER 2016	OCTOBER 2016	NOVEMBER 2016	DECEMBER 2016	YEAR TO DATE 2016
110 - Executive	180,629	264,098	200,604	186,751	171,325	183,150	162,874	205,166	210,768	205,519	209,326	242,495	2,422,705
210 - Accounting	122,863	109,670	117,629	125,465	91,191	133,352	103,173	131,012	105,687	132,464	123,894	195,161	1,491,561
220 - Management Information Systems (MIS)	352,091	409,458	419,463	455,503	419,406	383,999	387,952	405,249	413,157	442,163	448,034	435,504	4,971,979
225 - Infrastructure	23,637	62,544	169,864	115,881	20,993	232,450	46,672	78,847	57,847	82,409	312,753	89,756	1,293,653
230 - Claims	374,273	362,416	469,288	420,862	320,291	442,872	348,448	411,979	440,654	719,365	448,224	341,879	5,100,551
240 - Project Management	53,681	54,627	56,437	54,746	56,263	57,634	53,109	58,879	61,373	155,892	78,715	30,469	771,825
310 - Health Services - Utilization Management	24	858	4,330	6,096	(7,089)	1,312	45	10,073	472	785	430	1,015	18,351
311 - Health Services - Quality Improvement	-	518	340	427	(76)	236	-	-	414	-	(210)	140	1,789.00
312 - Health Services - Education	-	114	912	1,026	(1,488)	58	58	-	65	-	291.00	791	1,827.00
313- Pharmacy	69,298	71,626	77,217	70,327	69,679	69,457	67,323	74,904	73,882	73,702	79,078	75,114	871,607
314- Health Homes	-	-	-	-	-	-	-	-	-	-	-	4,047	4,047
616 - Disease Management	-	-	344	492	(133)	(528)	349	-	468	-	169	(865)	296.00
320 - Provider Relations	106,249	103,322	111,527	117,734	174,272	123,886	121,596	102,736	124,576	141,474	146,117	235,214	1,608,703
330 - Member Services	294,923	305,925	327,000	295,855	325,893	310,702	300,326	312,027	335,723	360,354	374,885	351,517	3,895,130
340 - Corporate Services	273,529	236,822	220,399	267,045	225,319	290,655	272,252	215,057	278,264	282,838	142,976	355,312	3,060,468
360 - Audit & Investigative Services	36,886	38,263	37,801	36,782	37,817	37,466	36,351	40,682	43,227	45,846	46,781	52,057	489,959
410 - Advertising Media	22,693	3,334	23,317	58,083	38,381	41,129	61,629	30,966	40,945	29,954	28,873	44,453	423,757
420 - Sales/Marketing/Public Relations	36,393	45,651	43,798	46,607	47,042	40,398	42,770	42,832	57,492	77,686	60,457	101,600	642,726
510 - Human Resources	124,317	82,702	117,829	108,761	120,949	119,698	43,722	77,749	126,913	75,948	132,318	141,108	1,272,014
Administraive Expense Adjustment	-	-	3,600,000	500,000	-	-	-	-	(190,729)	-	-	(1,960,549)	1,948,722
Total Department Expenses	2,071,486	2,151,948	5,998,099	2,868,443	2,110,035	2,467,926	2,048,649	2,198,158	2,181,198	2,826,399	2,633,111	736,218	30,291,670

KERN HEALTH SYSTEMS
GROUP HEALTH PLAN - HFAM
BALANCE SHEET STATEMENT
AS OF DECEMBER 31, 2016

ASSETS	DECEMBER 2016	NOVEMBER 2016	INC(DEC)
CURRENT ASSETS:			
Cash and Cash Equivalents	$ 1,416,526	$ 1,422,372	(5,846)
Interest Receivable	2,363	1,400	963
Prepaid Expenses & Other Current Assets	5,000	834	4,166
TOTAL CURRENT ASSETS	$ 1,423,889	$ 1,424,606	$ (717)
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Other Liabilities	353,849	353,896	(47)
TOTAL CURRENT LIABILITIES	$ 353,849	$ 353,896	$ (47)
NET POSITION:			
Net Position- Beg. of Year	1,071,061	1,071,061	-
Increase (Decrease) in Net Position - Current Year	(1,021)	(351)	(670)
Total Net Position	$ 1,070,040	$ 1,070,710	$ (670)
TOTAL LIABILITIES AND NET POSITION	$ 1,423,889	$ 1,424,606	$ (717)

KERN HEALTH SYSTEMS
GROUP HEALTH PLAN - HFAM
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE MONTH ENDED DECEMBER 31, 2016

CURRENT MONTH				YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
			ENROLLMENT			
-	-	-	Members	-	-	-
			REVENUES			
-	-	-	Premium	-	-	-
963	-	963	Interest	7,944	-	7,944
(799)	-	(799)	Other Income	1,050	-	1,050
164	-	164	TOTAL REVENUES	8,994	-	8,994
			EXPENSES			
			Medical Costs			
-	-	-	IBNR and Paid Claims Adjustment	15	-	(15)
-	-	-	Total Medical Costs	15	-	(15)
164	-	164	GROSS MARGIN	8,979	-	8,979
			Administrative			
834	-	(834)	Management Fee Expense and Other Admin Exp	10,000	-	(10,000)
834	-	(834)	Total Administrative Expenses	10,000	-	(10,000)
834	-	(834)	TOTAL EXPENSES	10,015	-	(10,015)
(670)	-	(670)	OPERATING INCOME (LOSS)	(1,021)	-	(1,021)
-	-	-	TOTAL NONOPERATING REVENUE (EXPENSES)	-	-	-
(670)	-	(670)	NET INCREASE (DECREASE) IN NET POSITION	(1,021)	-	(1,021)
0%	0%	0%	MEDICAL LOSS RATIO	0%	0%	0%
509%	0%	-509%	ADMINISTRATIVE EXPENSE RATIO	111%	0%	-111%

KERN HEALTH SYSTEMS
MONTHLY MEMBERS COUNT

KERN HEALTH SYSTEMS

MEDI-CAL	2016 MEMBER MONTHS	JAN'16	FEB'16	MAR'16	APR'16	MAY'16	JUN'16	JUL'16	AUG'16	SEP'16	OCT'16	NOV'16	DEC'16
ADULT AND FAMILY													
PA - FAMILY	471,053	49,991	47,326	42,526	40,353	38,248	30,990	37,139	36,516	37,045	37,329	36,501	37,089
MN - FAMILY	190	88	74	-26	6	12	8	10	8	6	1	3	0
REFUGEE - FAMILY	22	4	4	4	2	2	2	0	0	0	2	1	1
FOSTER CARE	5,398	435	434	459	391	428	438	468	457	487	456	488	457
POVERTY-133/200%	-40	-14	103	-37	-69	-61	17	10	0	4	3	2	2
POVERTY-100%	110	47	180	46	-147	-9	-49	17	7	7	7	4	0
MI - CHILD	1,167,636	82,198	86,338	92,802	96,561	98,992	101,582	99,526	100,553	101,488	102,099	102,887	102,610
CHILD-ACA	10,872	1,674	1,740	822	774	797	600	782	813	790	715	744	621
FAMILY - UNDER 19	230,758	15,673	15,722	16,454	16,371	16,149	29,219	19,627	19,699	19,979	20,592	20,752	20,521
SUB-TOTAL ADULT & FAMILY	1,885,999	150,096	151,921	153,050	154,242	154,558	162,807	157,579	158,053	159,806	161,204	161,382	161,301
MEDI-CAL EXPANSION													
LIHP Transition Pre-ACA	1,024	115	113	62	103	75	86	81	80	79	83	74	73
ACA Expansion Adult-Citizen	619,925	47,426	48,873	50,870	51,912	52,771	47,373	52,375	52,663	53,497	53,866	54,036	54,263
ACA Expansion CAL Fresh Adult	205	44	51	3	9	9	9	23	12	12	12	12	9
LIHP Transition Pre-ACA	5,713	426	435	454	431	405	509	516	528	497	539	490	483
SUB-TOTAL MANDATORY	626,867	48,011	49,472	51,389	52,455	53,260	47,977	52,995	53,283	54,085	54,500	54,612	54,828
SDP MEMBERS (INCLUDING NEW)													
SSI -AGED	2,857	273	255	372	350	314	318	156	148	180	157	163	171
MN - AGED	14,259	1,151	1,139	1,144	1,193	1,260	547	1,281	1,274	1,289	1,321	1,354	1,306
SSI - BLIND & DIS-ABLED	140,802	12,406	11,565	11,587	11,820	11,572	11,627	11,886	11,728	11,621	11,671	11,601	11,718
MN - BLIND & DIS-ABLED	4,169	294	428	350	334	367	355	310	387	378	334	321	311
SUB-TOTAL MANDATORY SPD	162,087	14,124	13,387	13,453	13,697	13,513	12,847	13,633	13,537	13,468	13,483	13,439	13,506
TOTAL MANDATORY	2,674,953	212,231	214,780	217,892	220,394	221,331	223,631	224,207	224,873	227,359	229,187	229,433	229,635
OTHER MEMBERS													
BCCTP-TOBACCO SETTLEMENT	335	28	27	27	27	27	25	31	29	27	23	29	35
DUALS													
PA - FAMILY DUALS	851	104	361	61	92	-9	37	40	34	28	35	28	40
PART D SSI -AGED	6,627	508	495	518	551	581	504	533	549	589	585	621	593
PART D MN - AGED	11,452	797	808	811	865	984	968	960	1,011	1,018	1,077	1,045	1,108
PART D SSI - BLIND & DIS-ABLED	23,657	1,908	1,893	1,927	1,930	1,986	1,935	2,023	2,039	2,007	2,016	2,000	1,993
PART D MN - BLIND & DIS-ABLED	8,397	643	676	639	675	706	678	693	711	727	734	756	759
PART D BCCTP-TOBACCO SETTLEMENT	6	1	1	1	1	-4	1	1	1	0	1	1	1
PART D MI - ADULT	0	0	0	0	0	0	0	0	0	0	0	0	0
PART D MI - CHILD	3,214	223	1	279	268	271	294	301	313	298	327	312	327
SUB-TOTAL DUALS	54,204	4,184	4,235	4,236	4,382	4,515	4,417	4,551	4,658	4,667	4,775	4,763	4,821
TOTAL OTHERS	54,539	4,212	4,262	4,263	4,409	4,542	4,442	4,582	4,687	4,694	4,798	4,792	4,856
TOTAL KAISER	74,638	5,218	5,342	5,542	5,712	5,988	6,193	6,379	6,552	6,700	6,890	7,006	7,116
TOTAL MEDI-CAL MEMBERS	2,804,130	221,661	224,384	227,697	230,515	231,861	234,266	235,168	236,112	238,753	240,875	241,231	241,607

KERN HEALTH SYSTEMS

To: KHS Board of Directors

From: Robert Landis, CFO

Date: April 13, 2017

Re: January 2017 Financial Results

The January results reflect a $3,927,012 Net Increase in Net Position which is a $1,872,801 favorable variance to the budget. Listed below are the major variances for the month:

1) Total Revenues reflect a $1.8 million favorable variance primarily due to:

   A) $.6 million favorable variance relating to Expansion primarily due to higher than expected enrollment.

   B) $1.3 million favorable variance in COB/Subrogation due to higher than expected claim payments where KHS is not primary.

2) Total Medical Costs reflect a $.2 million favorable variance primarily due to:

   A) $.7 million unfavorable variance in Inpatient primarily due to higher than expected utilization.

   B) $1.0 million favorable variance in Pharmacy primarily due to lower than expected HEP-C utilization.

The January Medical Loss Ratio is 88.8% which is favorable to the 91.3% budgeted amount. The January Administrative Expense Ratio is 4.2 % which is favorable to the 5.9% budgeted amount.

Kern Health Systems
Financial Packet
January 2017

KHS – Medi-Cal Line of Business

KHS Group Health Plan – Healthy Families Line of Business

KHS Administrative Analysis and Other Reporting

KERN HEALTH SYSTEMS
MEDI-CAL
STATEMENT OF NET POSITION
AS OF JANUARY 31, 2017

ASSETS	JANUARY 2017	DECEMBER 2016	INC(DEC)
CURRENT ASSETS:			
Cash and Cash Equivalents	$ 107,225,020	$ 182,186,349	$ (74,961,329)
Short-Term Investments	89,746,882	88,167,704	1,579,178
Pass-through Monies Held for Future Payment	1,090,417	20,098,971	(19,008,554)
Premiums Receivable - Net	88,998,584	28,440,297	60,558,287
Interest Receivable	150,659	109,552	41,107
Other Receivables	671,672	864,768	(193,096)
Prepaid Expenses & Other Current Assets	699,596	885,596	(186,000)
Total Current Assets	$ 288,582,830	$ 320,753,237	$ (32,170,407)
RESTRICTED ASSETS	$ 300,000	$ 300,000	$ -
CAPITAL ASSETS - NET OF ACCUM DEPRE:			
Land	4,851,562	4,851,562	-
Furniture and Equipment	7,096,427	7,007,728	88,699
Automobile - Net	22,107	22,499	(392)
Building and Building Improvements - Net	6,950,650	6,978,505	(27,855)
Capital Projects in Process	3,426,799	3,382,739	44,060
Total Capital Assets	$ 22,347,545	$ 22,243,033	$ 104,512
DEFERRED OUTFLOWS OF RESOURCES	$ 4,540,339	$ 4,540,339	$ -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 315,770,714	$ 347,836,609	$ (32,065,895)
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Accounts Payable	$ 206,959	$ 61,988	144,971
Accrued Salaries and Employee Benefits	1,704,653	2,457,344	(752,691)
Accrued Other Operating Expenses	2,799,509	3,660,162	(860,653)
Accrued Taxes and Licenses	6,978,391	24,018,805	(17,040,414)
Other Medical Liabilities - Nonoperating Passthrough	1,090,417	20,098,971	(19,008,554)
Claims Payable (Reported)	16,933,297	21,446,519	(4,513,222)
IBNR - Inpatient Claims	29,129,101	25,971,768	3,157,333
IBNR - Physician Claims	12,599,477	12,225,659	373,818
IBNR - Accrued Other Medical	18,555,834	16,445,098	2,110,736
Risk Pool and Withholds Payable	3,970,602	3,418,439	552,163
Statutory Allowance for Claims Processing Expense	1,926,674	1,926,674	-
Other Liabilities	38,134,862	38,280,088	(145,226)
Total Currenlt Liabilities	$ 134,029,776	$ 170,011,515	$ (35,981,739)
NONCURRENT LIABILITIES:			
Net Pension Liability	4,758,019	4,769,187	(11,168)
TOTAL NONCURRENT LIABILITIES	$ 4,758,019	$ 4,769,187	$ (11,168)
DEFERRED INFLOWS OF RESOURCES	$ 1,840,334	$ 1,840,334	$ -
NET POSITION:			
Net Position - Beg. of Year	171,215,573	109,933,425	61,282,148
Increase (Decrease) in Net Position - Current Year	3,927,012	61,282,148	(57,355,136)
Total Net Position	$ 175,142,585	$ 171,215,573	$ 3,927,012
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 315,770,714	$ 347,836,609	$ (32,065,895)

KERN HEALTH SYSTEMS
MEDI-CAL - ALL COA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE MONTH ENDED JANUARY 31, 2017

CURRENT MONTH MEMBERS				YEAR-TO-DATE MEMBER MONTHS		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
			ENROLLMENT			
161,086	162,500	(1,414)	Family Members	161,086	162,500	(1,414)
55,405	54,500	905	Expansion Members	55,405	54,500	905
13,524	13,500	24	SPD Members	13,524	13,500	24
4,948	4,000	948	Other Members	4,948	4,000	948
7,103	7,000	103	Kaiser Members	7,103	7,000	103
242,066	241,500	566	Total Members - MCAL	242,066	241,500	566
			REVENUES			
21,026,665	21,242,818	(216,153)	Title XIX - Medicaid - Family and Other	21,026,665	21,242,818	(216,153)
20,905,352	20,296,942	608,410	Title XIX - Medicaid - Expansion Members	20,905,352	20,296,942	608,410
9,966,872	10,276,470	(309,598)	Title XIX - Medicaid - SPD Members	9,966,872	10,276,470	(309,598)
7,491,128	7,065,485	425,643	Premium - MCO Tax	7,491,128	7,065,485	425,643
181,883	151,812	30,071	Interest /Dividends	181,883	151,812	30,071
-	103,180	(103,180)	Reinsurance Recoveries	-	103,180	(103,180)
4,060,955	2,767,620	1,293,335	COB/Subrogation Collections	4,060,955	2,767,620	1,293,335
-	-	-	Rate/Income Adjustments	-	-	-
37,570	-	37,570	Other Income (Expense)	37,570	-	37,570
63,670,425	61,904,327	1,766,098	TOTAL REVENUES	63,670,425	61,904,327	1,766,098
			EXPENSES			
			Medical Costs:			
12,342,816	11,832,417	(510,399)	Physician Services	12,342,816	11,832,417	(510,399)
2,642,041	2,598,611	(43,430)	Other Professional Services	2,642,041	2,598,611	(43,430)
4,687,780	4,610,555	(77,225)	Emergency Room	4,687,780	4,610,555	(77,225)
13,999,552	13,251,537	(748,015)	Inpatient	13,999,552	13,251,537	(748,015)
103,176	103,180	4	Reinsurance Expense	103,176	103,180	4
5,477,940	5,508,547	30,607	Outpatient Hospital	5,477,940	5,508,547	30,607
2,097,824	2,480,745	382,921	Other Medical	2,097,824	2,480,745	382,921
8,128,455	9,134,289	1,005,834	Pharmacy	8,128,455	9,134,289	1,005,834
552,163	551,075	(1,088)	Pay for Performance Quality Incentive	552,163	551,075	(1,088)
(141,866)	-	141,866	IBNR, Incentive, Paid Claims Adjustment	(141,866)	-	141,866
49,889,881	50,070,956	181,075	Total Medical Costs	49,889,881	50,070,956	181,075
13,780,544	11,833,371	1,947,173	GROSS MARGIN	13,780,544	11,833,371	1,947,173
			Administrative:			
1,667,274	1,926,050	258,776	Compensation	1,667,274	1,926,050	258,776
268,436	555,217	286,781	Purchased Services	268,436	555,217	286,781
66,872	150,157	83,285	Supplies	66,872	150,157	83,285
359,822	582,252	222,430	Other Administrative Expenses	359,822	582,252	222,430
2,362,404	3,213,675	851,271	Total Administrative Expenses	2,362,404	3,213,675	851,272
52,252,285	53,284,631	1,032,346	TOTAL EXPENSES	52,252,285	53,284,631	1,032,346
11,418,140	8,619,696	2,798,444	OPERATING INCOME (LOSS) BEFORE TAX	11,418,140	8,619,696	2,798,444
7,491,128	7,065,485	(425,643)	MCO TAX	7,491,128	7,065,485	(425,643)
3,927,012	1,554,211	2,372,801	OPERATING INCOME (LOSS) NET OF TAX	3,927,012	1,554,211	2,372,801
			NONOPERATING REVENUE (EXPENSES)			
-	(500,000)	500,000	Reserve Fund Projects/Community Grants	-	(500,000)	500,000
-	(500,000)	500,000	TOTAL NONOPERATING REVENUES (EXPENSES)	-	(500,000)	500,000
3,927,012	1,054,211	2,872,801	NET INCREASE (DECREASE) IN NET POSITION	3,927,012	1,054,211	2,872,801
88.8%	91.3%	2.5%	MEDICAL LOSS RATIO	88.8%	91.3%	2.5%
4.2%	5.9%	1.7%	ADMINISTRATIVE EXPENSE RATIO	4.2%	5.9%	1.7%

KERN HEALTH SYSTEMS
MEDI-CAL
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - PMPM
FOR THE MONTH ENDED JANUARY 31, 2017

CURRENT MONTH				YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
			ENROLLMENT			
161,086	162,500	(1,414)	Family Members	161,086	162,500	(1,414)
55,405	54,500	905	Expansion Members	55,405	54,500	905
13,524	13,500	24	SPD Members	13,524	13,500	24
4,948	4,000	948	Other Members	4,948	4,000	948
7,103	7,000	103	Kaiser Members	7,103	7,000	103
242,066	241,500	566	Total Members - MCAL	242,066	241,500	566
			REVENUES			
126.64	127.58	(0.94)	Title XIX - Medicaid - Family and Other	126.64	127.58	(0.94)
377.32	372.42	4.90	Title XIX - Medicaid - Expansion Members	377.32	372.42	4.90
736.98	761.22	(24.24)	Title XIX - Medicaid - SPD Members	736.98	761.22	(24.24)
31.88	30.13	1.75	Premium - MCO Tax	31.88	30.13	1.75
0.77	0.65	0.13	Interest /Dividends	0.77	0.65	0.13
0.00	0.44	(0.44)	Reinsurance Recoveries	0.00	0.44	(0.44)
17.28	11.80	5.48	COB/Subrogation Collections	17.28	11.80	5.48
0.00	0.00	0.00	Rate/Income Adjustments	0.00	0.00	0.00
0.16	0.00	0.16	Other Income (Expense)	0.16	0.00	0.16
270.98	263.98	7.00	TOTAL REVENUES	270.98	263.98	7.00
			EXPENSES			
			Medical Costs:			
52.53	50.46	(2.07)	Physician Services	52.53	50.46	(2.07)
11.24	11.08	(0.16)	Other Professional Services	11.24	11.08	(0.16)
19.95	19.66	(0.29)	Emergency Room	19.95	19.66	(0.29)
59.58	56.51	(3.07)	Inpatient	59.58	56.51	(3.07)
0.44	0.44	0.00	Reinsurance Expense	0.44	0.44	0.00
23.31	23.49	0.18	Outpatient Hospital	23.31	23.49	0.18
8.93	10.58	1.65	Other Medical	8.93	10.58	1.65
34.59	38.95	4.36	Pharmacy	34.59	38.95	4.36
2.35	2.35	0.00	Pay for Performance Quality Incentive	2.35	2.35	0.00
(0.60)	0.00	0.60	IBNR, Incentive, Paid Claims Adjustment	(0.60)	0.00	0.60
212.33	213.52	1.19	Total Medical Costs	212.33	213.52	1.19
58.65	50.46	8.19	GROSS MARGIN	58.65	50.46	8.19
			Administrative:			
7.10	8.21	1.12	Compensation	7.10	8.21	1.12
1.14	2.37	1.23	Purchased Services	1.14	2.37	1.23
0.28	0.64	0.36	Supplies	0.28	0.64	0.36
1.53	2.48	0.95	Other Administrative Expenses	1.53	2.48	0.95
10.05	13.70	3.65	Total Administrative Expenses	10.05	13.70	3.65
222.39	227.23	4.84	TOTAL EXPENSES	222.39	227.23	4.84
48.60	36.76	11.84	OPERATING INCOME (LOSS) BEFORE TAX	48.60	36.76	11.84
31.88	30.13	(1.75)	MCO TAX	31.88	30.13	(1.75)
16.71	6.63	10.09	OPERATING INCOME (LOSS) NET OF TAX	16.71	6.63	10.09
			NONOPERATING REVENUE (EXPENSES)			
0.00	(2.13)	(2.13)	Reserve Fund Projects/Community Grants	0.00	(2.13)	(2.13)
0.00	(2.13)	(2.13)	TOTAL NONOPERATING REVENUES (EXPENSES)	0.00	(2.13)	(2.13)
16.71	4.50	12.22	NET INCREASE (DECREASE) IN NET POSITION	16.71	4.50	12.22
88.8%	91.3%	2.5%	MEDICAL LOSS RATIO	88.8%	91.3%	2.5%
4.2%	5.9%	1.7%	ADMINISTRATIVE EXPENSE RATIO	4.2%	5.9%	1.7%

KERN HEALTH SYSTEMS
MEDI-CAL
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION BY MONTH - ROLLING 13 MONTHS
THROUGH JANUARY 31, 2017

	JANUARY 2016	FEBRUARY 2016	MARCH 2016	APRIL 2016	MAY 2016	JUNE 2016	JULY 2016	AUGUST 2016	SEPTEMBER 2016	OCTOBER 2016	NOVEMBER 2016	DECEMBER 2016	JANUARY 2017	13 MONTH TOTAL
ENROLLMENT														
Members - MCAL	216,443	219,042	222,155	224,803	225,873	228,073	228,789	229,560	232,053	233,985	234,225	234,491	234,963	2,964,455
REVENUES														
Title XIX - Medicaid - Family and Other	19,334,650	18,819,164	18,893,342	19,268,416	20,200,699	21,721,996	21,057,468	21,487,293	21,539,111	21,717,599	21,346,545	20,429,201	21,026,665	266,842,149
Title XIX - Medicaid - Expansion Members	20,493,525	21,186,984	22,332,378	22,221,335	22,681,126	20,013,241	20,106,340	20,307,212	20,219,075	19,620,974	20,146,360	20,105,649	20,905,352	270,339,551
Title XIX - Medicaid - SPD Members	9,763,769	9,117,133	9,250,198	9,598,222	9,500,904	8,974,279	10,385,333	10,279,833	10,007,635	10,231,800	10,209,218	9,940,753	9,966,872	127,225,949
Premium - MCO Tax	2,117,552	2,016,667	2,116,879	2,135,629	2,201,211	2,176,933	115,627	23,082	21,614,834	7,184,130	7,198,399	10,065,534	7,491,128	66,457,605
Interest /Dividends	150,319	145,775	174,396	162,990	155,221	144,418	156,158	150,143	186,999	236,189	223,035	194,711	181,883	2,262,237
Reinsurance Recoveries	-	-	105,967	-	-	136,469	-	35,587	30,454	205,689	-	(210,968)	-	303,198
COB/Subrogation Collections	1,979,998	1,794,713	2,530,658	2,134,967	1,867,649	2,758,967	1,886,161	9,063,870	2,787,116	3,407,813	2,069,154	2,839,103	4,060,955	39,181,124
Rate/Income Adjustments	(48,811)	530,682	43,719	61,906	(709,861)	182,133	(14,918)	1,795,534	13,093	(333,319)	(541)	2,736,951	0	4,256,568
Other Income (Expense)	40,652	241	34,127	129	(1,527)	(101,654)	66,531	(67,508)	(407,903)	215	41	(1,262,113)	37,570	(1,661,199)
TOTAL REVENUES	53,831,654	53,611,359	55,481,664	55,583,594	55,895,422	56,006,782	53,758,700	63,075,046	75,990,414	62,271,090	61,192,211	64,838,821	63,670,425	775,207,182
EXPENSES														
Medical Costs:														
Physician Services	11,233,565	10,570,109	8,387,281	10,184,063	10,067,372	9,773,684	13,528,740	12,319,200	12,407,247	11,839,584	11,693,173	11,369,024	12,342,816	145,715,858
Other Professional Services	1,328,149	1,749,050	1,996,280	1,918,865	2,041,275	2,438,637	2,115,049	2,389,356	2,329,736	1,836,321	2,425,983	2,850,615	2,642,041	28,061,357
Emergency Room	4,664,640	4,442,421	4,418,069	4,384,207	4,004,335	3,936,263	4,823,966	4,534,245	4,327,181	4,374,358	4,182,880	4,106,435	4,687,780	56,886,780
Inpatient	13,476,116	13,274,742	13,526,617	14,151,250	13,224,036	12,777,639	16,712,009	13,075,786	10,660,875	11,423,068	11,783,439	12,926,841	13,999,552	171,011,970
Reinsurance Expense	173,265	173,105	175,283	177,724	179,842	180,699	182,458	183,031	183,648	185,643	187,188	187,380	103,176	2,272,442
Outpatient Hospital	5,123,005	5,456,797	4,694,700	6,199,589	4,835,347	4,986,698	2,738,213	6,364,762	3,990,250	5,114,588	4,698,013	6,388,140	5,477,940	66,068,042
Other Medical	1,706,638	2,231,066	2,877,876	2,473,455	2,889,123	3,577,133	(1,333,149)	2,534,421	1,143,970	1,801,979	1,296,759	1,515,058	2,097,824	24,812,153
Pharmacy	7,642,329	7,848,662	8,591,490	7,666,735	8,154,315	7,887,127	7,291,244	8,712,624	8,096,666	7,680,935	8,147,020	8,098,176	8,128,455	103,945,778
Pay for Performance Quality Incentive	523,721	528,669	536,256	542,674	545,291	550,605	552,273	554,141	560,172	564,834	565,417	566,068	552,163	7,142,284
Expansion Risk Corridor Expense	1,363,721	1,355,257	1,518,741	1,518,741	1,469,399	1,329,868	(215,621)	-	1,059,120	853,019	137,358	413,346	-	10,802,949
IBNR, Incentive, Paid Claims Adjustment	-	(68)	(1,433,650)	(1,978,994)	(2,887,073)	(3,748,854)	0	3,244,295	128,791	162,526	(444,334)	1,045,552	(141,866)	(6,053,675)
Total Medical Costs	47,235,149	47,629,810	45,288,943	47,238,309	44,523,262	43,689,499	46,395,182	53,911,861	44,887,656	45,836,855	44,672,896	49,466,635	49,889,881	610,665,938
GROSS MARGIN	6,596,505	5,981,549	10,192,721	8,345,285	11,372,160	12,317,283	7,363,518	9,163,185	31,102,758	16,434,235	16,519,315	15,372,186	13,780,544	164,541,244
Administrative:														
Compensation	1,419,745	1,432,846	1,499,527	1,428,925	1,493,127	1,458,666	1,398,183	1,503,706	1,589,763	1,621,722	1,717,307	1,748,853	1,667,274	19,979,644
Purchased Services	291,548	298,383	546,034	485,217	231,179	532,780	256,055	354,966	343,359	478,654	607,200	470,957	268,436	5,164,768
Supplies	81,789	41,417	36,431	78,743	81,297	84,932	61,144	1,284	70,613	62,414	42,864	53,867	66,872	763,667
Other Administrative Expenses	278,404	379,302	316,107	375,558	304,432	391,548	333,267	338,202	368,192	663,609	265,740	423,090	359,822	4,797,273
Administrative Expense Adjustment	-	-	3,600,000	500,000	-	-	-	-	(190,729)	-	-	(1,960,549)	-	1,948,722
Total Administrative Expenses	2,071,486	2,151,948	5,998,099	2,868,443	2,110,035	2,467,926	2,048,649	2,198,158	2,181,198	2,826,399	2,633,111	736,218	2,362,404	32,654,074
TOTAL EXPENSES	49,306,635	49,781,758	51,287,042	50,106,752	46,633,297	46,157,425	48,443,831	56,110,019	47,068,854	48,663,254	47,306,007	50,202,853	52,252,285	643,320,012
OPERATING INCOME (LOSS) BEFORE TAX	4,525,019	3,829,601	4,194,622	5,476,842	9,262,125	9,849,357	5,314,869	6,965,027	28,921,560	13,607,836	13,886,204	14,635,968	11,418,140	131,887,170
MCO TAX	2,117,552	2,016,667	2,116,879	2,135,629	2,201,211	2,176,933	115,627	23,082	21,614,834	7,184,130	7,198,399	10,065,534	7,491,128	66,457,605
OPERATING INCOME (LOSS) NET OF TAX	2,407,467	1,812,934	2,077,743	3,341,213	7,060,914	7,672,424	5,199,242	6,941,945	7,306,726	6,423,706	6,687,805	4,570,434	3,927,012	65,429,565
TOTAL NONOPERATING REVENUE (EXPENSES)	-	-	-	-	-	-	-	-	-	-	(220,405)	-	-	(220,405)
NET INCREASE (DECREASE) IN NET POSITION	2,407,467	1,812,934	2,077,743	3,341,213	7,060,914	7,672,424	5,199,242	6,941,945	7,306,726	6,423,706	6,467,400	4,570,434	3,927,012	65,209,160
MEDICAL LOSS RATIO	91.3%	92.3%	84.9%	88.4%	82.9%	81.2%	86.5%	85.5%	82.6%	83.2%	82.7%	90.3%	88.8%	86.2%
ADMINISTRATIVE EXPENSE RATIO	4.0%	4.2%	11.2%	5.4%	3.9%	4.6%	3.8%	3.5%	4.0%	5.1%	4.9%	1.3%	4.2%	4.6%

KERN HEALTH SYSTEMS MEDI-CAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION BY MONTH - PMPM ROLLING 13 MONTHS THROUGH JANUARY 31, 2017	JANUARY 2016	FEBRUARY 2016	MARCH 2016	APRIL 2016	MAY 2016	JUNE 2016	JULY 2016	AUGUST 2016	SEPTEMBER 2016	OCTOBER 2016	NOVEMBER 2016	DECEMBER 2016	JANUARY 2017	13 MONTH TOTAL
ENROLLMENT														
Members - MCAL	216,443	219,042	222,155	224,803	225,873	228,073	228,789	229,560	232,053	233,985	234,225	234,491	234,963	2,964,455
REVENUES														
Title XIX - Medicaid - Family and Other	125.30	120.49	120.10	121.45	126.97	129.88	129.86	132.03	130.94	130.83	128.46	122.95	126.09	126.67
Title XIX - Medicaid - Expansion Members	426.85	428.26	434.58	423.63	425.86	417.14	379.40	381.12	373.84	360.02	368.90	366.70	377.32	396.23
Title XIX - Medicaid - SPD Members	691.29	681.04	687.59	700.75	703.09	698.55	760.11	759.39	743.07	758.87	759.67	736.02	742.47	724.48
Premium - MCO Tax	9.78	9.21	9.53	9.50	9.75	9.54	0.51	0.10	93.15	30.70	30.73	42.93	31.88	22.42
Interest /Dividends	0.69	0.67	0.79	0.73	0.69	0.63	0.68	0.65	0.81	1.01	0.95	0.83	0.77	0.76
Reinsurance Recoveries	0.00	0.00	0.48	0.00	0.00	0.60	0.00	0.16	0.13	0.88	0.00	(0.90)	0.00	0.10
COB/Subrogation Collections	9.15	8.19	11.39	9.50	8.27	12.10	8.24	39.48	12.01	14.56	8.83	12.11	17.28	13.22
Rate/Income Adjustments	(0.23)	2.42	0.20	0.28	(3.14)	0.80	(0.07)	7.82	0.06	(1.42)	(0.00)	11.67	0.00	1.44
Other Income (Expense)	0.19	0.00	0.15	0.00	(0.01)	(0.45)	0.29	(0.29)	(1.76)	0.00	0.00	(5.38)	0.16	(0.56)
TOTAL REVENUES	248.71	244.75	249.74	247.25	247.46	245.57	234.97	274.76	327.47	266.13	261.25	276.51	270.98	261.50
EXPENSES														
Medical Costs:														
Physician Services	51.90	48.26	37.75	45.30	44.57	42.85	59.13	53.66	53.47	50.60	49.92	48.48	52.53	49.15
Other Professional Services	6.14	7.98	8.99	8.54	9.04	10.69	9.24	10.41	10.04	7.85	10.36	12.16	11.24	9.47
Emergency Room	21.55	20.28	19.89	19.50	17.73	17.26	21.08	19.75	18.65	18.70	17.86	17.51	19.95	19.19
Inpatient	62.26	60.60	60.89	62.95	58.55	56.02	73.05	56.96	45.94	48.82	50.31	55.13	59.58	57.69
Reinsurance Expense	0.80	0.79	0.79	0.79	0.80	0.79	0.80	0.80	0.79	0.79	0.80	0.80	0.44	0.77
Outpatient Hospital	23.67	24.91	21.13	27.58	21.41	21.86	11.97	27.73	17.20	21.86	20.06	27.24	23.31	22.29
Other Medical	7.88	10.19	12.95	11.00	12.79	15.68	(5.83)	11.04	4.93	7.70	5.54	6.46	8.93	8.37
Pharmacy	35.31	35.83	38.67	34.10	36.10	34.58	31.87	37.95	34.89	32.83	34.78	34.54	34.59	35.06
Pay for Performance Quality Incentive	2.42	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.35	2.41
Expansion Risk Corridor Expense	6.30	6.19	6.84	6.76	6.51	5.83	(0.94)	0.00	4.56	3.65	0.59	1.76	0.00	3.64
IBNR, Incentive, Paid Claims Adjustment	0.00	(0.00)	(6.45)	(8.80)	(12.78)	(16.44)	0.00	14.13	0.56	0.69	(1.90)	4.46	(0.60)	(2.04)
Total Medical Costs	218.23	217.45	203.86	210.13	197.12	191.56	202.79	234.85	193.44	195.90	190.73	210.95	212.33	206.00
GROSS MARGIN	30.48	27.31	45.88	37.12	50.35	54.01	32.18	39.92	134.03	70.24	70.53	65.56	58.65	55.50
Administrative:														
Compensation	6.56	6.54	6.75	6.36	6.61	6.40	6.11	6.55	6.85	6.93	7.33	7.46	7.10	6.74
Purchased Services	1.35	1.36	2.46	2.16	1.02	2.34	1.12	1.55	1.48	2.05	2.59	2.01	1.14	1.74
Supplies	0.38	0.19	0.16	0.35	0.36	0.37	0.27	0.01	0.30	0.27	0.18	0.23	0.28	0.26
Other Administrative Expenses	1.29	1.73	1.42	1.67	1.35	1.72	1.46	1.47	1.59	2.84	1.13	1.80	1.53	1.62
Administrative Expense Adjustment	0.00	0.00	16.20	2.22	0.00	0.00	0.00	0.00	(0.82)	0.00	0.00	(8.36)	0.00	0.66
Total Administrative Expenses	9.57	9.82	27.00	12.76	9.34	10.82	8.95	9.58	9.40	12.08	11.24	3.14	10.05	11.02
TOTAL EXPENSES	227.80	227.27	230.86	222.89	206.46	202.38	211.74	244.42	202.84	207.98	201.97	214.09	222.39	217.01
OPERATING INCOME (LOSS) BEFORE TAX	20.91	17.48	18.88	24.36	41.01	43.19	23.23	30.34	124.63	58.16	59.29	62.42	48.60	44.49
MCO TAX	9.78	9.21	9.53	9.50	9.75	9.54	0.51	0.10	93.15	30.70	30.73	42.93	31.88	22.42
OPERATING INCOME (LOSS) NET OF TAX	11.12	8.28	9.35	14.86	31.26	33.64	22.73	30.24	31.49	27.45	28.55	19.49	16.71	22.07
TOTAL NONOPERATING REVENUE (EXPENSES)	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
NET INCREASE (DECREASE) IN NET POSITION	11.12	8.28	9.35	14.86	31.26	33.64	22.73	30.24	31.49	27.45	28.55	19.49	16.71	22.07
MEDICAL LOSS RATIO	91.3%	92.3%	84.9%	88.4%	82.9%	81.2%	86.5%	85.5%	82.6%	83.2%	82.7%	90.3%	88.8%	86.2%
ADMINISTRATIVE EXPENSE RATIO	4.0%	4.2%	11.2%	5.4%	3.9%	4.6%	3.8%	3.5%	4.0%	5.1%	4.9%	1.3%	4.2%	4.6%

KERN HEALTH SYSTEMS
MEDI-CAL
SCHEDULE OF REVENUES - ALL COA
FOR THE MONTH ENDED JANUARY 31, 2017

CURRENT MONTH				YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
			REVENUES			
			Title XIX - Medicaid - Family & Other			
18,836,485	18,800,065	36,420	Premium - Medi-Cal	18,836,485	18,800,065	36,420
1,922,464	2,073,391	(150,927)	Premium - Maternity Kick	1,922,464	2,073,391	(150,927)
51,180	214,814	(163,634)	Premium - Hep C Kick	51,180	214,814	(163,634)
120,937	63,903	57,034	Premium - BHT Kick	120,937	63,903	57,034
95,599	90,645	4,954	Other	95,599	90,645	4,954
21,026,665	21,242,818	(216,153)	Total Title XIX - Medicaid - Family & Other	21,026,665	21,242,818	(216,153)
			Title XIX - Medicaid - Expansion Members			
19,905,131	19,248,855	656,276	Premium - Medi-Cal	19,905,131	19,248,855	656,276
467,107	409,979	57,128	Premium - Maternity Kick	467,107	409,979	57,128
499,003	605,408	(106,405)	Premium - Hep C Kick	499,003	605,408	(106,405)
34,111	32,700	1,411	Other	34,111	32,700	1,411
20,905,352	20,296,942	608,410	Total Title XIX - Medicaid - Expansion Members	20,905,352	20,296,942	608,410
			Title XIX - Medicaid - SPD Members			
9,655,083	9,614,565	40,518	Premium - Medi-Cal	9,655,083	9,614,565	40,518
127,950	510,401	(382,451)	Premium - Hep C Kick	127,950	510,401	(382,451)
183,839	151,504	32,335	Premium - BHT Kick	183,839	151,504	32,335
9,966,872	10,276,470	(309,598)	Total Title XIX - Medicaid - SPD Members	9,966,872	10,276,470	(309,598)

KERN HEALTH SYSTEMS
MEDI-CAL
SCHEDULE OF MEDICAL COSTS - ALL COA
FOR THE MONTH ENDED JANUARY 31, 2017

CURRENT MONTH				YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
			PHYSICIAN SERVICES			
3,406,859	3,301,012	(105,847)	Primary Care Physician Services	3,406,859	3,301,012	(105,847)
8,091,488	7,884,720	(206,768)	Referral Specialty Services	8,091,488	7,884,720	(206,768)
835,481	637,744	(197,737)	Urgent Care & After Hours Advise	835,481	637,744	(197,737)
8,988	8,940	(48)	Hospital Admitting Team	8,988	8,940	(48)
12,342,816	11,832,417	(510,399)	TOTAL PHYSICIAN SERVICES	12,342,816	11,832,417	(510,399)
			OTHER PROFESSIONAL SERVICES			
234,491	241,138	6,647	Vision Service Capitation	234,491	241,138	6,647
659,425	776,377	116,952	310 - Health Services - Utilization Management - UM Allocation *	659,425	776,377	116,952
101,672	118,953	17,281	311 - Health Services - Quality Improvement - UM Allocation *	101,672	118,953	17,281
55,993	71,437	15,444	312 - Health Services - Education - UM Allocation *	55,993	71,437	15,444
86,242	89,964	3,722	313 - Health Services - Pharmacy - UM Allocation *	86,242	89,964	3,722
19,018	33,566	14,548	314 - Health Homes - UM Allocation *	19,018	33,566	14,548
36,728	67,454	30,726	616 - Disease Management - UM Allocation *	36,728	67,454	30,726
300,000	215,407	(84,593)	Behavior Health Treatment	300,000	215,407	(84,593)
220,889	88,012	(132,877)	Mental Health Services	220,889	88,012	(132,877)
927,583	896,304	(31,279)	Other Professional Services	927,583	896,304	(31,279)
2,642,041	2,598,611	(43,430)	TOTAL OTHER PROFESSIONAL SERVICES	2,642,041	2,598,611	(43,430)
4,687,780	4,610,555	(77,225)	EMERGENCY ROOM	4,687,780	4,610,555	(77,225)
13,999,552	13,251,537	(748,015)	INPATIENT HOSPITAL	13,999,552	13,251,537	(748,015)
103,176	103,180	4	REINSURANCE EXPENSE PREMIUM	103,176	103,180	4
5,477,940	5,508,547	30,607	OUTPATIENT HOSPITAL SERVICES	5,477,940	5,508,547	30,607
			OTHER MEDICAL			
321,788	324,648	2,860	Ambulance	321,788	324,648	2,860
370,547	356,125	(14,422)	Home Health Services & CBAS	370,547	356,125	(14,422)
67,616	313,889	246,273	Utilization and Quality Review Expenses	67,616	313,889	246,273
1,022,042	972,245	(49,797)	Long Term/SNF/Hospice	1,022,042	972,245	(49,797)
-	234,500	234,500	Enhanced Medical Benefits	-	234,500	234,500
315,831	279,338	(36,493)	Non-Medical Transportation	315,831	279,338	(36,493)
2,097,824	2,480,745	382,921	TOTAL OTHER MEDICAL	2,097,824	2,480,745	382,921
			PHARMACY SERVICES			
7,157,012	7,388,344	231,332	RX - Drugs & OTC	7,157,012	7,388,344	231,332
561,061	1,330,622	769,561	RX - HEP-C	561,061	1,330,622	769,561
476,382	480,658	4,276	Rx - DME	476,382	480,658	4,276
(66,000)	(65,335)	665	RX - Pharmacy Rebates	(66,000)	(65,335)	665
8,128,455	9,134,289	1,005,834	TOTAL PHARMACY SERVICES	8,128,455	9,134,289	1,005,834
552,163	551,075	(1,088)	PAY FOR PERFORMANCE QUALITY INCENTIVE	552,163	551,075	(1,088)
(141,866)	-	141,866	IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT	(141,866)	-	141,866
49,889,881	50,070,956	181,075	Total Medical Costs	49,889,881	50,070,956	181,075

* Medical costs per DMHC regulations

KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS BY MONTH THROUGH JANUARY 31, 2017	JANUARY 2017	YEAR TO DATE 2017
PHYSICIAN SERVICES		
Primary Care Physician Services	3,406,859	3,406,859
Referral Specialty Services	8,091,488	8,091,488
Urgent Care & After Hours Advise	835,481	835,481
Hospital Admitting Team	8,988	8,988
TOTAL PHYSICIAN SERVICES	12,342,816	12,342,816
OTHER PROFESSIONAL SERVICES		
Vision Service Capitation	234,491	234,491
310 - Health Services - Utilization Management - UM Allocation *	659,425	659,425
311 - Health Services - Quality Improvement - UM Allocation *	101,672	101,672
312 - Health Services - Education - UM Allocation *	55,993	55,993
313 - Health Services - Pharmacy - UM Allocation *	86,242	86,242
314 - Health Homes - UM Allocation *	19,018	19,018
616 - Disease Management - UM Allocation *	36,728	36,728
Behavior Health Treatment	300,000	300,000
Mental Health Services	220,889	220,889
Other Professional Services	927,583	927,583
TOTAL OTHER PROFESSIONAL SERVICES	2,642,041	2,642,041
EMERGENCY ROOM	4,687,780	4,687,780
INPATIENT HOSPITAL	13,999,552	13,999,552
REINSURANCE EXPENSE PREMIUM	103,176	103,176
OUTPATIENT HOSPITAL SERVICES	5,477,940	5,477,940
OTHER MEDICAL		
Ambulance	321,788	321,788
Home Health Services & CBAS	370,547	370,547
Utilization and Quality Review Expenses	67,616	67,616
Long Term/SNF/Hospice	1,022,042	1,022,042
Enhanced Medical Benefits	-	-
Non-Medical Transportation	315,831	315,831
TOTAL OTHER MEDICAL	2,097,824	2,097,824
PHARMACY SERVICES		
RX - Drugs & OTC	7,157,012	7,157,012
RX - HEP-C	561,061	561,061
Rx - DME	476,382	476,382
RX - Pharmacy Rebates	(66,000)	(66,000)
TOTAL PHARMACY SERVICES	8,128,455	8,128,455
PAY FOR PERFORMANCE QUALITY INCENTIVE	552,163	552,163
IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT	(141,866)	(141,866)
Total Medical Costs	49,889,881	49,889,881

KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS BY MONTH - PMPM THROUGH JANUARY 31, 2017	JANUARY 2017	YEAR TO DATE 2017
PHYSICIAN SERVICES		
Primary Care Physician Services	14.50	14.50
Referral Specialty Services	34.44	34.44
Urgent Care & After Hours Advise	3.56	3.56
Hospital Admitting Team	0.04	0.04
TOTAL PHYSICIAN SERVICES	52.53	52.53
OTHER PROFESSIONAL SERVICES		
Vision Service Capitation	1.00	1.00
310 - Health Services - Utilization Management - UM Allocation *	2.81	2.81
311 - Health Services - Quality Improvement - UM Allocation *	0.43	0.43
312 - Health Services - Education - UM Allocation *	0.24	0.24
313 - Health Services - Pharmacy - UM Allocation *	0.37	0.37
314 - Health Homes - UM Allocation *	0.08	0.08
616 - Disease Management - UM Allocation *	0.16	0.16
Behavior Health Treatment	1.28	1.28
Mental Health Services	0.94	0.94
Other Professional Services	3.95	3.95
TOTAL OTHER PROFESSIONAL SERVICES	11.24	11.24
EMERGENCY ROOM	19.95	19.95
INPATIENT HOSPITAL	59.58	59.58
REINSURANCE EXPENSE PREMIUM	0.44	0.44
OUTPATIENT HOSPITAL SERVICES	23.31	23.31
OTHER MEDICAL		
Ambulance	1.37	1.37
Home Health Services & CBAS	1.58	1.58
Utilization and Quality Review Expenses	0.29	0.29
Long Term/SNF/Hospice	4.35	4.35
Enhanced Medical Benefits	0.00	0.00
Non-Medical Transportation	1.34	1.34
TOTAL OTHER MEDICAL	8.93	8.93
PHARMACY SERVICES		
RX - Drugs & OTC	30.46	30.46
RX - HEP-C	2.39	2.39
Rx - DME	2.03	2.03
RX - Pharmacy Rebates	(0.28)	(0.28)
TOTAL PHARMACY SERVICES	34.59	34.59
PAY FOR PERFORMANCE QUALITY INCENTIVE	2.35	2.35
IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT	(0.60)	(0.60)
Total Medical Costs	212.33	212.33

KERN HEALTH SYSTEMS

MEDI-CAL

SCHEDULE OF ADMINISTRATIVE EXPENSES BY DEPT

FOR THE MONTH ENDED JANUARY 31, 2017

CURRENT MONTH				YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
279,907	269,056	(10,851)	110 - Executive	279,907	269,056	(10,851)
110,185	137,015	26,830	210 - Accounting	110,185	137,015	26,830
408,164	555,124	146,960	220 - Management Information Systems (MIS)	408,164	555,124	146,960
3,723	212,500	208,777	225 - Infrastructure	3,723	212,500	208,777
409,956	478,814	68,858	230 - Claims	409,956	478,814	68,858
63,772	83,016	19,244	240 - Project Management	63,772	83,016	19,244
159	44,975	44,816	310 - Health Services - Utilization Management	159	44,975	44,816
500	3,931	3,431	311 - Health Services - Quality Improvement	500	3,931	3,431
-	150	150	312 - Health Services - Education	-	150	150
85,960	86,180	220	313- Pharmacy	85,960	86,180	220
-	7,550	7,550	314 - Health Homes	-	7,550	7,550
33	150	117	616 - Disease Management	33	150	117
136,674	192,571	55,897	320 - Provider Relations	136,674	192,571	55,897
364,293	496,280	131,987	330 - Member Services	364,293	496,280	131,987
263,501	312,680	49,179	340 - Corporate Services	263,501	312,680	49,179
73,998	51,443	(22,555)	360 - Audit & Investigative Services	73,998	51,443	(22,555)
19,017	44,350	25,333	410 - Advertising Media	19,017	44,350	25,333
47,664	55,603	7,939	420 - Sales/Marketing/Public Relations	47,664	55,603	7,939
94,898	182,287	87,389	510 - Human Resourses	94,898	182,287	87,389
2,362,404	3,213,675	851,271	Total Administrative Expenses	2,362,404	3,213,675	851,271

KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF ADMIN EXPENSES BY DEPT BY MONTH FOR THE MONTH ENDED JANUARY 31, 2017	JANUARY 2017	YEAR TO DATE 2017
110 - Executive	279,907	279,907
210 - Accounting	110,185	110,185
220 - Management Information Systems (MIS)	408,164	408,164
225 - Infrastructure	3,723	3,723
230 - Claims	409,956	409,956
240 - Project Management	63,772	63,772
310 - Health Services - Utilization Management	159	159
311 - Health Services - Quality Improvement	500	500
312 - Health Services - Education	-	-
313- Pharmacy	85,960	85,960
314 - Health Homes	-	-
616 - Disease Management	33.00	33.00
320 - Provider Relations	136,674	136,674
330 - Member Services	364,293	364,293
340 - Corporate Services	263,501	263,501
360 - Audit & Investigative Services	73,998	73,998
410 - Advertising Media	19,017	19,017
420 - Sales/Marketing/Public Relations	47,664	47,664
510 - Human Resourses	94,898	94,898
Total Department Expenses	2,362,404	2,362,404

KERN HEALTH SYSTEMS
GROUP HEALTH PLAN - HFAM
BALANCE SHEET STATEMENT
AS OF JANUARY 31, 2017

ASSETS	JANUARY 2017	DECEMBER 2016	INC(DEC)
CURRENT ASSETS:			
Cash and Cash Equivalents	$ 1,419,689	$ 1,416,526	3,163
Interest Receivable	780	2,363	(1,583)
Prepaid Expenses & Other Current Assets	4,167	5,000	(833)
TOTAL CURRENT ASSETS	$ 1,424,636	$ 1,423,889	$ 747
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Other Liabilities	353,849	353,849	-
TOTAL CURRENT LIABILITIES	$ 353,849	$ 353,849	$ -
NET POSITION:			
Net Position- Beg. of Year	1,070,040	1,071,061	(1,021)
Increase (Decrease) in Net Position - Current Year	747	(1,021)	1,768
Total Net Position	$ 1,070,787	$ 1,070,040	$ 747
TOTAL LIABILITIES AND NET POSITION	$ 1,424,636	$ 1,423,889	$ 747

KERN HEALTH SYSTEMS
GROUP HEALTH PLAN - HFAM
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE MONTH ENDED JANUARY 31, 2017

CURRENT MONTH				YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
			ENROLLMENT			
-	-	-	Members	-	-	-
			REVENUES			
-	-	-	Premium	-	-	-
780	-	780	Interest	780	-	780
800	-	800	Other Investment Income	800	-	800
1,580	-	1,580	TOTAL REVENUES	1,580	-	1,580
			EXPENSES			
			Medical Costs			
-	-	-	IBNR and Paid Claims Adjustment	-	-	-
-	-	-	Total Medical Costs	-	-	-
1,580	-	1,580	GROSS MARGIN	1,580	-	1,580
			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)
747	-	747	OPERATING INCOME (LOSS)	747	-	747
-	-	-	TOTAL NONOPERATING REVENUE (EXPENSES)	-	-	-
747	-	747	NET INCREASE (DECREASE) IN NET POSITION	747	-	747
0%	0%	0%	MEDICAL LOSS RATIO	0%	0%	0%
53%	0%	-53%	ADMINISTRATIVE EXPENSE RATIO	53%	0%	-53%

KERN HEALTH SYSTEMS
MONTHLY MEMBERS COUNT

KERN HEALTH SYSTEMS

MEDI-CAL	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	36,123											
MN - FAMILY	0	0											
REFUGEE - FAMILY	1	1											
FOSTER CARE	493	493											
POVERTY-133/200%	2	2											
POVERTY-100%	0	0											
MI - CHILD	104,391	104,391											
CHILD-ACA	-127	-127											
FAMILY - UNDER 19	20,203	20,203											
SUB-TOTAL ADULT & FAMILY	161,086	161,086	0	0	0	0	0	0	0	0	0	0	0
MEDI-CAL EXPANSION													
LIHP Transition Pre-ACA	26	26											
ACA Expansion Adult-Citizen	54,856	54,856											
ACA Expansion CAL Fresh Adult	9	9											
LIHP Transition Pre-ACA	514	514											
SUB-TOTAL MANDATORY	55,405	55,405	0	0	0	0	0	0	0	0	0	0	0
SDP MEMBERS (INCLUDING NEW)													
SSI-AGED	158	158											
MN - AGED	1,338	1,338											
SSI - BLIND & DIS-ABLED	11,702	11,702											
MN - BLIND & DIS-ABLED	326	326											
SUB-TOTAL MANDATORY SPD	13,524	13,524	0	0	0	0	0	0	0	0	0	0	0
TOTAL MANDATORY	230,015	230,015	0	0	0	0	0	0	0	0	0	0	0
OTHER MEMBERS													
BCCTP-TOBACCO SETTLEMENT	29	29											
DUALS													
PA - FAMILY DUALS	31	31											
PART D SSI -AGED	615	615											
PART D MN - AGED	1,127	1,127											
PART D SSI - BLIND & DIS-ABLED	2,067	2,067											
PART D MN - BLIND & DIS-ABLED	762	762											
PART D BCCTP-TOBACCO SETTLEMENT	1	1											
PART D MI - ADULT	0	0											
PART D MI - CHILD	316	316											
SUB-TOTAL DUALS	4,919	4,919	0	0	0	0	0	0	0	0	0	0	0
TOTAL OTHERS	4,948	4,948	0	0	0	0	0	0	0	0	0	0	0
TOTAL KAISER	7,103	7,103											
TOTAL MEDI-CAL MEMBERS	242,066	242,066	0	0	0	0	0	0	0	0	0	0	0

KERN HEALTH SYSTEMS

To: KHS Board of Directors

From: Douglas A Hayward, CEO

Date: April 13, 2017

Re: Health Services Trend Report

In the Chief Medical Officer's absence, this presentation will be given by Deborah Murr, RN BS, HCM, Administrative Director of Health Services.

Medical Cost and Utilization Trend Analyses: (Attachment A)

Physician Services: *(*Primary Care Physician, Specialist, Hospitalist and Ancillary Services):

For February 2017, the aggregate cost per enrollee was below budget for both cost per encounter and visits per each member per month. Diabetes and hypertension continue to be the predominant reasons for utilization of professional visits in both the Expansion and SPD aid categories, while routine child health, acute respiratory infection and immunizations were the most common reasons for seeking Physician services in the Family aid category.

Pharmacy

We experienced a decrease in the costs per enrollee during for February, 2017, due to fewer days in the month and therefore fewer 30 day refills.

Inpatient Services

All measures, for all aid categories are below budget for February, 2017. Delivery of Newborns, Sepsis and chronic obstructive pulmonary continue to be the main reasons for admissions. Utilization of hospital days continues to be below budget as hospital length of stay remains lower than expected. Admissions per 1000 SPD enrollees are above budget but for all aid categories combined remain below budget.

Outpatient Hospital (Outpatient Diagnostic, Outpatient Surgery, Outpatient Observation, and Outpatient Other)

For February, 2017 the cost per enrollee was below budget for all aid categories. Encounters for routine child health exams, end stage renal disease and diabetes where were the most common reasons for the Family, SPS and Expansion aid groups respectively.

Emergency Room (ER)

For February, 2017 the cost per enrollee was below budget for all aid categories combined. Upper respiratory infection was the biggest reason for ER visits across all aid categories.

Hospital Utilization Reports (Attachment B Attachment C Attachment D)

Inpatient Admissions

Total inpatient admissions remain stable for all contracted hospitals. There was a slight decrease in the number of inpatient admissions during February, 2017 with the exception of admissions occurring outside Kern County. Bakersfield Memorial Hospital continues to provide the majority of inpatient services. SJCH and Kern Medical had about the same number of admissions with Mercy showing slightly fewer for the month of February.

Obstetrics Services

During the month of January 2017, vaginal births accounted for 81% of the births and cesarean section 19%. The percent of cesarean births has deceased from the prior month and when compared to December 2016 (19% and 24% respectively).

ER Visits

The number of ER visits decreased since December 2016 in all contracted facilities partly due to fewer days in the month of February. Bakersfield Memorial experienced the largest decrease in visits.

KERN HEALTH SYSTEMS

3nd Quarter, 2016 HEDIS Report* (*Attachment E)

The purpose of this report is to show, in "real time", how KHS is performing year-to-date in most HEDIS measurement categories. For the most part, the data for this report is based on information from medical service claims.

Each measurement count requires a patient encounter specific to service(s), that when performed, will indicate the measurement was met for that patient. All KHS members identified as having the medical condition associated with the measurement represent the denominator. When members receive service(s), it is recorded as "compliant" becoming part of the numerator. The level of achievement is shown as the percentage (%) of members receiving the required (service(s). The minimum target performance percentage (MPL) is established by DHCS each year and the previous year's MPL is used here to determine how well our HEDIS program performs against this standard. The second page of the report gives a snap shot summary of each measurement year- to- date. It is color coded in green when on or above previous year trending rate, yellow when below previous year's trending rate but statistically in line with expectation and red when below previous year's trending rate and if continued, could fail to meet the minimum standard set by the State. Since the final HEDIS tally does not occur until the end of the reporting period (12/2016), using historical performance for the same month in the prior year, enables staff to project year-end results for the measured period. Measurements showing "red" enables staff to know where they need to boost their effort to bring this measurement back in line with expectation while there is still time.

Of the 14 HEDIS measures displayed here, 9 measures are in green and on target to meet expectation. The 3 measures in yellow show a 5% or less variance to the previous year's rate. In such cases, staff closely monitors yellow measures to see that trends come back in line with prior year's results. Measures showing red (Nephropathy and Diuretics) are actively managed and will be investigated to determine what additional steps may be necessary to bring them in line with expectation.

KERN HEALTH SYSTEMS *Governed Reporting System*

Attachment A

Kern Health Systems

KHS Medical Management Performance Dashboard (Critical Performance Measurements)

KERN HEALTH SYSTEMS

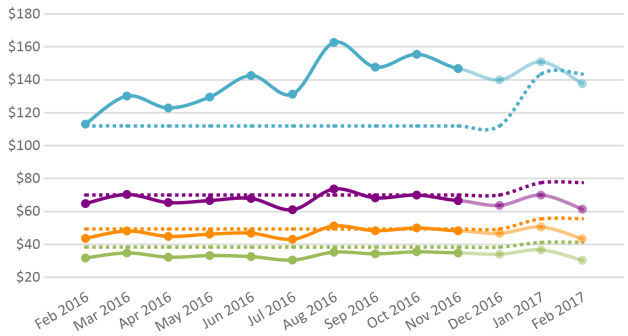
Governed Reporting System

Physician Services

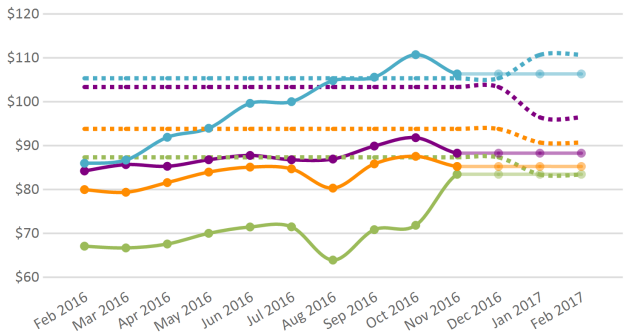
(Includes: Primary Care Physician Services, Referral Specialty Services, Other Professional Services and Urgent Care)

MCAL Expansion - Actual
MCAL Expansion - Budget
MCAL Expansion - Forecast
MCAL Family\Other - Actual
MCAL Family\Other - Budget
MCAL Family\Other - Forecast
MCAL SPD - Actual
MCAL SPD - Budget
MCAL SPD - Forecast
Total Combined - Actual
Total Combined - Budget
Total Combined - Forecast

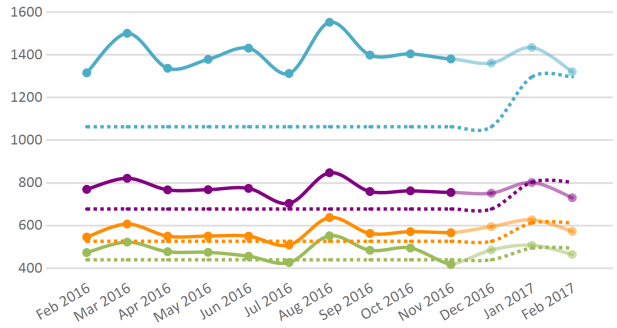
Professional Services Incurred by Aid Group PMPM



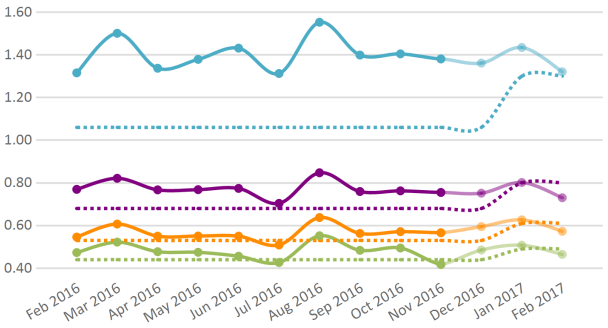
Cost per Professional Service Visit by Aid Group



Professional Service Visits per 1,000 per Month by Aid Group



Professional Service Visits per Member per Month by Aid Group



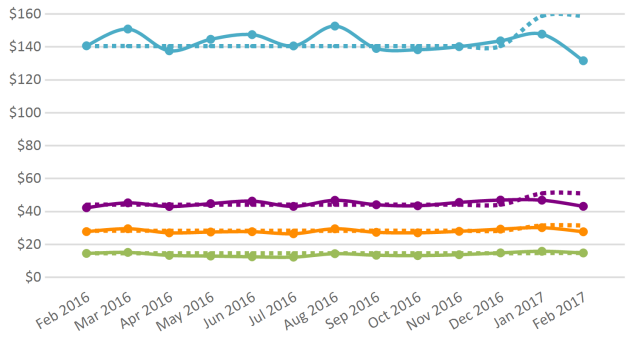
KERN HEALTH SYSTEMS

Governed Reporting System

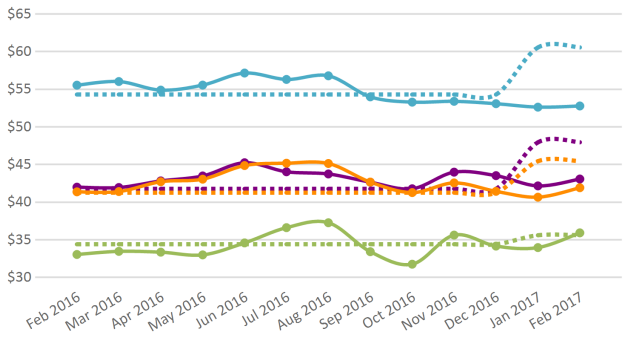
Pharmacy

(Includes: Claims paid by PBM)

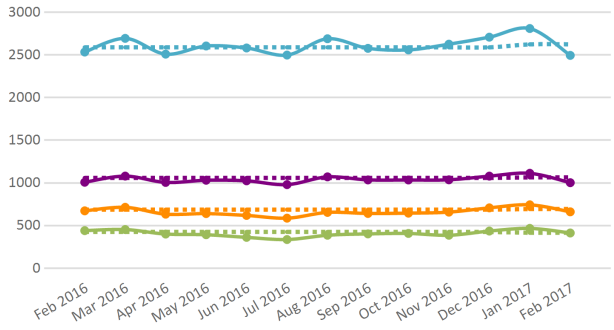
Pharmacy Services Incurred by Aid Group PMPM



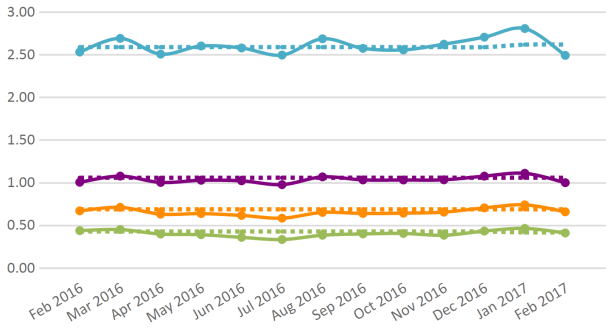
Cost per Script by Aid Group



Incurred Scripts per 1,000 per Month by Aid Group



Pharmacy Services Incurred per Member per Month by Aid Group



KERN HEALTH SYSTEMS

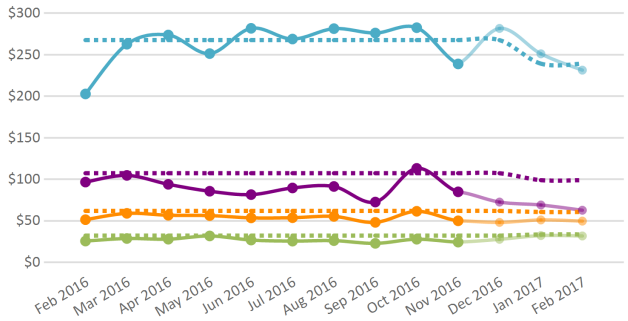
Governed Reporting System

Inpatient

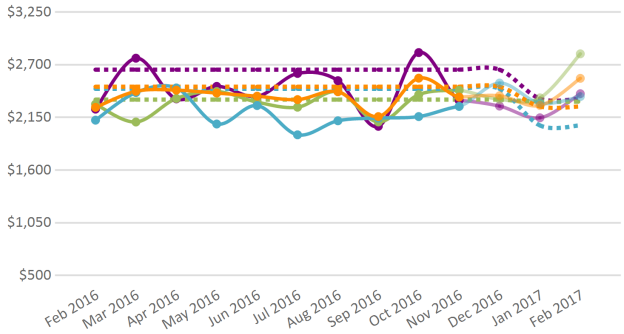
(Includes: Inpatient Hospital Claims)

MCAL Expansion - Actual
MCAL Expansion - Budget
MCAL Expansion - Forecast
MCAL Family\Other - Actual
MCAL Family\Other - Budget
MCAL Family\Other - Forecast
MCAL SPD - Actual
MCAL SPD - Budget
MCAL SPD - Forecast
Total Combined - Actual
Total Combined - Budget
Total Combined - Forecast

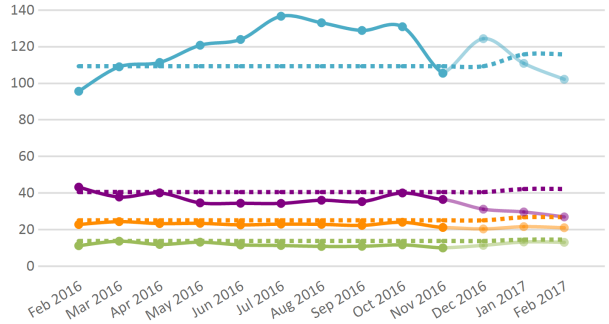
Inpatient Services Incurred by Aid Group PMPM



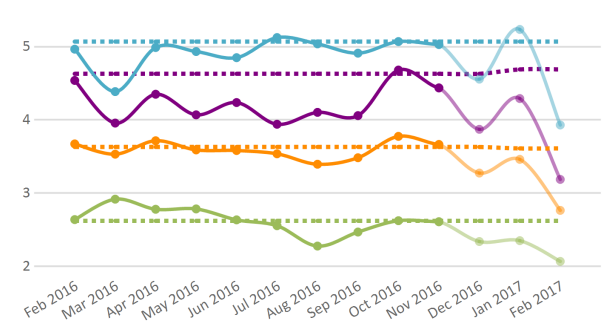
Cost Per Bed Day by Aid Group



Incurred Bed Days per 1,000 per Month by Aid Group



Average Length of Stay in Days by Aid Group

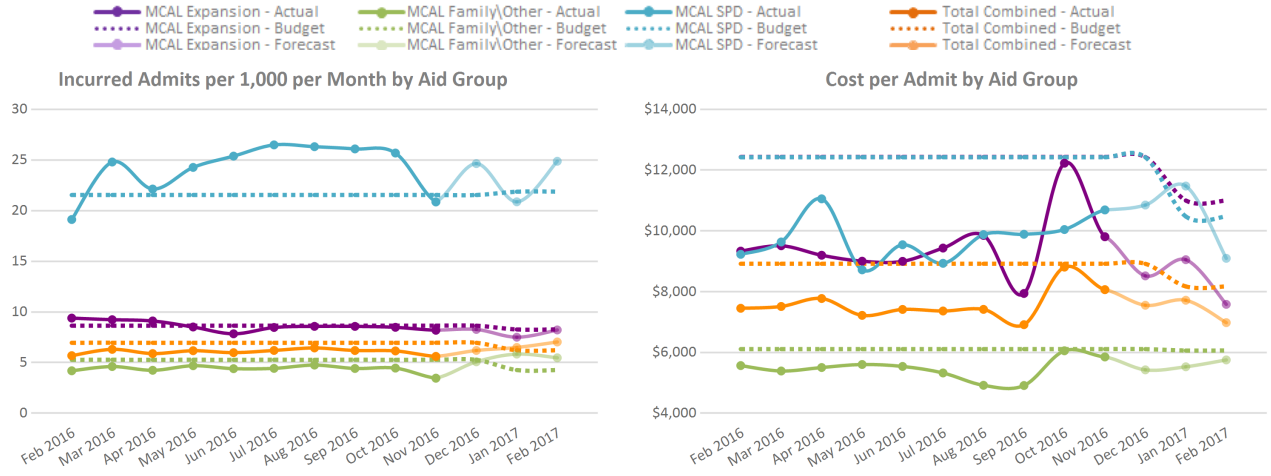


KERN HEALTH SYSTEMS

Governed Reporting System

Inpatient

(Includes: Inpatient Hospital Claims)



KERN HEALTH SYSTEMS

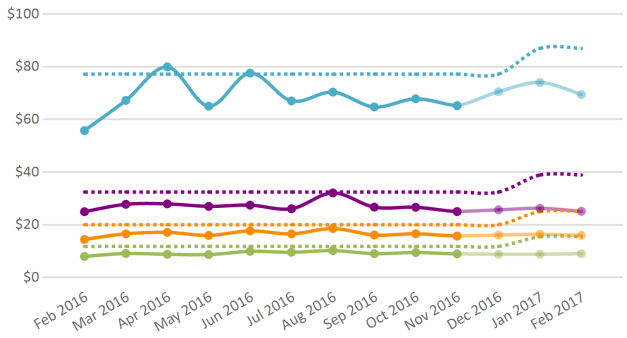
Governed Reporting System

Outpatient Hospital

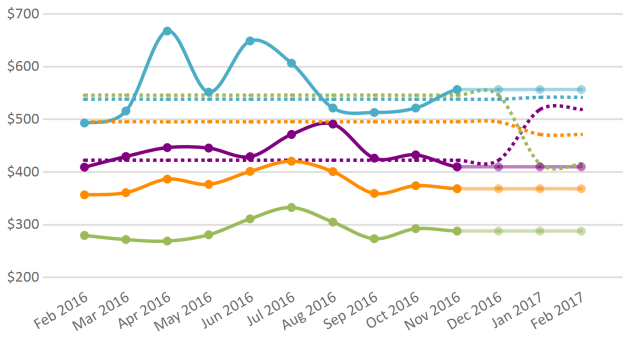
(Includes: Outpatient Diagnostic, Outpatient Surgery, Outpatient Observation, and Outpatient Other)

MCAL Expansion - Actual
MCAL Expansion - Budget
MCAL Expansion - Forecast
MCAL Family\Other - Actual
MCAL Family\Other - Budget
MCAL Family\Other - Forecast
MCAL SPD - Actual
MCAL SPD - Budget
MCAL SPD - Forecast
Total Combined - Actual
Total Combined - Budget
Total Combined - Forecast

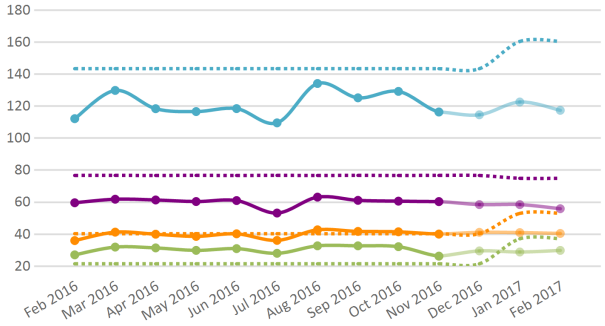
Outpatient Services Incurred by Aid Group PMPM



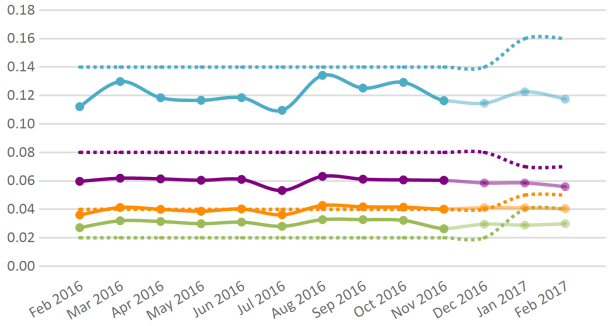
Cost Per Outpatient Visit by Aid Group



Outpatient Visits per 1,000 per Month by Aid Group



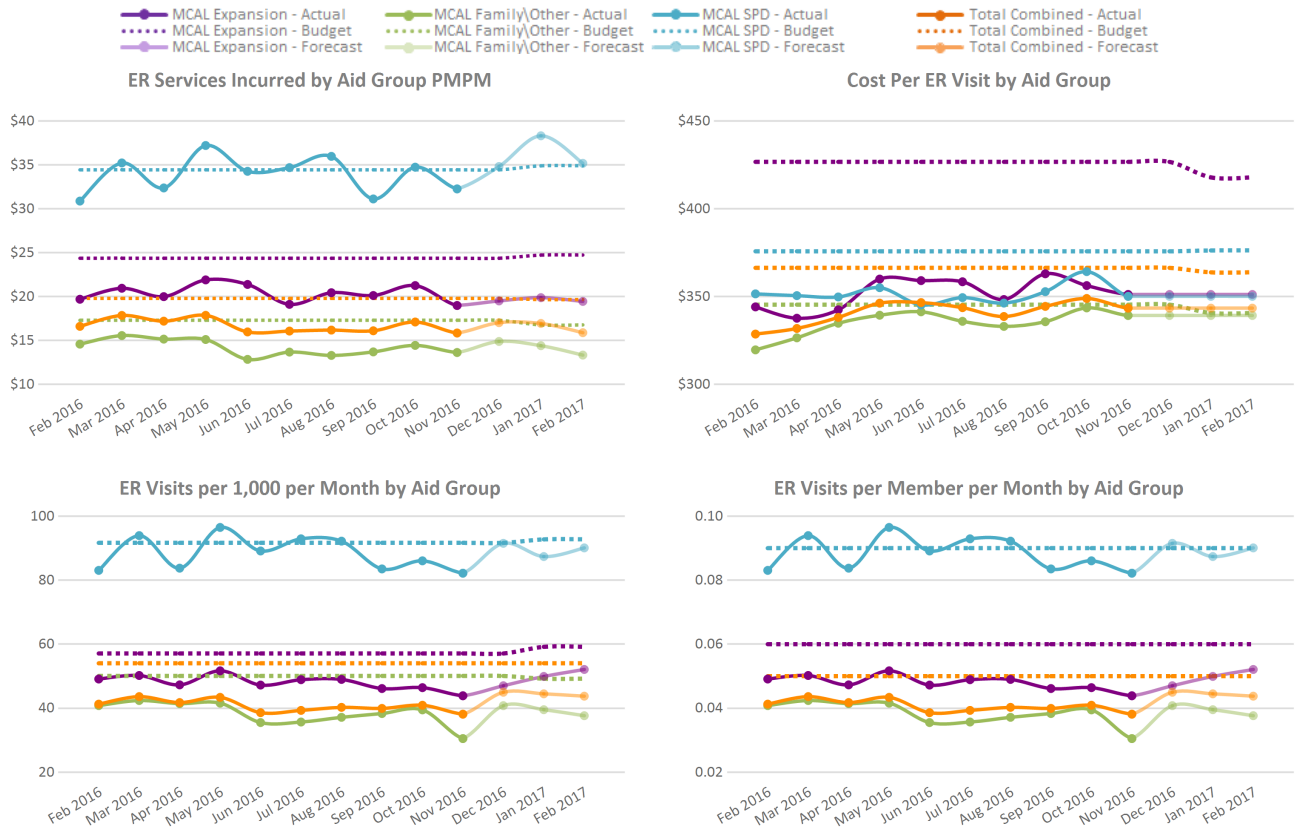
Outpatient Visits per Member per Month by Aid Group



KERN HEALTH SYSTEMS

Governed Reporting System

Emergency Room

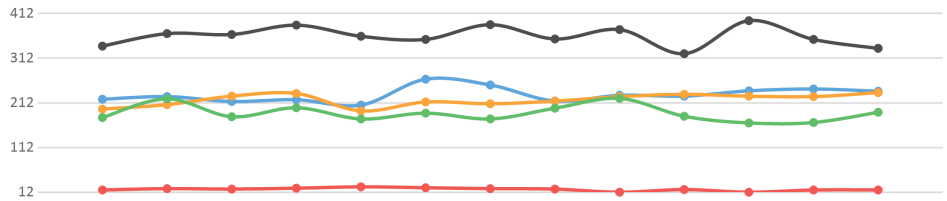


KERN HEALTH SYSTEMS

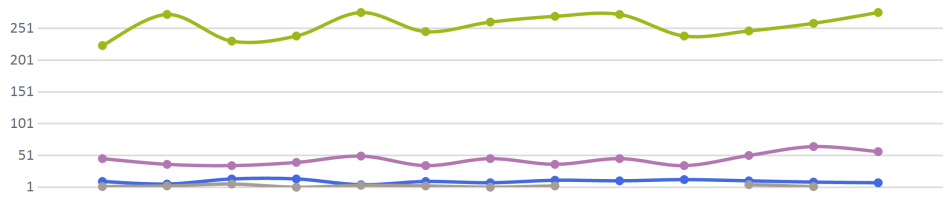
Governed Reporting System

Inpatient Admits by Hospital

Attachment B



	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
BAKERSFIELD MEMORIAL	339	367	365	386	361	354	387	355	376	322	396	354	334
SAN JOAQUIN COMMUNITY	220	226	215	219	207	265	252	216	229	227	239	243	238
KERN MEDICAL	198	208	227	233	194	214	210	216	226	231	227	226	235
MERCY HOSPITAL	179	221	181	201	176	189	176	200	222	182	167	168	191
BAKERSFIELD HEART HOSP	17	20	19	21	24	22	20	19	12	18	12	17	17



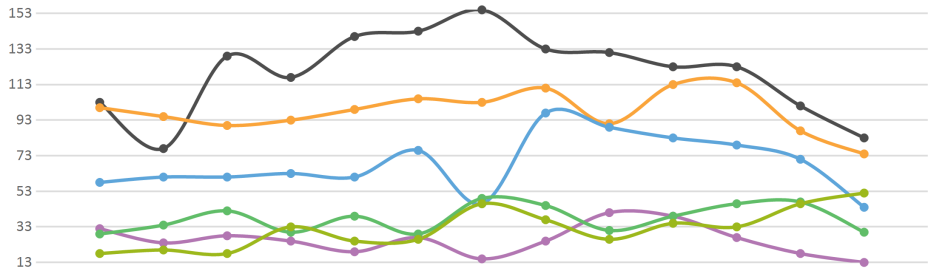
	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
OUT OF AREA	224	273	231	239	276	246	261	270	273	239	247	259	276
DELANO REGIONAL HOSPITAL	46	37	35	40	50	35	46	37	46	35	51	65	57
KERN VLY HLTHCRE HOSP	10	6	14	14	5	10	8	12	11	13	11	9	8
TEHACHAPI VALLEY	2	3	6	1	4	3	1	3	0	0	5	2	0

KERN HEALTH SYSTEMS

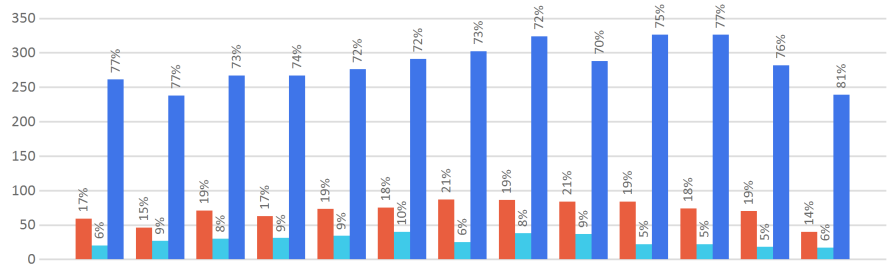
Governed Reporting System

Obstetrics Metrics

Attachment C



	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17
BAKERSFIELD MEMORIAL	103	77	129	117	140	143	155	133	131	123	123	101	83
KERN MEDICAL	100	95	90	93	99	105	103	111	91	113	114	87	74
SAN JOAQUIN COMMUNITY	58	61	61	63	61	76	46	97	89	83	79	71	44
MERCY HOSPITAL	29	34	42	30	39	29	49	45	31	39	46	47	30
DELANO REGIONAL HOSPITAL	32	24	28	25	19	27	15	25	41	39	27	18	13
OTHER	18	20	18	33	25	26	46	37	26	35	33	46	52



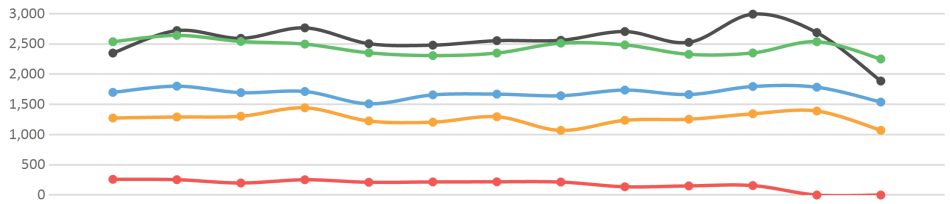
	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17
VAGINAL DELIVERY	261	238	267	267	276	291	302	324	288	326	326	282	239
C-SECTION DELIVERY	59	46	71	63	73	75	87	86	84	84	74	70	40
PREVIOUS C-SECTION DELIVERY	20	27	30	31	34	40	25	38	37	22	22	18	17

KERN HEALTH SYSTEMS

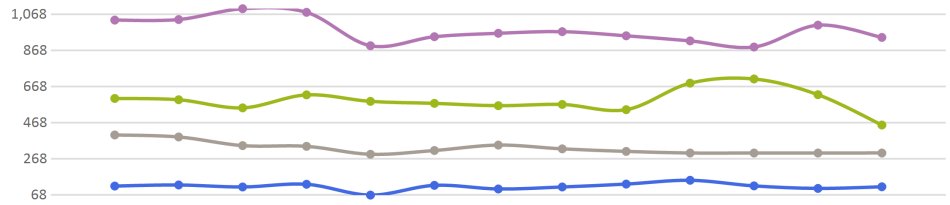
Governed Reporting System

Emergency Visits by Hospital

Attachment D



	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
MERCY HOSPITAL	2,537	2,643	2,542	2,498	2,354	2,308	2,350	2,514	2,485	2,329	2,352	2,538	2,251
BAKERSFIELD MEMORIAL	2,350	2,722	2,594	2,767	2,505	2,481	2,555	2,561	2,706	2,527	2,994	2,689	1,887
SAN JOAQUIN COMMUNITY	1,699	1,802	1,695	1,714	1,510	1,658	1,670	1,644	1,737	1,664	1,797	1,785	1,539
KERN MEDICAL	1,275	1,292	1,304	1,444	1,226	1,206	1,296	1,070	1,237	1,255	1,345	1,391	1,072
BAKERSFIELD HEART HOSP	260	254	199	253	211	217	219	215	137	151	157	163	167



	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
DELANO REGIONAL HOSPITAL	1,037	1,040	1,100	1,080	895	945	964	973	950	922	888	1,009	941
OUT OF AREA	603	596	551	623	587	576	563	570	541	688	711	624	456
TEHACHAPI VALLEY	401	390	342	338	294	315	345	324	310	301	301	301	301
KERN VLY HLTHCRE HOSP	118	124	113	128	68	122	102	113	129	150	119	105	114

KERN HEALTH SYSTEMS *Governed Reporting System*

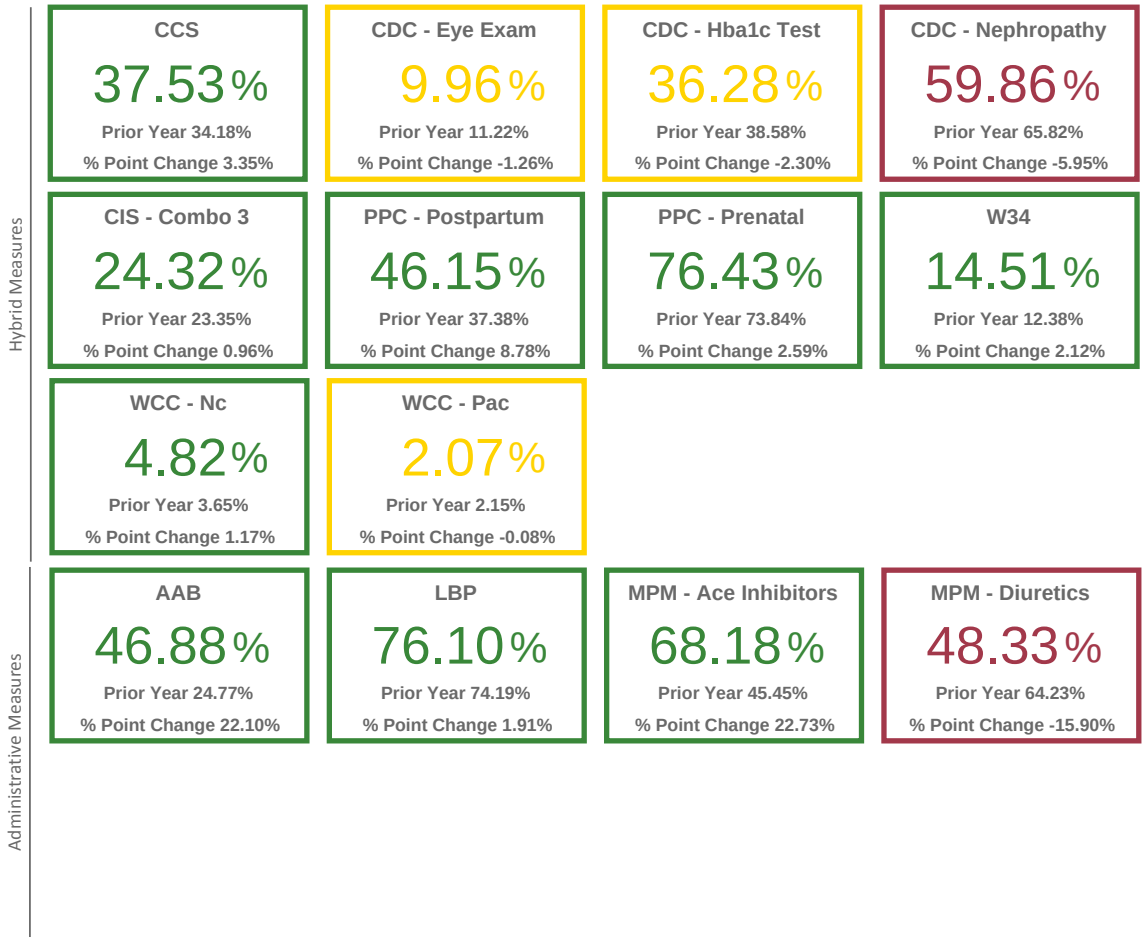
Attachment E

Kern Health Systems

HEDIS Trending Dashboard
March 2017

KERN HEALTH SYSTEMS *Governed Reporting System*

HEDIS Trending Year-Over-Year Comparison



KERN HEALTH SYSTEMS *Governed Reporting System*

Hybrid Measures

KERN HEALTH SYSTEMS *Governed Reporting System*

HEDIS Trending Year-Over-Year Comparison

Cervical Cancer Screening (CCS)

The percentage of women 21–64 years of age who were screened for cervical cancer using either of the following criteria: 1.Women age 24–64 who had cervical cytology performed every 3 years 2.Women age 30–64 who had cervical cytology/human papillomavirus (HPV) co-testing performed every 5 years.

CCS

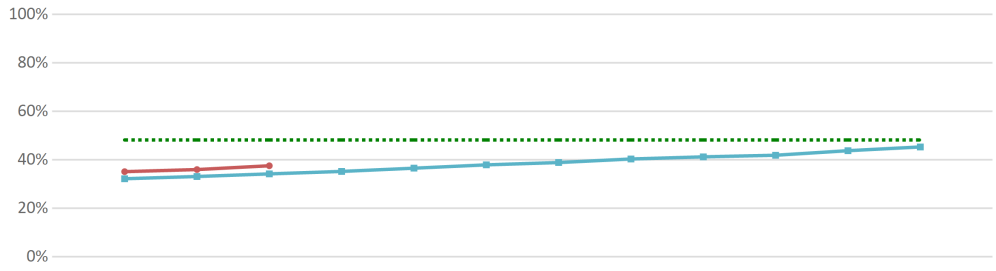
37.53 %

Prior Year 34.18%

% Point Change 3.35%

19,937 Numerator

53,120 Denominator



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	32.18%	33.11%	34.18%	35.20%	36.53%	37.91%	38.86%	40.33%	41.21%	41.88%	43.75%	45.30%
2017	35.10%	35.97%	37.53%									
MPL	48.18%	48.18%	48.18%	48.18%	48.18%	48.18%	48.18%	48.18%	48.18%	48.18%	48.18%	48.18%

KERN HEALTH SYSTEMS *Governed Reporting System*

HEDIS Trending Year-Over-Year Comparison

Comprehensive Diabetes Care (CDC - EYE EXAM)

The percentage of members 18–75 years of age with diabetes (type 1 and type 2) who had Eye exam (retinal) performed.

CDC - Eye Exam

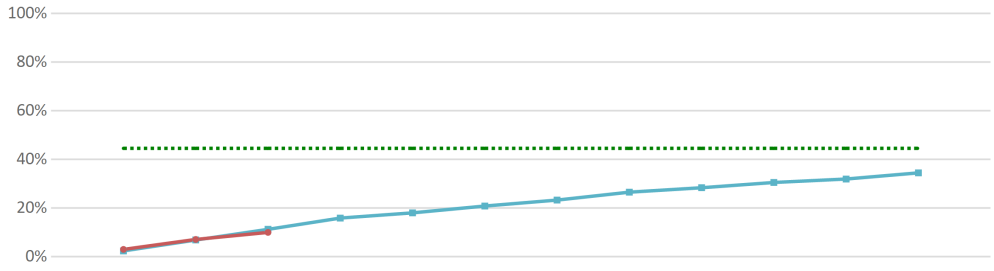
9.96 %

Prior Year 11.22%

% Point Change -1.26%

1,053 Numerator

10,569 Denominator



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	2.36%	6.83%	11.22%	15.86%	18.00%	20.81%	23.26%	26.51%	28.34%	30.50%	31.92%	34.45%
2017	2.97%	7.07%	9.96%									
MPL	44.53%	44.53%	44.53%	44.53%	44.53%	44.53%	44.53%	44.53%	44.53%	44.53%	44.53%	44.53%

KERN HEALTH SYSTEMS *Governed Reporting System*

HEDIS Trending Year-Over-Year Comparison

Comprehensive Diabetes Care (CDC - HBA1C TEST)

The percentage of members 18–75 years of age with diabetes (type 1 and type 2) who had Hemoglobin A1c (HbA1c) testing.

CDC - Hba1c Test

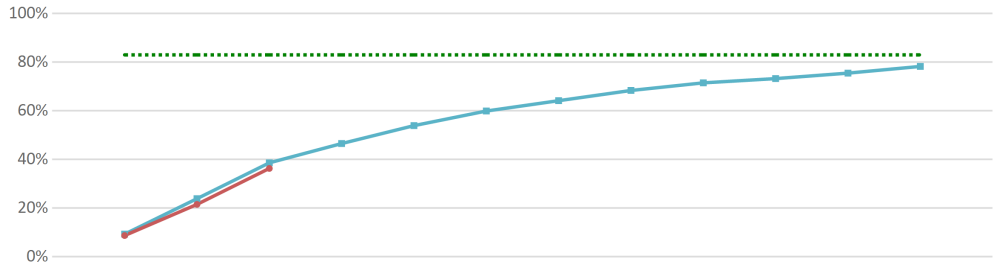
36.28 %

Prior Year 38.58%

% Point Change -2.30%

3,834 Numerator

10,569 Denominator



		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2016	9.26%	23.84%	38.58%	46.50%	53.87%	59.88%	64.14%	68.34%	71.47%	73.23%	75.47%	78.23%
	2017	8.68%	21.48%	36.28%									
	MPL	82.98%	82.98%	82.98%	82.98%	82.98%	82.98%	82.98%	82.98%	82.98%	82.98%	82.98%	82.98%

KERN HEALTH SYSTEMS *Governed Reporting System*

HEDIS Trending Year-Over-Year Comparison

Comprehensive Diabetes Care (CDC - NEPHROPATHY)

The percentage of members 18–75 years of age with diabetes (type 1 and type 2) who had Medical attention for nephropathy.

CDC - Nephropathy

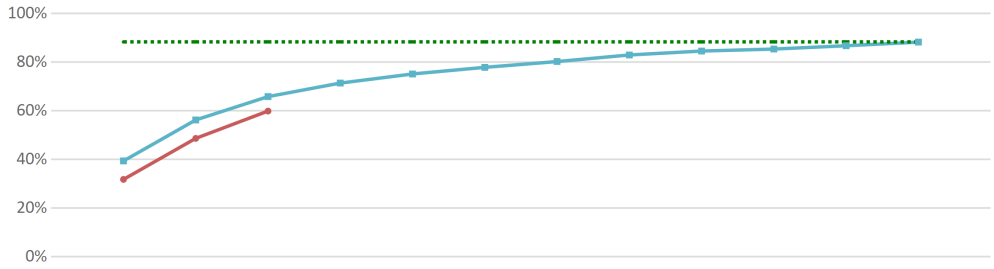
59.86 %

Prior Year 65.82%

% Point Change -5.95%

6,327 Numerator

10,569 Denominator



		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2016	39.36%	56.22%	65.82%	71.38%	75.13%	77.85%	80.23%	82.94%	84.55%	85.37%	86.74%	88.21%
	2017	31.76%	48.64%	59.86%									
	MPL	88.32%	88.32%	88.32%	88.32%	88.32%	88.32%	88.32%	88.32%	88.32%	88.32%	88.32%	88.32%

KERN HEALTH SYSTEMS *Governed Reporting System*

HEDIS Trending Year-Over-Year Comparison

Childhood Immunization Status (CIS - COMBO 3)

The percentage of children 2 years of age who had four diphtheria, tetanus and acellular pertussis (DTaP); three polio (IPV); one measles, mumps and rubella (MMR); three H influenza type B (HiB); three hepatitis B (HepB), one chicken pox (VZV); four pneumococcal conjugate (PCV) vaccines by their second birthday.

CIS - Combo 3

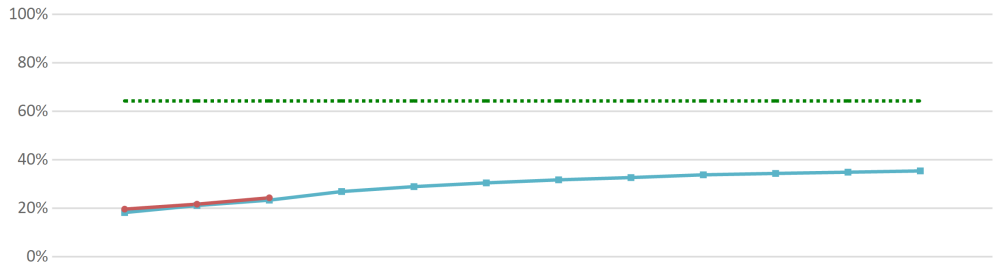
24.32 %

Prior Year 23.35%

% Point Change 0.96%

1,740 Numerator

7,156 Denominator



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	18.23%	21.13%	23.35%	26.89%	28.92%	30.47%	31.73%	32.67%	33.80%	34.37%	34.89%	35.40%
2017	19.63%	21.68%	24.32%									
MPL	64.30%	64.30%	64.30%	64.30%	64.30%	64.30%	64.30%	64.30%	64.30%	64.30%	64.30%	64.30%

KERN HEALTH SYSTEMS *Governed Reporting System*

HEDIS Trending Year-Over-Year Comparison

Prenatal and Postpartum Care (PPC - POSTPARTUM)

The percentage of deliveries of live births between November 6 of the year prior to the measurement year and November 5 of the measurement year. Postpartum Care. The percentage of deliveries that had a postpartum visit on or between 21 and 56 days after delivery.

PPC - Postpartum

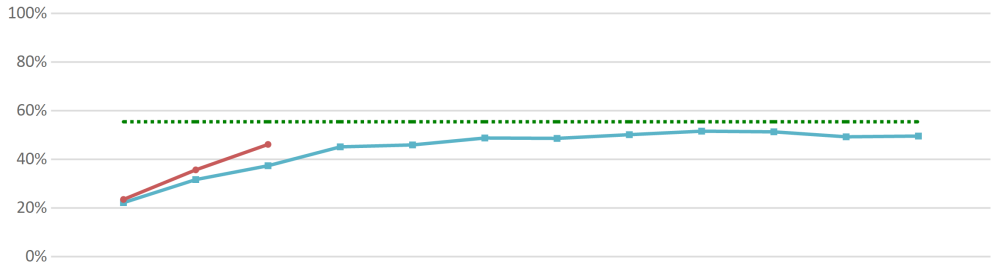
46.15 %

Prior Year 37.38%

% Point Change 8.78%

660 Numerator

1,430 Denominator



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	22.19%	31.68%	37.38%	45.15%	45.94%	48.79%	48.63%	50.16%	51.60%	51.32%	49.28%	49.58%
2017	23.52%	35.69%	46.15%									
MPL	55.47%	55.47%	55.47%	55.47%	55.47%	55.47%	55.47%	55.47%	55.47%	55.47%	55.47%	55.47%

KERN HEALTH SYSTEMS *Governed Reporting System*

HEDIS Trending Year-Over-Year Comparison

Prenatal and Postpartum Care (PPC - PRENATAL)

The percentage of deliveries of live births between November 6 of the year prior to the measurement year and November 5 of the measurement year. • Timeliness of Prenatal Care. The percentage of deliveries that received a prenatal care visit as a member of the organization in the first trimester or within 42 days of enrollment in the organization.

PPC - Prenatal

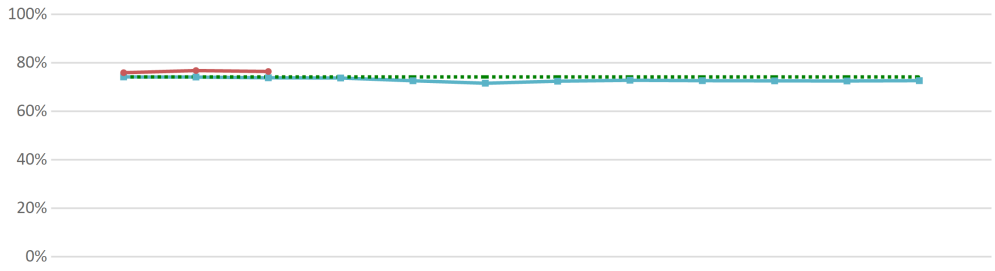
76.43 %

Prior Year 73.84%

% Point Change 2.59%

1,093 Numerator

1,430 Denominator



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	74.19%	74.13%	73.84%	73.74%	72.61%	71.58%	72.44%	72.82%	72.66%	72.58%	72.54%	72.67%
2017	75.94%	76.82%	76.43%									
MPL	74.21%	74.21%	74.21%	74.21%	74.21%	74.21%	74.21%	74.21%	74.21%	74.21%	74.21%	74.21%

KERN HEALTH SYSTEMS *Governed Reporting System*

HEDIS Trending Year-Over-Year Comparison

Well-Child Visits in the Third, Fourth, Fifth and Sixth Years of Life (W34)

The percentage of members 3–6 years of age who had one or more well-child visits with a PCP during the measurement year.

W34

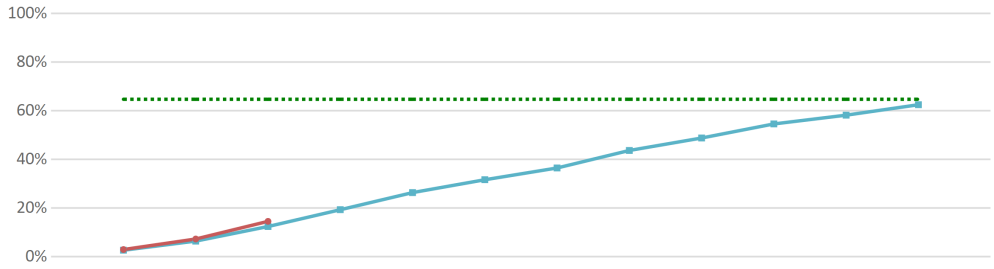
14.51 %

Prior Year 12.38%

% Point Change 2.12%

4,124 Numerator

28,425 Denominator



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	2.63%	6.39%	12.38%	19.29%	26.33%	31.62%	36.46%	43.67%	48.79%	54.58%	58.18%	62.47%
2017	2.92%	7.25%	14.51%									
MPL	64.72%	64.72%	64.72%	64.72%	64.72%	64.72%	64.72%	64.72%	64.72%	64.72%	64.72%	64.72%

KERN HEALTH SYSTEMS *Governed Reporting System*

HEDIS Trending Year-Over-Year Comparison

Weight Assessment and Counseling for Nutrition and Physical Activity for Children/Adolescents (WCC - NC)

The percentage of members 3–17 years of age who had an outpatient visit with a PCP or OB/GYN and who had evidence of the Counseling for nutrition during the measurement year.

WCC - Nc

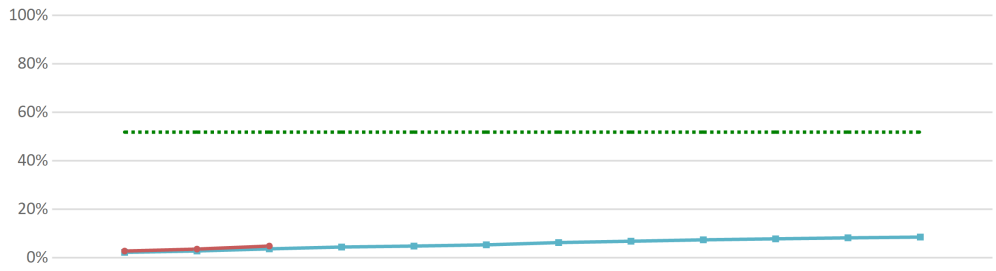
4.82 %

Prior Year 3.65%

% Point Change 1.17%

1,364 Numerator

28,302 Denominator



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	2.21%	2.78%	3.65%	4.41%	4.81%	5.30%	6.24%	6.80%	7.37%	7.79%	8.20%	8.50%
2017	2.75%	3.56%	4.82%									
MPL	51.84%	51.84%	51.84%	51.84%	51.84%	51.84%	51.84%	51.84%	51.84%	51.84%	51.84%	51.84%

KERN HEALTH SYSTEMS *Governed Reporting System*

HEDIS Trending Year-Over-Year Comparison

Weight Assessment and Counseling for Nutrition and Physical Activity for Children/Adolescents (WCC - PAC)

The percentage of members 3–17 years of age who had an outpatient visit with a PCP or OB/GYN and who had evidence of the Counseling for physical activity during the measurement year.

WCC - Pac

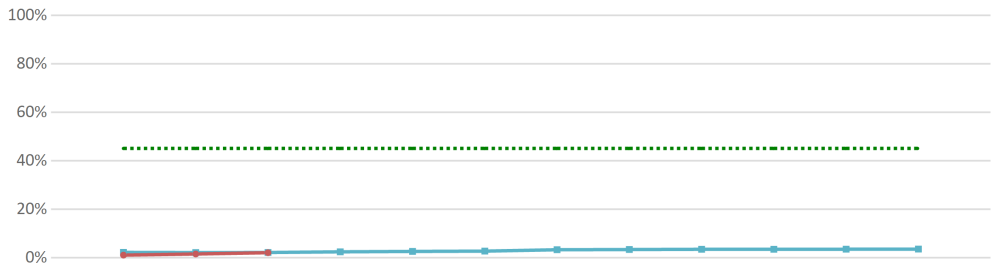
2.07 %

Prior Year 2.15%

% Point Change -0.08%

586 Numerator

28,302 Denominator



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	2.20%	2.12%	2.15%	2.42%	2.59%	2.72%	3.28%	3.37%	3.47%	3.47%	3.51%	3.55%
2017	1.07%	1.53%	2.07%									
MPL	45.09%	45.09%	45.09%	45.09%	45.09%	45.09%	45.09%	45.09%	45.09%	45.09%	45.09%	45.09%

KERN HEALTH SYSTEMS *Governed Reporting System*

Administrative Measures

KERN HEALTH SYSTEMS *Governed Reporting System*

HEDIS Trending Year-Over-Year Comparison

Avoidance of Antibiotic Treatment in Adults With Acute Bronchitis (AAB)

The percentage of adults 18–64 years of age with a diagnosis of acute bronchitis who were not dispensed an antibiotic prescription.

AAB

46.88 %

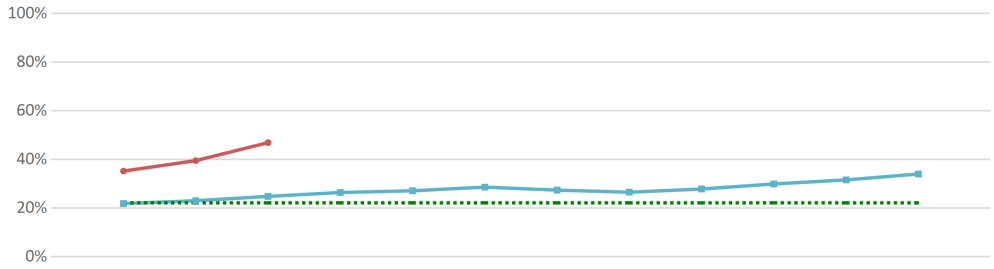
Prior Year 24.77%

% Point Change 22.10%

450 / 960

Numerator

Denominator



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	21.83%	22.99%	24.77%	26.37%	27.09%	28.58%	27.36%	26.49%	27.81%	29.89%	31.55%	33.98%
2017	35.18%	39.48%	46.88%									
MPL	22.12%	22.12%	22.12%	22.12%	22.12%	22.12%	22.12%	22.12%	22.12%	22.12%	22.12%	22.12%

KERN HEALTH SYSTEMS *Governed Reporting System*

HEDIS Trending Year-Over-Year Comparison

Use of Imaging Studies for Low Back Pain (LBP)

The percentage of members with a primary diagnosis of low back pain who did not have an imaging study (plain X-ray, MRI, CT scan) within 28 days of the diagnosis.

LBP

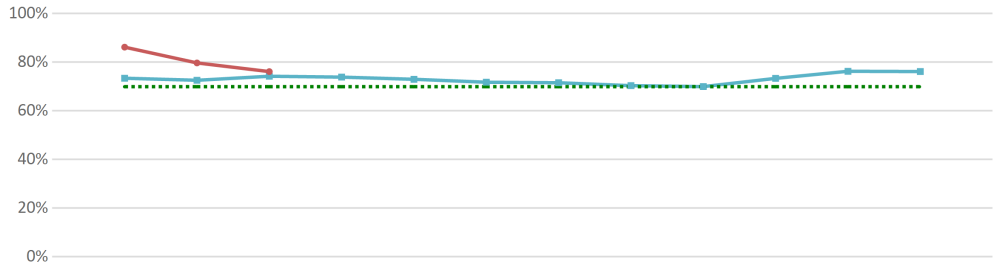
76.10 %

Prior Year 74.19%

% Point Change 1.91%

398 Numerator

523 Denominator



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	73.38%	72.53%	74.19%	73.83%	72.94%	71.73%	71.51%	70.31%	69.92%	73.31%	76.23%	76.12%
2017	86.15%	79.67%	76.10%									
MPL	69.88%	69.88%	69.88%	69.88%	69.88%	69.88%	69.88%	69.88%	69.88%	69.88%	69.88%	69.88%

KERN HEALTH SYSTEMS *Governed Reporting System*

HEDIS Trending Year-Over-Year Comparison

Annual Monitoring for Patients on Persistent Medications (MPM - ACE INHIBITORS)

The percentage of members 18 years of age and older who received at least 180 treatment days of ambulatory medication therapy for a select therapeutic agent during the measurement year and at least one therapeutic monitoring event for the therapeutic agent in the measurement year

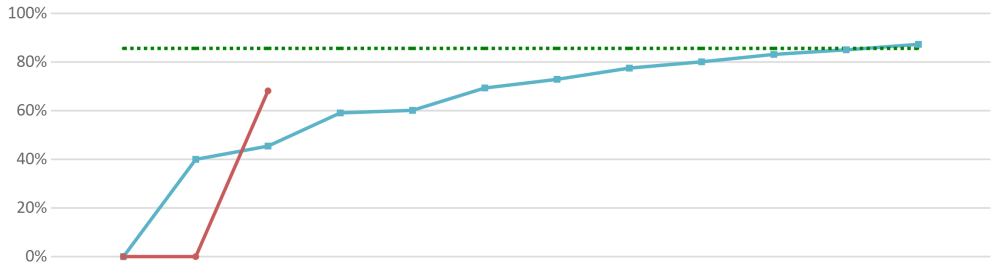
MPM - Ace Inhibitors

68.18 %

Prior Year 45.45%

% Point Change 22.73%

15 / 22 Numerator / Denominator



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	0.00%	40.00%	45.45%	59.11%	60.17%	69.36%	72.92%	77.53%	80.12%	83.17%	85.05%	87.32%
2017	0.00%	0.00%	68.18%									
MPL	85.63%	85.63%	85.63%	85.63%	85.63%	85.63%	85.63%	85.63%	85.63%	85.63%	85.63%	85.63%

KERN HEALTH SYSTEMS *Governed Reporting System*

HEDIS Trending Year-Over-Year Comparison

Annual Monitoring for Patients on Persistent Medications (MPM - DIURETICS)

The percentage of members 18 years of age and older who received at least 180 treatment days of ambulatory medication therapy for a select therapeutic agent during the measurement year and at least one therapeutic monitoring event for the therapeutic agent in the measurement year

MPM - Diuretics

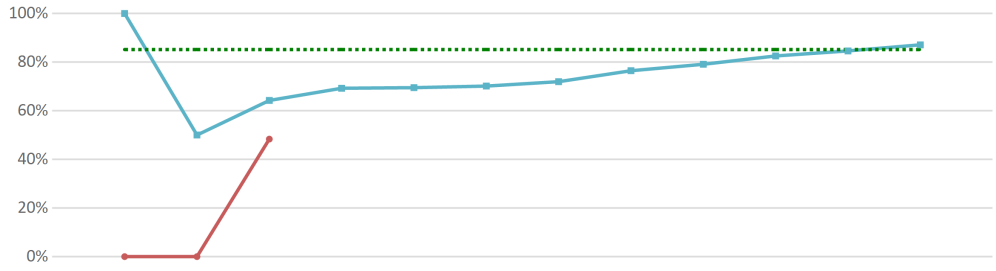
48.33 %

Prior Year 64.23%

% Point Change -15.90%

29 Numerator

60 Denominator



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	100.00%	50.00%	64.23%	69.26%	69.49%	70.14%	71.96%	76.46%	79.10%	82.53%	84.61%	87.11%
2017	0.00%	0.00%	48.33%									
MPL	85.18%	85.18%	85.18%	85.18%	85.18%	85.18%	85.18%	85.18%	85.18%	85.18%	85.18%	85.18%

KERN HEALTH SYSTEMS
CHIEF EXECUTIVE OFFICER'S REPORT
For April 13th, 2017
BOARD OF DIRECTORS MEETING

REGULATORY AND COMPLIANCE ACTIVITIES

Regulatory and Compliance Monthly Activities Report

Attachment A is the monthly update on regulatory and compliance activities impacting KHS.

DMHC 2015 Timely Access Compliance Report

In February, the Department of Managed Health Care (DMHC) released the Timely Access Compliance Report for Measurement Year 2015. California's timely access law requires health plans to annually measure and report to the DMHC on provider networks and plans' compliance with appointment availability requirements. The 2015 Timely Access Compliance Report was the first year DMHC established and required plans to use a specific methodology for gathering and submitting timely access data to the Department. The single methodology was intended to capture how well individual health plans provided timely access to medical care and to allow DMHC to compare plans across the industry. Forty (40) health plans submitted timely access data; 36 plans (including KHS), or 90%, submitted data that contained what DMHC deemed as having errors.

At that time, in an attempt to reduce errors and improve data consistency, DMHC required health plans engage a 3rd party service to conduct surveys on the health plan's behalf. Crafting a survey methodology and process that captures timely access data across 30+ health plans, multiple lines of business, and for the tens-of-millions Californians enrolled in health plans was a monumental task. As reasonable as it seemed then, using the 3rd party surveyor contributed to the errors making the data less credible. Despite ours and other health plans' challenge, that DMHC's conclusions were partly based on errant data from a 3rd party, DMHC insisted the data integrity and responsibility for its accuracy remained with the Health Plan. Plans whose data was found to be incomplete or inaccurate were asked to submit a plan to correct their deficiencies. KHS submitted its corrective action plan to DMHC on 4/5/2017. A small administrative penalty was assessed for most health plans while some received larger financial penalties depending on how egregious the findings. KHS was included in the former group and penalized $7500.

Regulatory Compliance Audit Program (quarterly review)

All Plan Letters (APLs) are the means by which MMCD conveys information or interpretation of changes in policy or procedure at the Federal or State levels, and provides instruction to health plans on how to implement these changes. Policy Letters (PLs) provide instruction to health plans about changes in Federal or State law and Regulation that affect the way in which health plans operate, or deliver services to Medi-Cal beneficiaries. Both APLs/PLs supplement the original guidance as set forth by the contract between KHS and the DHCS.

To confirm KHS compliance with all such DHCS guidance, the Compliance Department has instituted a two prong approach. Retrospective reviews (audits) are done to validate compliance with older APLs/PLs and prospective reviews are done to see that new APLs/PLs are instituted according to instruction. Compliance offers oversight and coordination for stakeholders (KHS staff) to see that deadlines and requirements are met.

The list of APLs/PLs for 2017 & 2016 (new) and 2015 & 2011 (older) along with findings and recommendations are included under Attachment B. Internal audit findings for all selected & audited APLs/PLs indicate KHS is incompliance (Green), in process (White) no longer applicable or information only (Gray) or not incompliance and requires corrective action (Red). The internal audit confirmed KHS is not incompliance with certain provisions under APL15.011 pertaining to CCS primary vs. secondary liability responsibilities. Corrective action is being taken to bring department procedure in compliance with this policy.

PROGRAM DEVELOPMENT SUMMARY UPDATE

Health Homes

KHS has awarded Health Home Program grants to CSV and OMNI, discussions have now shifted to operational preparations with a proposed launch date in late summer of 2017. Grant funding discussions with Dignity are ongoing. Concurrently, work is being done with the existing Kern Medical Health Homes to establish alignment with the DHCS requirements. KHS and Kern Medical began enrolling members into the GROW clinic in March.

CMS Managed Care Regulation

DHCS and KHS are working in preparation for July 2017 contract-year requirements. KHS received updated draft contract amendment language from DHCS in late March and reviewed the

items with our trade associations. DHCS will be working with CMS to finalize the contract amendment over the coming weeks. Additionally, draft All Plan Letters are being circulated for input and the appropriate KHS staff are reviewing. DHCS and our Trade Associations are working closely with KHS as various items move toward implementation.

Dental Program

A recommendation of the Alternate Product Line Analysis project was to explore opportunities to develop a dental benefit. Preliminary discussions have occurred with local providers to assess interest. Further discussion on this topic will take place during the upcoming strategic planning session.

Whole Person Care

KHS continues to work with Kern Medical on data sharing and operational readiness. Reporting specifications have been shared by Kern Medical and meetings are occurring to discuss data needs.

LEGISLATIVE SUMMARY UPDATE

Affordable Care Act Repeal and Replacement Update

Federal Legislation to repeal and replace the Affordable Care Act (ACA) emerged in February. Throughout February and March KHS staff worked with legislators and our trade associations to assess the impacts and provide feedback. In late March, House of Representatives Leadership pulled the bill from a planned vote due to a lack of support. At this time, congress appears to be moving on to other agenda items for now. However, there are conflicting reports from Washington about the future of the ACA repeal bill and when it could resurface. Repealing the ACA is certainly still a priority for Republicans. Additionally, CMS could still use administrative tools to undermine parts of the ACA. KHS staff will continue to monitor the situation in Washington and work with the appropriate individuals as things progress.

Proposed California 2017 Legislation Update

A summary of the 2017 proposed new State laws impacting KHS and their legislative sponsors is enclosed under Attachment C.

KHS APRIL ENROLLMENT

Medi-Cal Family Enrollment

As of APRIL 1, 2017, Medi-Cal enrollment is 170,129, which represents an increase of 0.4% from MARCH enrollment.

Seniors and Persons with Disabilities (SPDs)

As of APRIL 1, 2017, SPD enrollment is 12,699, which represents an increase of 0.3% from MARCH enrollment.

Expanded Eligible Enrollment

As of APRIL 1, 2017, Expansion enrollment is 57,920, which represents an increase of 1.2% from MARCH enrollment.

Kaiser Permanente (KP)

As of APRIL 1, 2017, Kaiser enrollment is 7,577, which represents an increase of 2.5% from MARCH enrollment.

Total KHS Medi-Cal Managed Care Enrollment

As of APRIL 1, 2017, total Medi-Cal enrollment is 248,325, which represents an increase of 0.7% from MARCH enrollment.

Membership as of Month of Eligibility	FAMILY	SPD	EXPANSION	KP	BABIES	Monthly/ Member Months Total
201612	165,703	12,551	55,098	7,077	391	240,820
201701	166,226	12,557	55,465	7,034	333	241,615
201702	168,591	12,603	56,613	7,324	395	245,526
201703	169,051	12,662	57,231	7,390	387	246,721
201704	169,760	12,699	57,920	7,577	369	248,325

KHS ADMINISTRATIVE INITIATIVES

Provider Relations Update

Provider Contracting: Provider contract agreements and amendments highlighted this month are as follows:

- Chadam Associates, Inc A Physical Therapy Corporation – Physical Therapy
- Dependable Home Health, Inc – Home Health
- Guardian Angel Home Care Inc – Home Health
- Hygeia Medical Group, Inc. - DME
- Montoya Physical Therapy & Wellness – Physical Therapy

- Prime Pulmonary & Sleep Medicine Center. Inc
- Sassan Keshavarzi, MD, Inc – Neurosurgery
- Dr. Nelson Madrillejo – Endocrinologist
- JN Cooper Physical Therapy
- National Mentor Healthcare – CBAS/Adult Day Health Care
- James Chang, MD – Oncology
- Amy Mehta, MD – Pulmonary & Critical Care

Credentialing Activities:

- 58 New Initial Credentialed providers; 31 Re-Credentialed providers
- DMHC approved final delegation policy update. The department will work on an implementation plan 3rd quarter 2017
- This team is very busy with the transition of CACTUS being the source of truth for QNXT. This will require a lot of changes in CACTUS to match QNXT categories and vice versa.

Marketing/Public Relations Update

Sponsorships: KHS will share sponsorship in the following events in April and May:

- KHS donated $1,000 to the Kern County Cancer Fund to sponsor the 2017 Campout Against Cancer on April 1st in Bakersfield.
- KHS donated $3,250 to the American Cancer Society to sponsor 2017 Relay for Life events that will take place in Bakersfield and several outlying Kern County communities (Delano, Wasco/Shafter, Taft, Tehachapi, and Mountain Communities - Frazier Park).
- KHS donated $7,500 to the March of Dimes to sponsor the 2017 March for Babies on April 8th in Bakersfield. Alan Avery, Chief Operating Officer, is the Chair for the 2017 March for Babies Walk. In addition to our sponsorship, KHS employees on team "My Baby Love" have raised over $15,000 for the March of Dimes.
- KHS donated $500 to the Rotary Club of Taft to sponsor the Taft Health Fair on April 22nd.

- KHS donated $2,000 to the Links for Life to sponsor the 24th Annual Pro Am Golf Gala on April 22nd & 24th in Bakersfield.
- KHS donated $4,000 to the Kern County Public Health Department to sponsor the 2017 CCS Transition Conference on May 6th at the Four Points Sheraton in Bakersfield.
- KHS donated $1,500 to One Vision Promotions to sponsor the 2017 High School All Star Football Bowl on May 12th at the Rabobank Arena in Bakersfield.
- KHS donated $1,500 to the Bakersfield City School District Educational Foundation to sponsor their Bakersfield Luau on May 12th in Bakersfield.
- KHS donated $1,500 to the Community Action Partnership of Kern (CAPK) to sponsor their 2017 Humanitarian Awards Banquet on May 18th in Bakersfield.

Community Events: In April and May, KHS will participate in:

- 4/1 Outreach Clinic Health Fair @ Mill Creek Park
- 4/4 Longfellow Elementary School Resource Fair @ Baker Street Village
- 4/6 Greenfield Health and Safety Fair @ Greenfield Family Resource Center
- 4/6 Spring into a Healthy Start @ Richland School District in Shafter
- 4/6 Annual Parent Conference @ Mountain View Middle School in Lamont
- 4/9 Grimmway Farms Annual Company Picnic/Health and Benefits Fair @ Kern County Fair
- 4/19 Health & Wellness Fair @ Bakersfield College
- 4/20 Homeless Consumer & Service Provider Days @ St. Vincent de Paul in Bakersfield
- 4/26 Now We're Cooking event @ Pioneer School in Bakersfield
- 4/29 2nd Annual SIKH Women's Association 5K Run/Walk @ River Walk Park
- 5/5 Spring Resource Fair @ Bakersfield Adult School
- 5/12 American Heart Association's "Go Red Por Tu Corazon" at Double Tree Hotel in Bakersfield
- 5/13 Self Help Healthy Living Health Fair @ North Park Apartments in Oildale
- 5/18 Homeless Consumer & Service Provider Days @ Bakersfield Homeless Center
- 5/20 Wasco Community Alliance's 1st Annual Health Fair and 1 Mile Walk/Run in Wasco
- 5/27 East Bakersfield Health Fair & Community Festival @ Jefferson Park

Member & Employee Newsletters

Attached are the most recent Employee and Member Newsletters (Attachments D and E).

Dashboard Presentation

- The 1st Qtr. 2017 Projects Report summarizing projects tracked quarterly throughout the year is found under Attachment F.
- The Dashboard Reports showing KHS critical performance measurements for Administrative Services are located under Attachment G.
- The 1st Qtr. 2017 Staffing Reports indicating actual positions vs. budgeted positions and turnover by Department is located under Attachment H.

KHS OFFICES RELOCATION PROJECT UPDATE

The activities undertaken since the last report include:

- The Relocation Project continues to successfully move forward with the most recent milestone being the finalization of the Architectural Schematic Design.
- Design Development is underway with the Architect, Developer, Interior and IT Design Consultants.
- The legal team and the CM/GC are creating the Subcontractor Scopes of Work to begin bidding out during Q4, 2017. Advertising will begin to identify prospective Subcontractors in the respective trades followed by pre-qualifying Subcontractors in order to determine capability and quality work experience.
- The Parcel Merger was approved last month and the Site Plan was submitted to the City of Bakersfield for review and approval on March 20, 2017. Approval is expected within 30 days.
- The project finish date is now expected to be May, 2019.

- Other notable activities:
  - Retained Pollution Liability Coverage.
  - Preliminary Cost Estimates have been received from both our CM/GC as well as a third party estimator. Bynum will review with BOD April 13.
  - Began construction meetings with Delawie/Bynum/SC Anderson
  - CM/GC Contract was finalized
  - CUPPCAA certification was filed and approved
  - Working with KHS Corp. Services on Cubicle Design and purchasing options.
  - Retain interior design for cubicle RFP
  - Working with KHS Corp Services on evaluating inventory of furniture
  - Met with KHS IT and IT consultants to beginning refining the cost estimate.

KERN HEALTH SYSTEMS

Attachment A

Board of Directors Meeting

April 13, 2017

STATE

Department of Health Care Services (DHCS)

All Plan Letters (APL)/Policy Letters (PL)

The DHCS issued one (1) APL for the months of February through March to provide guidance for Managed Care Plans (MCP).

All Plan Letters (APL)

APL 17-002 - This APL supersedes APL 10-012 and provides clarification on the Health Education and Cultural and Linguistic Group Needs Assessment (GNA) contract requirements for MCPs with an updated GNA Member Survey.

DHCS contract 03-75798/Amendment A12/Hyde Contract

The DHCS requested that the CEO sign and return contract amendment A12. The purpose of the amendment is to extend the contract term to December 31, 2020. This item is part of the consent calendar on the April agenda.

Department of Managed Health Care (DMHC)

1115 SPD Waiver Survey/Routine Survey

Update: The final 1115 SPD Waiver Survey report was received by the Director of Compliance and Regulatory Affairs. A summary of this report is included as an agenda item for the board this month.

Routine Survey: The Department is currently reviewing the Plan's final CAP recommendations for compliance with Knox-Keene requirements. Once all the CAPs have been reviewed and approved, the final report will be shared with the Board.

The DMHC will be conducting an 1115 Waiver Seniors and Persons with Disabilities (SPD) and a routine Knox-Keene survey for the review period of August 1, 2015 through July 31, 2016. DMHC auditors will be on-site from August 29, 2016 through September 2, 2016.

Pursuant to Health and Safety Code, the DMHC is required to conduct medical surveys of Knox-Keene licensed health plans at a minimum not less than once every three (3) years. The survey will assess KHS' overall performance in providing health care benefits and meeting health care needs for the member population. KHS was last audited by the DMHC, fall 2013.

COMPLIANCE

All Plan & Policy Letter Reviews

The Compliance Department closed out the 2016 audit plan with the completion of the retrospective reviews for calendar years 2015 and 2011. Retrospective audits for 2016 have begun. In addition, the prospective audits have commenced for the 2017 APLs. Matrices for all work are included with this month's board packet.

Daniells Phillips Vaughan & Bock

Update: The final audit fieldwork was completed.

Auditors from Daniells Phillips Vaughn & Bock were onsite the week of November 28 – December 2, for interim audit fieldwork. Their interim audit procedures included review of internal controls and tests of internal controls as they relate to the performance of claims disbursement, non-claims cash disbursements, and payroll. Final audit fieldwork is scheduled February 21, 2017 – March 10, 2017.

Reporting to government agencies

March

Report Name/Item	Status
BHT – Monthly	On time
Formulary Changes (Annual)	On time
Quality Improvement Program Description, Evaluation & Work plan – 2016 (Annual)	On time

February

Report Name/Item	Status
BHT – Monthly	On time
Claims Payment & Disputes - Quarterly (DMHC)	On time
MER – Quarterly	On time
Mental Health – Quarterly	On time
Provider Network – Quarterly	On time
Special Populations – OLTIC Quarterly	On time
Special Population SPD – Quarterly	On time
Special Population Universal – Quarterly	On time

MMCD
2015 ALL PLAN LETTERS

Attachment B

APL Number	Description	Impacted Department(s)	Impacted Functions	Plan Compliance Review Date	Plan Compliance Completion Date	Initial Status/Comment	Initial Compliance Status	Current Status/Comment	Current Compliance Review Status
APL15-001.pdf	Continuity of Care for New Enrollees Transitions to Managed Care After Requesting a Medical Exemption	MS, IT, UM	SharePoint; Utilization Review; MHCI/QNXT; Reporting	2/29/2016	12/22/2016	Compliance requirement not met: 3.40-I, §1.7, Initial MER Contact Letter is required, Minor revisions to MER Process Visio flowchart required and minor revisions to §1.7 required.		3.40-I has been memorialized.	
APL15-002.pdf	Multipurpose Senior Services Program Complaint, Grievance, Appeal, and State Hearing Responsibilities in Coordinated Care initiative Counties								
APL15-003.pdf	Podiatric and Chiropractic Services at Federally Qualified Health Centers and Rural Health Clinics	UM, Claims, MS, PR	Claims and Authorizations processing/provider and member notice updates	6/1/2016	6/30/2016	Compliance Requirement met: KHS' P&Ps were reflective of APL language; Plan is in compliance with APL.		N/A	N/A
APL15-004.pdf	Medi-Cal Managed Care Health Plan Requirements for Nursing Facility Services in Coordinated Care Initiative Counties for Beneficiaries Not Enrolled in Cal MediConnect								
APL15-005.pdf	Data Request Requirements for Child Health Disability Prevention Report Contained in Policy Letter 10-013	HE, IT	Data report submission requirements	3/4/2016	3/4/2016	Compliance requirement met		N/A	N/A
APL15-006.pdf	Reporting Requirements Related To Provider Preventable Conditions	UM, Claims, AIS	Governed reporting/medical record review/policy and procedure	6/1/2016	6/30/2016	Attachment A (7107 Rev. 5/13) to policy 3.69-I, in process of being updated to reflect most recent revision - 7107 Rev. 2/15.		Compliance Requirement met: Revised from attached to policy, 7017 Rev 2/15.	
APL15-007.pdf	Dispute Resolution Process for Mental Health Services	UM, Compliance	Grievance/MHP Disputes/ Utilization Review, DHCS submission	6/1/2016	6/30/2016	Compliance Requirement met: KHS P&P's and MOU were reflective of APL language; Plan is in compliance with APL.		N/A	N/A
APL15-008.pdf	Professional Fees For Office Visits Associated with Alcohol and Substance Use Disorder Treatment Services	UM, Claims	Claims Payment	6/1/2016	6/30/2016	Compliance Requirement met: KHS P&P's were reflective of APL language; Plan is in compliance with APL.		N/A	N/A
APL15-009.pdf	Proper Use and Billing for Makena	Claims, Pharmacy, UM, PR	Claims, Pharmacy, UM, PR	3/4/2016	6/13/2016	Compliance requirement met: Requesting Physicians are prescribing the FDA approved drug of choice Makena.		N/A	N/A
APL15-010.pdf	Affordable Care Act Section 1202 Increased Payments for Medi-Cal Primary Care Services - Revised Guidance and Contractual Requirements	MIS, PR, Claims	Claims Processing, Provider Reimbursement	12/1/2016	12/31/2016	Compliance Requirement met: KHS procedures were reflective of APL language, appropriate documents submitted to DHCS, per department request.		N/A	N/A
APL15-011.pdf	Designated Public Hospitals: Billing for Beneficiaries with California Children's Services Eligible Conditions and/or Medi-Cal Managed Care	Claims, UM,	Claims Adjudication, Authorization of Referrals	6/9/2016	12/31/2016	In Process: Combined with Prospective APL 16-007. The scope of the prospective audit did not include Compliance audit of retrospective claims dating back to the APL effective date (1/2/2015) based on the prospective review. The prospective review included a Claims Department audit of inpatient claims to confirm appropriate payment was made and potential recoupment of monies based on the new billing rules. There were no findings on the initial review.		Prospective audit confirmed some issues with inpatient billing for CCS eligible members.	
APL15-012.pdf	Dental Services - Intravenous Sedation and General Anesthesia Coverage	Claims, PR, UM	Authorization processing guidelines/Dental Anesthesia criteria	9/15/2016	10/31/2016	Compliance Requirement met: KHS P&P's are reflective of APL language; Plan is in compliance with APL.		N/A	N/A
APL15-013.pdf	Requirements For Medi-Cal Managed Care Health Plans and Qualified Agency Contract								
APL15-014.pdf	Administrative and Financial Sanctions								
APL15-015.pdf	Physical Health Care Covered Services Provided for Members Who are Admitted To Inpatient Psychiatric Facilities	UM, Claims	Utilization Management, Claims	9/14/2016	9/15/2016	Compliance requirement met: KHS P&P's were reflective of APL language.		N/A	N/A
APL15-016.pdf	Hepatitis C Virus Treatment Policy Update	Pharmacy, UM	Hepatitis C drug approval criteria	6/14/2016	7/25/2016	Compliance Requirement met: KHS Internal Criteria includes the latest version of the Hep C criteria.		N/A	N/A
APL15-017.pdf	Provision of Certified Nurse Midwife and Alternative Birth Center Facility Services	Claims, PR, UM	Provider Network, claims processing, UM approval criteria,	8/1/2016	8/25/2016	Compliance Requirement met: KHS' P&Ps were reflective of APL language; Plan is in compliance with APL.		N/A	N/A

APL Number	Description	Impacted Department(s)	Impacted Functions	Plan Compliance Review Date	Plan Compliance Completion Date	Initial Status/Comment	Initial Compliance Status	Current Status/Comment	Current Compliance Review Status
APL15-018.pdf	Criteria For Coverage of Wheelchairs and Applicable Seating and Positioning Components	UM	Established Internal criteria	9/16/2016	9/30/2016	Compliance requirement not met: Pending memorialization of Internal Criteria, "Coverage Criteria for Wheelchairs and Applicable Seating		Compliance criteria met: Internal criteria and Provider Bulletin	
APL15-019.pdf	Continuity of Care for Medi-Cal Beneficiaries Who Transition into Medi-Cal Managed Care	UM, MS, PR	Established Internal criteria	9/28/2016	3/15/2017	Compliance Requirement: 3.40-I,is reflective of APL requirements		3.40-I is reflective of all APL requirements	
APL15-020.pdf	Abortion Services	Claims, PR, UM	Claims and Authorizations Processing	9/1/2016	9/30/2016	Compliance Requirement met: KHS' P&Ps were reflective of APL language; Plan is in compliance with APL.		N/A	N/A
APL15-021.pdf	General Acute Care Inpatient Services: Claiming For Beneficiaries Covered by Medi-Cal Managed Care and Medi-Cal Diagnosis Related Group Fee-For-Service	UM, Claims	Inpatient authorizations and Claims adjudication	9/23/2016	12/31/2016	Compliance requirement met: Utilization Management and Claims Process and Procedures are in place.		N/A	N/A
APL15-022.pdf	Memorandum of Understanding Requirements For Medi-Cal Managed Care Health Plan and Regional Centers	UM/Compliance	MOU with KRC/coordination of care	6/23/2016	6/23/2016	Compliance Requirement met: Language in MOU amendment memorializes language/guidance outlined in APL.		N/A	N/A
APL15-023.pdf	Facility Site Review Tools For Ancillary Services And Community Based Adult Services Providers	QI, PR	FSR's of New & Recredentialing of Ancillary and CBAS sites	9/19/2016	1/13/2017	Compliance requirement not met: FSRs of Ancillary and CBAS sites that service a high volume of SPD members will be conducted annually. PR will revise 2.22-P to include this process.		Compliance criteria met: 2.22-P has been memorialized.	
APL15-024R2.pdf	Quality And Performance Improvement Requirements	QI	QI Performance Improvement Plan	9/16/2016	9/16/2016	Compliance Requirement met: 20.50-I identifies the current Quality and Performance Improvement Requirements.		N/A	N/A
APL15-025.pdf	Responsibilities For Behavioral Health Treatment Coverage For Children Diagnoses With Autism Spectrum Disorder	UM, MS, Claims, MIS, QI, PR, Compliance	BHT/Autism Services	12/1/2016	12/31/2016	Compliance Requirement met: KHS P&P's were reflective of APL language; Plan is in compliance with APL.		N/A	N/A
APL15-026.pdf	Actions Required Following Notice of A Credible Allegation of Fraud	Compliance	Fraud Investigations/ Reporting	11/1/2016	12/31/2016	Compliance Requirement met: KHS P&P's were reflective of APL language; Plan is in compliance with APL.		N/A	N/A

KEY	
	Compliance - YES
	In Process
	Compliance - NO
	N/A./Informational

MMCD 2016 ALL PLAN LETTERS		Attachment B							
APL Number	Description	Impacted Department(s)	Impacted Functions	Plan Compliance Completion Date	Plan Compliance Completion Date	Initial Status/Comment	Initial Compliance Status	Current Status/Comment	Current Compliance Review Status
APL 16-001 (PDF)	Medi-Cal Provider And Subcontract Suspensions, Terminations, and Decertification's	PR/MS/Kaiser	Provider Terminations, Suspensions, and Decertification's; Impacts PR and MS for member notices in such cases	3/30/2017	4/30/2017	Medi-Cal Provider and Subcontract Suspensions, Terminations, and Decertification's		In Process: Compliance Auditor is conducting a policy comparison matrix.	
APL 16-002 (PDF)	2016-2017 Medi-Cal Managed Care Health Plan MEDS/834 Cutoff and Processing Schedule	IT/MS/Kaiser	Eligibility and MED file processes	IT/MS/Kaiser	N/A	2016-2017 Medi-Cal Managed Care Health Plan MEDS/834 Cutoff and Processing Schedule	N/A	Informational- no material change	N/A
APL 16-003 (PDF)	Family Planning Services Policy For Contraceptive Supplies	UM/Claims/ Compliance/Kaiser	Claims and Pharmacy	3/30/2017	4/11/2017	Family Planning Services Policy for Contraceptive Supplies		Compliance Requirement not met: 3.21-P, §5.0, is not in line with APL.	
APL16-004 (PDF)	Medi-Cal Managed Care Plans Carved-Out Drugs	Pharmacy	KFHC Formulary	3/31/2017	4/30/2017	Medi-Cal Managed Care Health Plans Carved-Out Drugs		In Process: Compliance Auditor is researching Prospective APL.	
APL 16-005 (PDF)	Requirements For Use of Non-Monetary Member Incentives For Incentive Programs, Focus Groups, and Member Surveys	Health Services, Member Services, Marketing, Compliance	Non-Monetary member incentives approval process; Policy 14.07-I			Requirements for Use of Non-Monetary Member Incentives for Incentive Programs, Focus Groups, and Member Surveys			
APL 16-006 (PDF)	End of Life Option Act	No impact All related services carved out	No Impact	N/A	N/A	End of Life Option Act	N/A	N/A	N/A
APL 16-007 (PDF)	Designated Public Hospitals: Billing For Beneficiaries with California Children's Services Eligible Conditions and/or Medi-Cal Managed Care	Claims	Claims Processing, Accounting			Designated Public Hospitals: Billing for Beneficiaries with California Children's Services Eligible Conditions and/or Medi-Cal Managed Care			
APL 16-008 (PDF)	Diagnosis Related Groups: Billing For Beneficiaries With California Children's Services Eligible Conditions and/or Medi-Cal Managed Care	Claims	Claims Processing, Accounting			Diagnoses Related Groups: Billing for Beneficiaries with California Children's Services Eligible Conditions and/or Medi-Cal Managed Care			
APL 16-009 (PDF)	Adult Immunizations As A Pharmacy Benefit	Pharmacy	Pharmacy Benefit Manager, Formulary			Adult Immunizations as a Pharmacy Benefit			
APL 16-010 (PDF)	Medi-Cal Managed Care Health Plan Pharmaceutical Formulary Comparability Requirement	Pharmacy	Formulary, Regulatory Reporting			Medi-Cal Managed Care Health Plan Pharmaceutical Formulary Comparability Requirement			
APL 16-011 (PDF)	Reporting Requirements Related to Provider Preventable Conditions	Health Services, Claims	Utilization Review and Claims Data			Reporting Requirements Related to Provider Preventable Conditions			
APL 16-012 (PDF)	Provider Credentialing and Recredentialing	PR/QI	Policies, Procedures, Provider Credentialing Application Process			Provider Credentialing and Recredentialing			
APL 16-013 (PDF)	Ensuring Access To Medi-Cal Services for Transgender Beneficiaries	UM/QI/Pharmacy/	Utilization Review and Claims Processing			Ensuring Access to Medi-Cal Services for Transgender Beneficiaries			
APL16-014.pdf	Comprehensive Tobacco Prevention and Cessation Services for Medi-Cal Beneficiaries	PR/RX/HE/DM	Provider tracking of members who smoke and medical records audits for ensuring that providers have a tracking mechanism in place			Provider tracking of members who smoke and medical records audits for ensuring that providers have a tracking mechanism in place within the member's medical record			

APL Number	Description	Impacted Department(s)	Impacted Functions	Plan Compliance Completion Date	Plan Compliance Completion Date	Initial Status/Comment	Initial Compliance Status	Current Status/Comment	Current Compliance Review Status
APL16-015.pdf	Acupuncture Services	CLAIMS/IT/PR	Claims Adjudication/Member Coverage for this service			Claims Adjudication/Member Coverage for this Service			
APL16-016.pdf	Rate Changes for Emergency and Post Stabilization Services Provided By Out of Network "Border" Hospitals Under the Diagnosis Related Group Payment Methodology	UM/CLAIMS/IT/PR	Claims Adjudication and OON provider payments			Claims Adjudication and OON provider payments			
APL16-017.pdf	Provision of Certified Nurse Midwife and Alternative Birth Center Facility Services	UM/CLAIMS/PR/IT	Coverage of Alternative Birthing Centers			Coverage of Alternative Birthing Centers			
APL16-018.pdf	Quality And Performance Improvement Requirements	QI/UM/PR/IT	Quality Measures For HEDIS			Quality Measures For HEDIS			
APL16-019.pdf	Managed Care Provider Data Reporting	PR/IT	Provider Data Submission			Provider Data Submission			

Key	
	Compliance - YES
	Compliance - NO
	Outcome Pending
	document

MMCD
2017 ALL PLAN LETTERS

ATTACHMENT B

APL Number	Description	Impacted Department(s)	Impacted Functions	Plan Compliance Review Date	Status/Comment	Compliance Status
APL 17-001(PDF)	2017-2018 MEDI-CAL MANAGED CARE HEALTH PLAN MEDS/834 CUTOFF AND PROCESSING SCHEDULE	IT/MS/ACCT	ENROLLMENT FILE UPLOADS	1/11/2017	Policies 7.14-I and 7.16-I sent to IT CIO for review and updating. Pending confirmation from IT for responsibilities provided in APL.	
APL 17-002(PDF)	HEALTH EDUCATION CULTURAL AND LINGUISTIC GROUP NEEDS ASSESSMENT	HE	Annual GNA Survey	2/10/2017	POLICY UPDATED	

KEY	
	Compliance - YES
	Compliance - NO
	Outcome Pending
	N/A - informational document

ATTACHMENT C

Legislative Summary – April 2017

The State Legislature is currently running bills through their first committees. Many spot-bills are being amended with language that provides specifics on their purpose. KHS staff is working with CAHP and LHPC to provide feedback on bills of interest. CAHP and LHPC will begin to take official positions on bills soon and provide feedback to legislators on priority bills.

Below are the bills being tracked for this session:

Title	Description	Status
AB 15 (Maienschein)	This bill would require the department, for the 2017–18 fiscal year, to double Denti-Cal provider reimbursement rates for the 15 most common prevention, treatment, and oral evaluation services based on the average rates per service established in the 2015–16 fiscal year. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB15&search_keywords=Medi-Cal	3/27/2017 - Re-referred to Com. on APPR.
AB 29 (Nazarian)	This bill would require, except as provided, a pharmacy benefit manager to disclose certain information to a purchaser or prospective purchaser, including, among other things, the aggregate amount of rebates, retrospective utilization discounts, and other income that the pharmacy benefit manager would receive from a pharmaceutical manufacturer or labeler in connection with drug benefits related to the purchaser or prospective purchaser. The bill would excuse a pharmacy benefit manager from making these disclosures unless the purchaser or prospective purchaser agrees to keep any proprietary information disclosed to it pursuant to these provisions confidential, as specified. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB29	3/28/2017 - Amend, and re-refer to Com. on HEALTH. Read second time and amended.
AB 180 (Wood)	Repeal/Replace Spot Bill http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB180	Status- 1/30/2017 - Referred to Com. on HEALTH.
AB 205 (Wood)	Mega-Reg spot bill http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB205	2/6/2017 - Referred to Com. on HEALTH
AB 254 (Thurmond)	Would require the State Department of Health Care Services, upon appropriation of funds, to establish the Local Educational Agency Pilot for Overall Needs (program) for the purpose of improving the mental health outcomes of students through a whole person care approach that is accomplished by providing funding to an eligible participant for the provision of direct health services, as defined. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB254	3/27/2017 - Re-referred to Com. on HEALTH.

AB 315 (Wood)	Would require PBM "representatives" to become licensed. Broadly defines "PBM" to possibly include some plan functions. http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB315	CAHP Oppose 02/21/17 Referred to Com. on B. & P.
AB 340 (Arambula)	Would require, consistent with federal law, that screening services under the EPSDT program include screening for trauma, as defined by the bill and as specified. The bill also would require the Department of Health Care Services, in consultation with the State Department of Social Services and others, to adopt, employ, and develop, as appropriate, tools and protocols for screening children for trauma and would authorize the department to implement, interpret, or make specific the screening tools and protocols by means of all-county letters, plan letters, or plan or provider bulletins, as specified. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB340	3/21/2017 - VOTE: Do pass and be re-referred to the Committee on Appr
AB 391 (Chiu)	Would require DHCS to seek an amendment to its medicaid state plan to include qualified asthma preventive service providers. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB391	3/23/2017 - Re-referred to Com. on HEALTH.
AB 401 (Aguiar-Curry)	This bill would authorize a remote dispensing site pharmacy to use a telepharmacy system, as specified, and would require the board to issue a remote dispensing site pharmacy license to a remote dispensing site pharmacy that meets all the requirements for licensure. The bill would require a remote dispensing site pharmacy to be located in a medically underserved area, as defined, unless otherwise approved by the board. The bill would authorize a pharmacy located in this state to serve as a supervising pharmacy to provide telepharmacy services for up to 2 remote dispensing site pharmacies. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB401	3/21/2017 - Amend, and re-refer to Com. on B. & P. Read second time and amended.
AB 447 (Gray)	This bill would, to the extent that federal financial participation is available and any necessary federal approvals have been obtained, add continuous glucose monitors that are medically necessary for the management and treatment of diabetes to the schedule of benefits under the Medi-Cal program. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB447	2/27/2017 - Referred to Com. on HEALTH.

AB 659 (Thomas)	Medi-Cal Reimbursement Rates spot bill. http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB659	3/21/2017 - Amend, and re-refer to Com. on HEALTH. Read second time and amended.
AB 1074 (Maienschein)	This bill would require a qualified autism service professional or a qualified autism service paraprofessional to be supervised by a qualified autism service provider for purposes of providing behavioral health treatment. The bill would require a qualified autism service professional and a qualified autism service paraprofessional to be employed by a qualified autism service provider or an entity or group that employs qualified autism service providers. The bill additionally would authorize a qualified autism service professional to supervise a qualified autism service paraprofessional. The bill would revise the definition of a qualified autism service professional to, among other things, specify that the behavioral health treatment provided by the qualified autism service professional may include clinical case management and case supervision under the direction and supervision of a qualified autism service provider. http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB1074	3/6/2017 - Referred to Com. on HEALTH.
AB 1092 (Cooley)	Would under the Medi-Cal program, to the extent federal financial participation and any necessary federal approvals are obtained, restore coverage of one pair of eyeglasses provided every 2 years to an individual 21 years of age or older. The bill would authorize the department to implement those provisions by means of all-county letters, plan letters, plan or provider bulletins, or similar instructions. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB1092	3/30/2017 - Coauthors revised.
AB 1316 (Quirk)	Would require the standard of care to be that all children be screened for blood lead levels and would clarify that the lead screening would not be paid for by funds from the Childhood Lead Poisoning Prevention Fund. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB1316	CAHP Oppose 3/13/2017 - Referred to Coms. on E.S. & T.M. and HEALTH

AB 1353 (Waldron)	Would require a health care service plan and health insurer that provides coverage for outpatient prescription drugs to establish an expeditious process, as described, by which enrollees and insureds, enrollees' and insureds' designees, or prescribing providers may request and obtain an exception to any prior authorization process or any other utilization management or medical management practices utilized by the plan or health insurer for medically necessary prescription drugs, and would require a plan or health insurer to grant an exception request under these provisions under specified circumstances to ensure continuity of care for an enrollee or insured who is medically stable and was previously prescribed the prescription drug either prior to enrollment or if the prescription drug was previously approved for coverage by the plan or insurer. The bill would require a plan or health insurer to respond to an exception request within 72 hours, or within 24 hours if exigent circumstances exist, following receipt of the exception request. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB1353	3/27/2017 - Re-referred to Com. on HEALTH
AB 1534 (Nazarian)	The bill would require a health care service plan contract or health insurance policy that is issued, amended, or renewed on or after January 1, 2018, to include an HIV specialist, as defined, as an eligible primary care provider, as defined, if the provider requests primary care provider status and meets the plan's or health insurer's eligibility criteria for all specialists seeking primary care provider status. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB1534	3/16/2017 - Referred to Com. on HEALTH
AB 1601 (Bloom)	This bill, until January 1, 2020, would require a health care service plan contract or a health insurance policy issued, amended, or renewed on or after January 1, 2018, to include coverage for hearing aids for an enrollee or insured under 18 years of age, as specified. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB1601	3/20/2017 - Re-referred to Com. on HEALTH
AB 1643 (Bonta)	Would create the 9-member Health Care for All Commission in the State Department of Health Care Services, for the purpose of investigating and making recommendations on improving health care access and affordability for all Californians. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB1643	3/28/2017 - Amend, and re-refer to Com. on HEALTH.

SB 17 (Hernandez)	This bill would require health care service plans or health insurers that file rate information to report to DMHC or DOI, on a date no later than the reporting of the rate information, specified cost information regarding covered prescription drugs, including generic drugs, brand name drugs, and specialty drugs, dispensed as provided. DMHC and DOI would be required to compile the reported information into a report for the public and legislators that demonstrates the overall impact of drug costs on health care premiums and publish the reports on their Internet Web sites by January 1 of each year. http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB17	CAHP Support 3/14/2017 - Read second time and amended. Re-referred to Com. on RLS
SB 152 (Hernandez)	This bill would delay the implementation of the Whole Child Model pilots. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB152	3/23/2017 - Read second time and amended. Re-referred to Com. on RLS.
SB 171 (Hernandez)	Mega Reg Spot Bill http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB171	2/2/2017 - Referred to Coms. on HEALTH and APPR.
SB 172 (Portantino)	This bill would require an individual or group health care service plan contract or health insurance policy issued, amended, or renewed on and after January 1, 2018, that covers hospital, medical, surgical, and other iatrogenic expenses for diagnoses with medical interventions that may directly or indirectly cause iatrogenic infertility, to include coverage for evaluation and treatment of iatrogenic infertility, as specified. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB172	3/7/2017 - From committee with author's amendments. Re-referred to Com. on HEALTH.
SB 191 (Beall)	Would authorize a county, or a qualified provider operating as part of the county mental health plan network, and a local educational agency to enter into a partnership to create a program that includes, among other things, targeted interventions for pupils with identified social-emotional, behavioral, and academic needs and an agreement to establish a Medi-Cal mental health provider that is county operated or county contracted for the provision of mental health and substance use disorder services to pupils of the local educational agency and in which there are provisions for the delivery of campus-based mental health and substance use disorder services through qualified providers or qualified professionals to provide on-campus support to identify pupils with an individualized education program (IEP), and pupils who do not have an IEP, but who a teacher believes may require mental health or substance use disorder services and, with parental consent, to provide those services to those pupils. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB191	3/28/2017 - Set for hearing April 5. Read second time and amended. Re-referred to Com. on HEALTH.

SB 199 (Hernandez)	This bill would require the Secretary of California Health and Human Services, in furtherance of the goal of creating the California Health Care Cost, Quality, and Equity Atlas, to convene an advisory committee composed of a broad spectrum of health care stakeholders and experts, as specified. The bill would require the secretary to charge the advisory committee with identifying the type of data, purpose of use, and entities and individuals that are required to report to, or that may have access to, a health care cost, quality, and equity atlas, and with developing a set of recommendations based on specified findings of the March 1, 2017, report. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB199	3/30/2017 - Read second time and amended. Re-referred to Com. on HEALTH.
SB 209 (Cannella)	This bill would state the intent of the Legislature to enact legislation relating to the powers and duties of the State Department of Health Care Services . http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB209	2/9/2017 - Referred to Com. on RLS.
SB 221 (Wiener)	Would require health care service plan contracts and health insurance policies issued, amended, renewed, or delivered on or after January 1, 2018, to include coverage for medical or drug treatments to correct or repair disturbances of body composition caused by human immunodeficiency virus (HIV) associated lipodystrophy syndrome, including, but not limited to, reconstructive surgery, such as suction assisted lipectomy, other restorative procedures and dermal injections or fillers for reversal of facial lipoatrophy syndrome, as provided. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB221	2/16/2017- Referred to Com. on HEALTH
SB 223 (Atkins)	For specified vital documents that are not standardized but contain enrollee or insured specific information, current law does not require a health care service plan or health insurer to translate the documents into threshold languages identified by the needs assessment, but instead requires a written notice of availability of interpretation services in threshold languages identified by the needs assessment to be included with those vital documents. This bill would also require this written notice to be made available in the top 15 languages spoken by limited-English-proficient (LEP) individuals in California identified annually by the United States Census Bureau. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB223	3/14/2017 - Set for hearing April 19.
SB 399 (Portantino)	Would no longer require qualified autism service professionals or paraprofessionals to be employed by a qualified autism service provider and would no longer permit entities or groups to be qualified autism service providers. The bill would expand the definition of “qualified autism service professional” to include behavioral service providers who meet specified educational, professional, and work experience qualifications. The bill, with regard to the definition of “qualified autism service paraprofessional,” would also authorize the substitution of specified education, work experience, and training qualifications for the requirement to meet the criteria set forth in regulations adopted by the State Department of Social Services, as described above. http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB399	3/20/2017 - Read second time and amended. Re-referred to Com. on HUMAN S.

SB 456 (Pan)	Would authorize a federally qualified health center or rural health clinic to enter into an agreement with a public or private entity willing and qualified to provide services that follow the patient. The bill would describe those entities eligible to contract with an FQHC or RHC under the bill, and would define “services that follow the patient” as services that promote continuity of care and contribute to overall patient wellness, as specified. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB456	3/23/2017 - Read second time and amended. Re-referred to Com. on HEALTH.
SB 554 (Stone)	Would authorize a nurse practitioner who holds a certification from a national certifying body, recognized by the Board of Registered Nursing, to be certified by the board as an independent nurse practitioner and to perform certain nursing functions without the supervision of a physician and surgeon, if the independent nurse practitioner meets specified requirements and practices in medically underserved areas or with medically underserved populations, as defined by the federal Health Resources and Services Administration. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB554	03/28/17 Set for hearing April 17.
SB 562 (Lara D)	This bill, the Healthy California Act, would create the Healthy California program to provide comprehensive universal single-payer health care coverage and a health care cost control system for the benefit of all residents of the state. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB562	3/29/2017 - Read second time and amended. Re-referred to Com. on RLS.
SB 743 (Hernandez)	Would prohibit a Medi-Cal managed care plan from restricting the choice of the qualified provider, as defined, from whom a Medi-Cal beneficiary enrolled in the plan may receive family planning services. The bill would require a Medi-Cal managed care plan to reimburse an out-of-plan or out-of-network qualified provider at the applicable fee-for-service rate. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB743	3/23/2017 - Read second time and amended. Re-referred to Com. on HEALTH.

Attachment D

TH TOP HEALTH®
The Health Promotion and Wellness Newsletter. 3.2017

Garden Shape-up

Getting your garden fit for spring? With all the mowing, raking, tilling, weeding, digging and hauling, the physical demands of yard work can produce multiple fitness benefits. The typical tasks can burn at least 200 calories per hour, work all of your muscle groups and require the same energy as other popular exercise routines.

Even a little gardening can be strenuous, especially if you're hopping from the couch to the garden. Be cautious to avoid injury.

Start small. Plan a maximum 1-hour session per day. Choose different tasks that use multiple muscle groups — and alternate heavy activities with light ones to avoid fatigue.

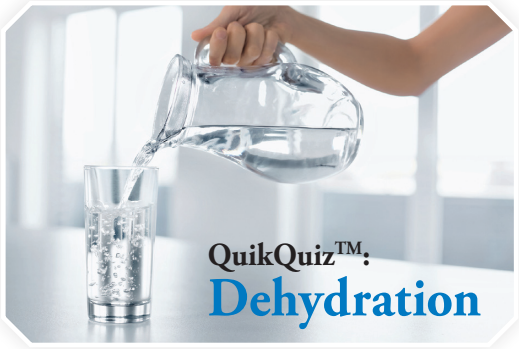
Before you jump in, warm up. Walk around the garden for a few minutes, and then stretch your back, legs and shoulders — same as you would for any strenuous activity.

Take your time. Rather than weed the entire garden at 1 time, start with 15 minutes; then take a break and move on to a different task.

Prevent neck and back strain: Limit bending over to 10 minutes per chore, and don't lift with your back (use your legs as well as your core and stomach muscles).

Ease the aches and strains. If pain sets in, rest up, apply ice to the affected area and take an anti-inflammatory medication if needed and with your health care provider's okay.

You'll enjoy the creative — and physical — side of your efforts.



Staying hydrated isn't just for hot weather. Test your knowledge:

1. You need to drink at least 8 cups of water each day.
   ❑ True ❑ False
2. You can get dehydrated in 30 minutes exercising in hot, humid weather.
   ❑ True ❑ False
3. Coffee and caffeinated drinks are more dehydrating than alcoholic drinks.
   ❑ True ❑ False
4. People with untreated diabetes are more likely to become dehydrated.
   ❑ True ❑ False

Answers on back. >>

Strong SHOULDERS

By Charles Platkin, PhD

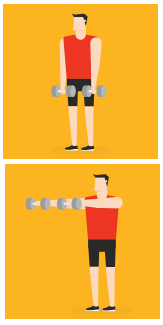
Strong, flexible shoulders are the best defense against injury. Strengthen them with these exercises 3 to 5 days a week.

Note: Get your health care provider's okay before trying these exercises.

FRONT ARM RAISE

Start: Stand with your feet shoulder-width apart. Hold light dumbbells (or start with none) straight down at your sides, with palms facing backward.

Movement: Keeping arms straight, raise both arms in front of you to shoulder height. Hold that position for 1 second. Lower your arms. Do the exercise 7 to 10 times total.



SHOULDER STRETCH

Start: Stand straight with your back and head against a wall with feet shoulder-width apart. Put your arms and hands with palms facing outward in the stick-em-up position and resting against the wall. Your elbows are bent and your fingertips point toward the ceiling.

Movement: Keeping elbows bent, slowly roll your arms forward so your fingertips point toward the floor with palms facing and touching the wall. Hold for 15 seconds. Do the stretch 5 times total.

March is Nutrition Month.

Nutrition Facts:
What You Need to Know Now

In May 2016, the U.S. Food and Drug Administration showcased a new Nutrition Facts label for packaged foods. It has been updated to reflect the latest nutrition research and make it easier for consumers to make informed food choices.

You may not see the changes immediately. Food manufacturers, depending on their size, have varying deadlines to update their product labels.

The label will have these changes:

❶ **Calories, servings per container,** and **serving sizes** will be in larger print.

❷ The amount of **added sugars** in the product will be showcased.

❸ The number of **calories** and the **serving size** declaration will be in bold type.

❹ The amounts (not just the percent Daily Value) for **vitamin D, calcium, iron** and **potassium** will be required.

❺ Daily values for nutrients such as **sodium, dietary fiber** and **vitamin D** are being updated.

Nutrition Facts

8 servings per container ❸
Serving size **2/3 cup (55g)**

❶
Amount per serving
Calories **230**

	% Daily Value*
Total Fat 8g	**10%**
Saturated Fat 1g	**5%**
Trans Fat 0g	
Cholesterol 0mg	**0%**
Sodium 160mg	**7%**
Total Carbohydrate 37g	**13%**
Dietary Fiber 4g	**14%**
Total Sugars 12g	
❷ Includes 10g Added Sugars	**20%**
Protein 3g	
Vitamin D 2mcg	10%
❹ Calcium 260mg	20%
Iron 8mg	45%
Potassium 235mg	6%

* The % Daily Value (DV) tells you how much a nutrient in a serving of food contributes to a daily diet. 2,000 calories a day is used for general nutrition advice. ❺

U.S. Food and Drug Administration

And what's missing from the new label? The amounts of **vitamins A** and **C** are no longer shown, and the amount of **calories from fat** has been removed because research shows that the type of fat is more important than the amount.

Reality check on serving sizes: In the 2 decades since the Nutrition Facts label was introduced, the amount that Americans eat and drink has changed. The new label will show updated serving sizes for certain foods, based on what consumers eat. The serving size will increase or decrease, based on consumption data.

For example, under the current regulations, a soft drink serving size is labeled 8 ounces, although a typical can contains 12 ounces, and most people drink an entire can in 1 sitting. So the updated label will reflect this: 1 can = 12 ounces = 1 serving = 200 calories.

And remember, the serving size shows what people generally consume, but not **how much they should consume** for good health. For a complete picture, visit **choosemyplate.gov** to create an eating plan that meets your needs.

"Always bear in mind that your own resolution to succeed is more important than any other one thing."
~ Abraham Lincoln

QuikQuiz™: Dehydration

ANSWERS

1. False — The Institute of Medicine suggests men get about 125 ounces (15 cups) of water daily; women need 91 ounces (11 cups).

2. True — Limit exercise in hot, humid weather. **Best advice:** Do shorter, easier workouts. Take longer breaks out of the heat. Rehydrate with water every 20 minutes. This applies to any outdoor physical labor in high heat.

3. False — Alcohol is the most dehydrating. Water is the best hydrator because it's free of the calories, caffeine and other ingredients of manufactured beverages.

4. True — Other risks include: kidney disease, medications that increase urination, high fever and severe diarrhea with vomiting.

Flexitarianism 101

By Cara Rosenbloom, RD

The term flexitarian describes people who mostly eat a plant-based diet but occasionally enjoy meat, too. Flexitarians are *flexible vegetarians.*

Why choose a flexitarian diet? Some people like the ease of dining out and traveling without worrying about what to eat. If there are no beans and tofu on the menu, they can have chicken. Others like the health benefits that come along with vegetarian diets but don't want to give up meat, poultry or seafood entirely.

The flexitarian diet has no specific rules, which is part of the appeal. The basic premise is to eat more plant-based meals, filled with vegetables, whole grains, legumes, nuts and seeds, while reducing reliance on meat, fish, poultry and dairy products.

The potential health benefits of vegetarian eating include lower risk of heart disease, type 2 diabetes and high blood pressure. Flexitarians may enjoy those benefits, too; a recent study showed that increasing plant-based meals and reducing animal foods are associated with a 20% risk reduction for type 2 diabetes.

Because this eating plan is so flexible, you can stick to it for the long term. And good news — if you already follow healthy eating plans such as the Mediterranean Diet or Dietary Approaches to Stop Hypertension, you are a flexitarian.

Smart Moves toolkit is at www.personalbest.com/extras/17V3tools. 3.2017

TopHealth® is published to provide readers with the information and the motivation needed to achieve and maintain a healthier lifestyle. The content herein is in no way intended to serve as a substitute for professional advice. Executive Editor: Susan Cottman. Medical Editor: Zorba Paster, M.D. Sources available on request.
2700 Corporate Drive, Suite 100, Birmingham, AL 35242 • 800-871-9525 • fax 205-437-3084 • e-mail: PBeditor@ebix.com • website: www.personalbest.com.

family health

Kern Family Health Care™
The Friendly Face
Of Kern Health Systems

Attachment E

Winter • 2017

NEW MEMBER PORTAL!

Access your health plan information online

Visit **kernfamilyhealthcare.com**, click on "Member Login" and follow the steps to sign up for your online account.

In minutes, you'll have access to your health plan information—PLUS, you'll be able to:

- View and print your member ID card.
- Confirm your eligibility with Kern Family Health Care and find out who your primary care provider is.
- Receive important health care reminders about immunizations or medical exams you need.
- Change your primary care provider.
- Sign up for free health education.
- Learn more about your health plan.

Create your online account today!

New member benefits

Starting Jan. 1, 2017, Kern Family Health Care (KFHC) enhanced its member benefits. These new benefits include respite care for homeless members and pulmonary rehabilitation. KFHC must approve these services before you can receive them.

What is respite care? Respite care is a place where homeless members can stay on a short-term basis to get better after leaving the hospital. Respite care also includes:
»Meals. »On-site nursing care. »Transportation. »Counseling. »Start of treatment for substance use. »Housing assistance.

What is pulmonary rehabilitation? Pulmonary rehabilitation will improve the lung function of members with chronic lung disease. Services may include:

- Respiratory therapy.
- How to manage your medication.
- Physical and occupational therapy.
- Nutrition services.
- How to quit smoking.
- Disease education.

Where can I learn more about these enhanced member benefits? To learn more about these benefits, you can call the KFHC Member Services Department at **661-632-1590** (Bakersfield) or **800-391-2000** (outside Bakersfield).

Stay tuned! KFHC will also start sending rewards to members for going to certain health care visits, such as yearly checkups and prenatal care visits. To learn more, visit the KFHC member portal at **kernfamilyhealthcare.com**.

Si necesita esta información en español, llame al 800-391-2000.

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women's health

So you are pregnant!

CARING FOR YOURSELF AND YOUR BABY

It's official! You've got a baby on the way. Taking care of your health just took on a new meaning.

Luckily, there's a great way to make sure you and your baby get off to a healthy start. Visit your health care provider. You should have several visits during the first trimester. That's the first 12 weeks of pregnancy.

At these visits, called prenatal visits, you'll get tests and exams to make sure things are going well. And you'll be able to ask your provider questions. You may want to learn what to do about:

- **Fatigue.** Get plenty of rest. Try sleeping in a little. Or take a short nap during the day.
- **Morning sickness.** You may need to skip eating certain foods. Or stay away from some odors.
- **Weight gain.** You should gain 1 to 4½ pounds in the first trimester.

You'll be at your best if you eat a healthy diet. And you'll protect your baby if you don't use alcohol and tobacco.

A common concern in the first trimester is vaginal bleeding. There are many reasons for light bleeding or spotting during this time. Most aren't serious. However, you should call your provider if you have any vaginal bleeding.

Sources: American Academy of Family Physicians; March of Dimes; Office on Women's Health

Electronic smoking devices: Not as harmless as you think

Electronic smoking devices include e-cigarettes; e-hookahs; and vape pens, or vapes. These contain nicotine, which can cause harm to you and your baby if used while you are pregnant. Some of the bad effects of nicotine include:

- Bleeding from the placenta.
- Cervix being covered by the placenta.
- Pregnancy outside the womb.
- Early birth.
- Low birth weight.
- Problems with growth and brain development in the baby.
- Nicotine withdrawal symptoms in the baby.

The best thing to do when you are pregnant is to quit smoking. This is best for you and best for your baby. If you would like help quitting, call **800-NO-BUTTS** (**800-662-8887**).

Sources: Kern County Department of Public Health; Perinatal Substance Abuse Prevention Partnership

HIV: Get tested!

Human immunodeficiency virus (HIV) is a serious disease. The Centers for Disease Control and Prevention recommends that everyone between the ages of 13 and 64 be screened for HIV. If you are older or younger than these ages, you may also need to be screened. A simple blood test is all it takes! How often you get screened depends on your level of risk. Since Kern County has high rates of HIV, you may need to get screened more often.

Talk to your doctor if you aren't sure what your risk is. You can request an HIV test from your doctor at any time.

Sources: Centers for Disease Control and Prevention; Kern County Department of Public Health; Martha Warriner; U.S. Preventive Services Task Force

You're HIV positive—now what?

If you have tested positive for HIV, there are many resources that can help you.

The Health Education and Linkage Program (HELP) and the Kern Lifeline Program both work to help you access the services you need and create a care plan for you. Below is the contact information for both programs:

Kern County Public Health Services, HELP Program
1800 Mount Vernon Ave.
Bakersfield, CA 93306
661-321-3000

Clinica Sierra Vista,
Kern Lifeline Project
2000 Physicians Blvd.,
second floor
Bakersfield, CA 93301
661-324-3262

> *"When I was 70 years old, I tested positive for HIV. By that time, I had full-blown AIDS, but nobody had ever thought to test me. HIV/AIDS can come from anywhere, even if you don't think you're at risk. And even though it's now a manageable disease, it's not something you want as your companion for the rest of your life. Please, get tested.* Today."

Be PrEPared: Prevent HIV

PrEP, or Pre-exposure Prophylaxis, is a new medication that helps prevent people from becoming infected with HIV. This medication is used for people who have a high risk of getting HIV, like those who:

- Have sex with multiple partners.
- Have sex without condoms.
- Are men who have sex with other men.
- Use drugs that are injected.
- Have a partner who has HIV.
- Have had another sexually transmitted disease (STD).

Talk to your doctor about PrEP if you feel that you are at risk of becoming infected with HIV. A person who is taking PrEP should still use condoms at all times. If you inject drugs, never share or reuse needles.

Sources: AIDS.gov; Centers for Disease Control and Prevention

mental health

Make the connection

CHANGING HOW YOU THINK MAY CHANGE HOW YOU FEEL

Can your mental state affect the health of your body?

Doctors have long thought there is a strong tie between mind and body. And recent studies prove them right. We now know that unhealthy levels of stress, depression and anxiety can cause problems with your:

- Hormones.
- Immune system.
- Heart health.
- Blood pressure.

Other effects of stress can be:

- Back pain.
- Chest pain.
- Headaches.
- Extreme fatigue.
- Diarrhea.
- Stiff neck.
- Racing heart.

Caring for your emotional health can improve your quality of life. It also may help your body fight disease.

What helps the mind-body balance grow strong? Thankfully, research has answered that question too. These top the list:

1 **Getting a move on.** Exercise changes how the body responds to stress. It improves mood too.

2 **Finding healthy ways to relax.** Some people use music, art, prayer, woodworking, reading or even 10-minute walks to lower stress in their life.

3 **Expressing yourself.** Bad feelings and fears that are bottled up may flow out as aches, pains and problems. A trusted friend, partner or religious adviser may be able to help you work through challenges. Some people keep a gratitude journal or write down goals. Counseling is advised if you are stuck or feeling overwhelmed.

Finally, remember these words of wisdom: Be honest with your doctor about the stresses and challenges you face. Ask for help if you think you're feeling depressed. Your doctor can suggest many ways to improve your health and wellness—both mental and physical.

Sources: American Academy of Family Physicians; American Psychological Association; National Institutes of Health

staying healthy

Feeling ill? Antibiotics may not help

No one enjoys being sick. But taking antibiotics won't always make you better.

Antibiotics kill bacteria, not viruses. And many illnesses are caused by viruses.

The common cold is caused by a virus. So is the flu. Most coughs? Virus. Most sore throats? Virus. Even some fevers are caused by a virus.

Time is the best cure for these illnesses. Most of them go away in a week or two. So what are antibiotics good for? Bacterial infections only.

To find out if bacteria are making you sick, you'll need to see your provider.

Sometimes he or she can do a quick test to find out which kind of germ you have. For instance, a fast swab of a sore throat can tell if you have strep. Strep throat is caused by bacteria. Antibiotics can help.

Virus? Feel better. So how can you feel better if you have a cold, flu or other sickness caused by a virus? Try these soothing tips for adults:

- Use a pain reliever to lessen aches and fever.
- Suck on a lozenge to ease a sore throat. Or gargle with warm salt water.

Keep in mind that a virus can lead to more serious illness. So call your provider if you start feeling worse.

But don't ask for antibiotics if you have a virus. Save these drugs for when you need them.

Sources: American Academy of Family Physicians; American Academy of Pediatrics; Centers for Disease Control and Prevention

FLU FACTS: Don't let the flu get you down

Germs can travel as far as 6 feet when a person coughs or talks.

Flu viruses can survive on surfaces for 2-8 hrs.

5-20% of the people in the U.S. get the flu each year.

The flu sends 200,000+ PEOPLE to the hospital each year.

YOUR BEST PROTECTION: A YEARLY FLU VACCINE. Nearly everyone older than 6 months should get one.

MORE STAY-HEALTHY TIPS: Wash your hands often. Avoid touching your face. Steer clear of people who are sick.

Have you gotten your flu shot? Call your doctor to make an appointment.

Source: Centers for Disease Control and Prevention

member news

We speak your language

When you're sick, it often helps to see a doctor. And the easier the doctor is to talk to, the better.

But talking with a doctor can be hard if he or she doesn't speak the language you know best. Check your Provider Directory for information about the languages spoken by our providers and their staff. Our Member Services staff can help you find a doctor's office that speaks your language. They can also get you an interpreter so you can talk to your doctor or to Kern Family Health Care (KFHC).

It is important that you do not use family members, friends or especially children as interpreters.

If you cannot find a doctor who meets your language needs, we can help. We offer:

- Staff members who are bilingual in English and Spanish.
- Over-the-phone language interpreters for more than 2,400 languages 24/7.
- Sign language interpreters. This must be scheduled five business days in advance for regular appointments and as soon as possible for urgent appointments.

By offering these services to you, we make sure the doctor knows what you're saying and you know what the doctor is saying. With an interpreter's help, you can get answers to all of your questions.

It is also important that you read all the materials we mail you. All our written materials are available in English or Spanish. If KFHC sends you something in English and you need it in Spanish, please call us. If you receive an important letter from us and you cannot read it, please call us and we can have somebody help you read it.

IT'S FREE! These services are free and easy to use. Just call us at 661-632-1590 (Bakersfield) or 800-391-2000 (outside of Bakersfield), day or night.

family health

FAMILY HEALTH is published as a community service for the friends and patrons of KERN FAMILY HEALTH CARE, 9700 Stockdale Highway, Bakersfield, CA 93311, telephone 800-391-2000.

Information in FAMILY HEALTH comes from a wide range of medical experts. If you have any concerns or questions about specific content that may affect your health, please contact your health care provider. Models may be used in photos and illustrations.

We post current health care news and tips to help you and your family stay healthy. You can also get important member updates and see what Kern Family Health Care is doing in your community.

Like us on Facebook at facebook.com/KernFamilyHealthCare

Follow us on Twitter at twitter.com/_KFHC

Watch the Kern Family Health Care channel on YouTube

Kern Health Systems
2017 Project Summary – Q1
Attachment F

Open Projects

Project Title	Start Date	End Date	Percent Complete	Comments
274 Provider Data Improvement	1/2016	5/2017	80%	Project added to schedule to comply with new state requirement – DHCS extended due date
Alchemy System Replacement	1/2017	12/2017	25%	
Alternative Payment Methodology	2/2017	12/2017	15%	
Department Dashboards	2/2017	12/2017	25%	
EDI Edifecs Implementation	1/2017	12/2017	25%	
Health Homes Implementation	10/2016	12/2017	35%	
Medical Management Platform Implementation	12/2016	12/2017	30%	
Member Rewards Implementation	5/2017	10/2017	---	
Outsource Non-Emergency Medical Transportation	10/2016	8/2017	40%	Project added to schedule to improve our service to members and to prepare for changes in transportation regulations
Portal Enhancements	9/2017	12/2017	---	
Provider/Member Portal Implementation	4/2016	7/2017	80%	Project extended to coordinate with Medical Management Platform Implementation
QI Site Review Automation	3/2016	6/2017	60%	Limited resources assigned

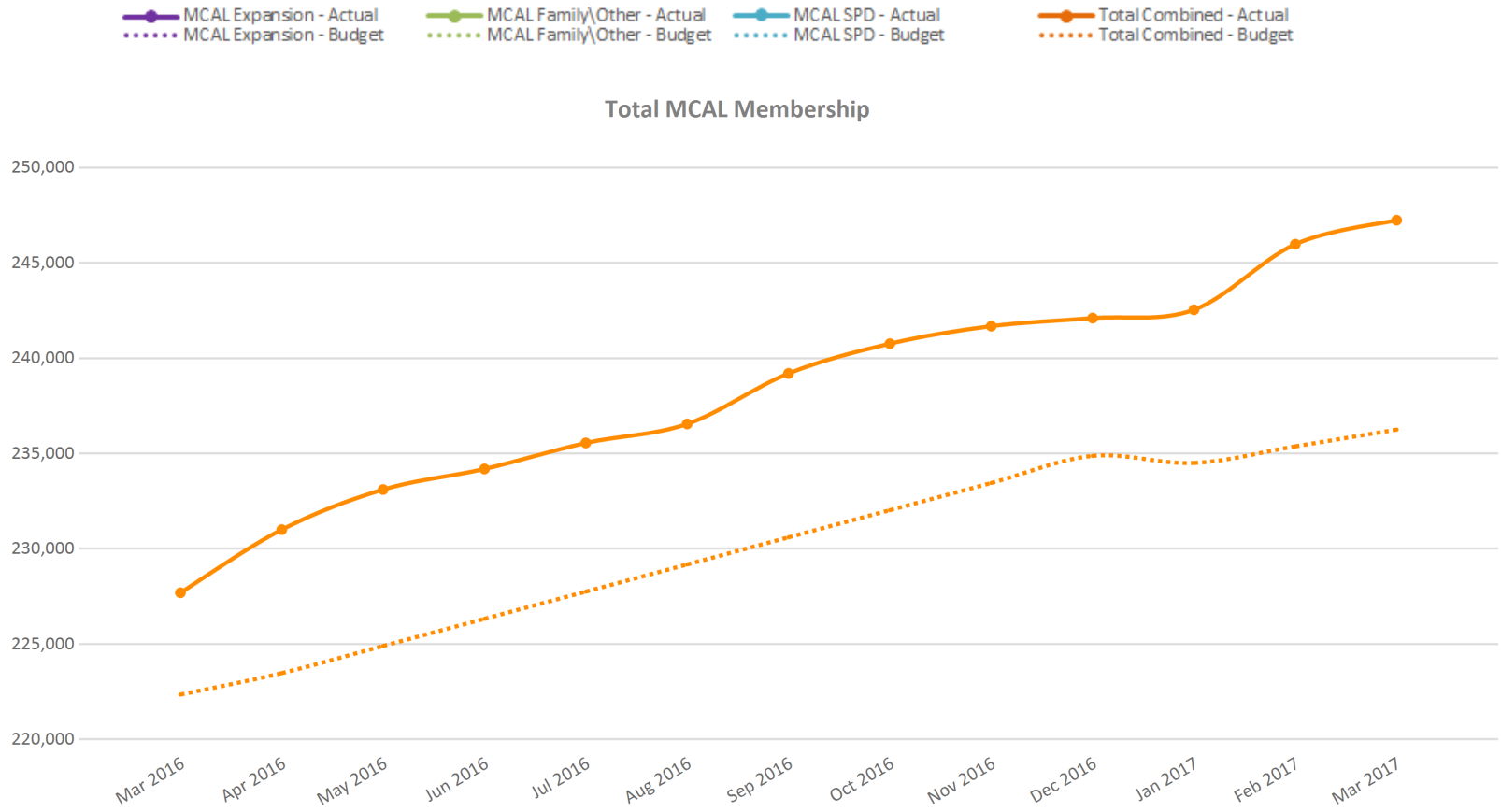
Completed Projects

Project Title	Start Date	End Date	Realized Benefit	Comments
Configuration Team Work Items	12/2015	3/2017	TBD 2017 Q2	
Contracts Management Software	9/2016	3/2017	TBD 2017 Q2	
Interactive Voice Response Upgrade (Call Center)	5/2016	1/2017	TBD 2017 Q3	
Measuring Member Satisfaction	1/2016	11/2016	TBD 2017 Q3	
Member Services WFM Implementation	02/2015	11/2016	TBD 2017 Q3	
Pharmacy WF Integration	10/2015	7/2016	TBD 2017 Q3	
QNXT Related Enhancements	12/2015	3/2017	TBD 2017 Q2	
QNXT Upgrade	10/2016	3/2017	TBD 2017 Q2	

Kern Health Systems
Attachment G

KHS Dashboard Performance Reports
(Critical Performance Measurements)

Membership


MCAL Expansion - Actual
MCAL Expansion - Budget
MCAL Family\Other - Actual
MCAL Family\Other - Budget
MCAL SPD - Actual
MCAL SPD - Budget
Total Combined - Actual
Total Combined - Budget
Total MCAL Membership
250,000
245,000
240,000
235,000
230,000
225,000
220,000
Mar 2016
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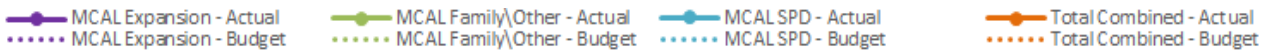
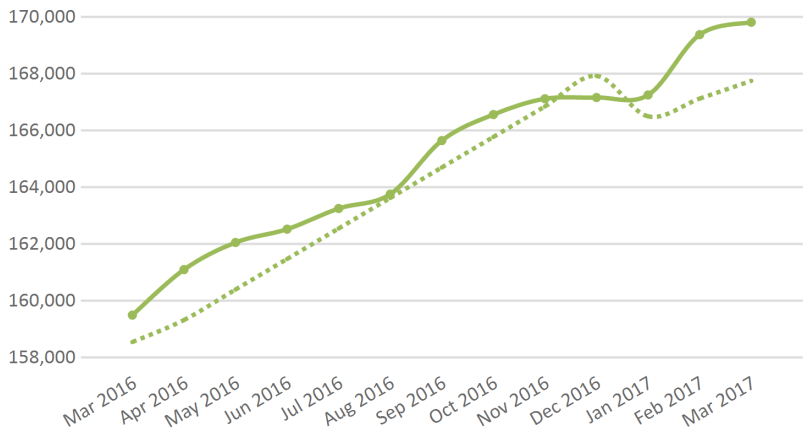
Mar 2017

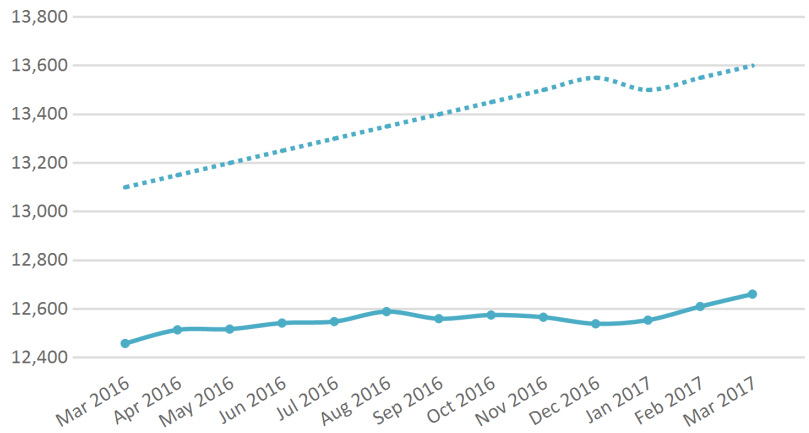
Membership



MCAL Family/Other Membership



MCAL SPD Membership



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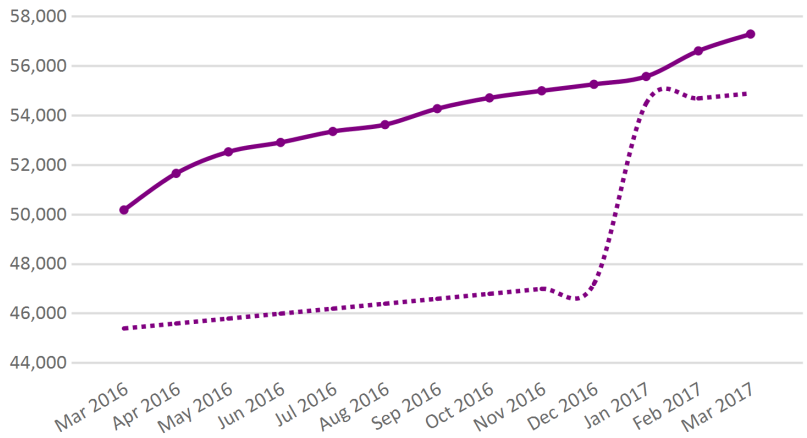
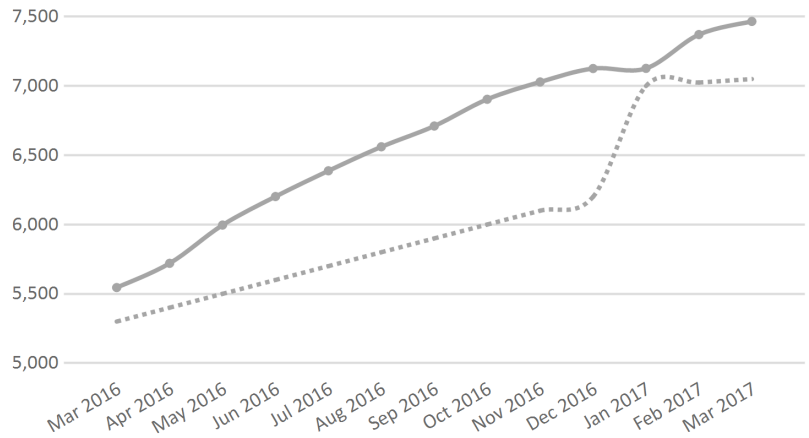


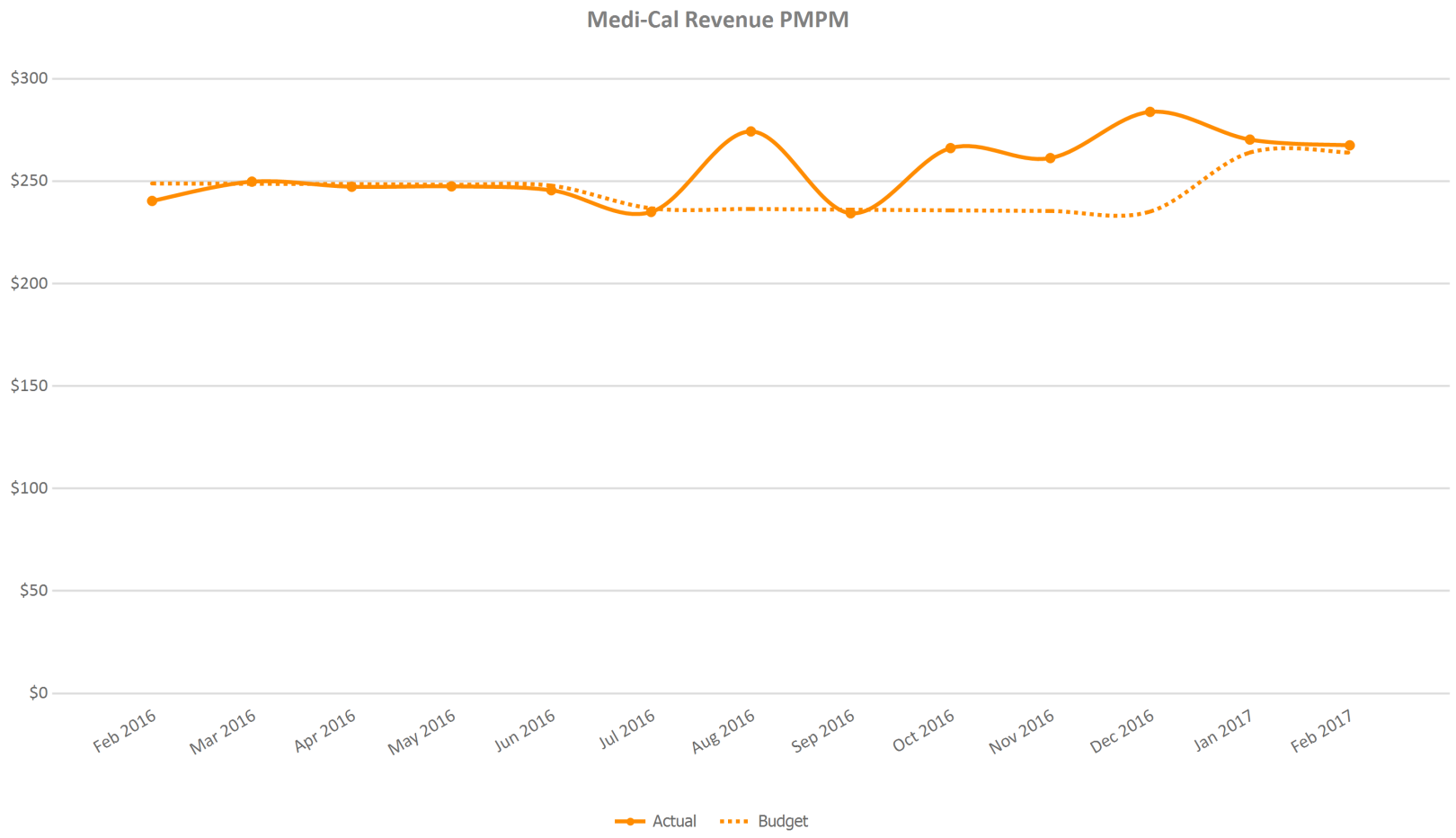
KP Membership



KERN HEALTH SYSTEMS

Governed Reporting System

Revenue



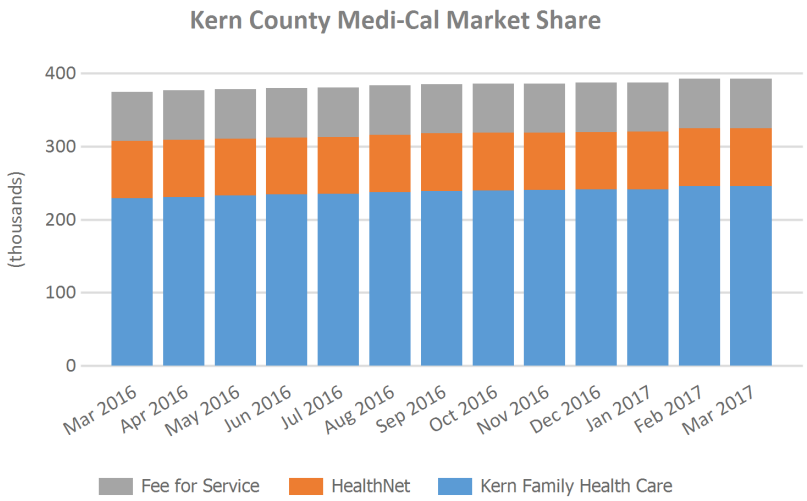
Kern Health Systems

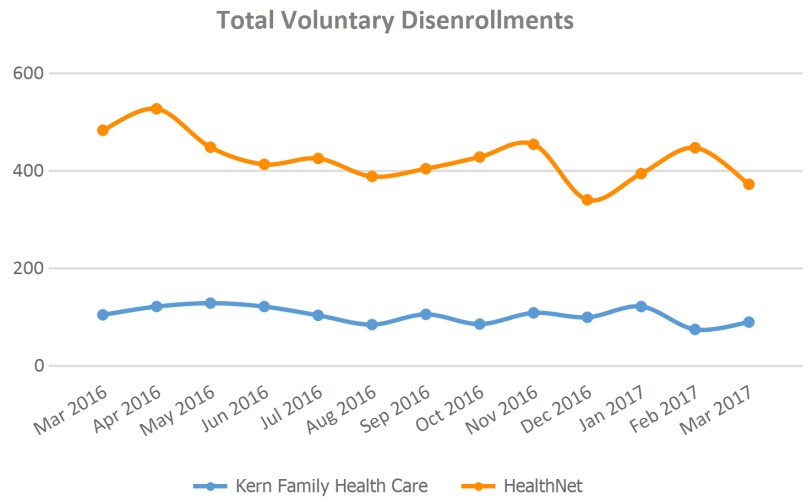
Performance Reports
Operations Metrics

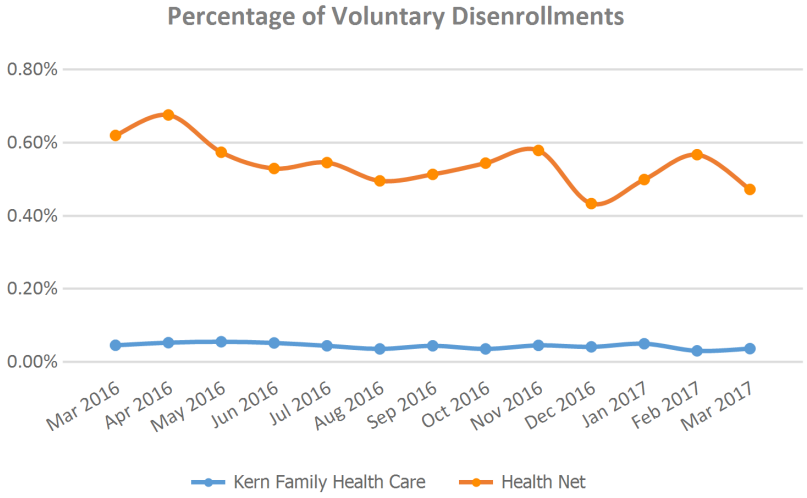
KERN HEALTH SYSTEMS

Governed Reporting System

Enrollment - Market Share





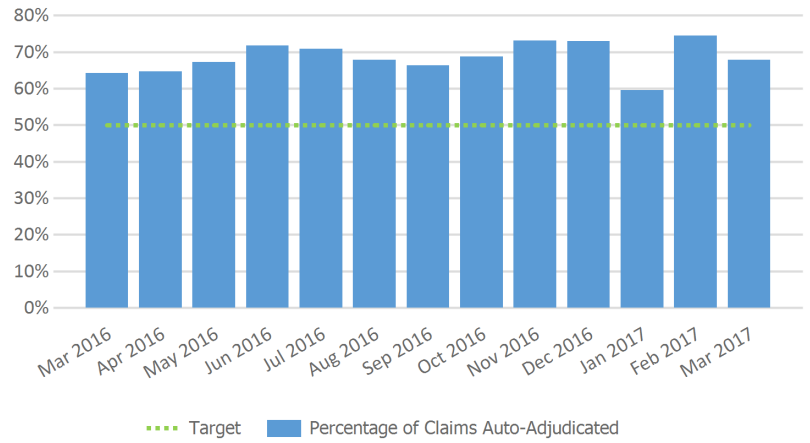


KERN HEALTH SYSTEMS

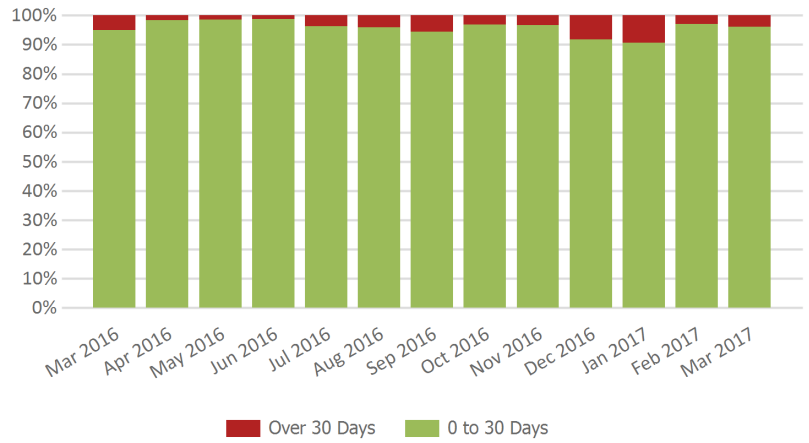
Governed Reporting System

Claims Efficiency and Quality

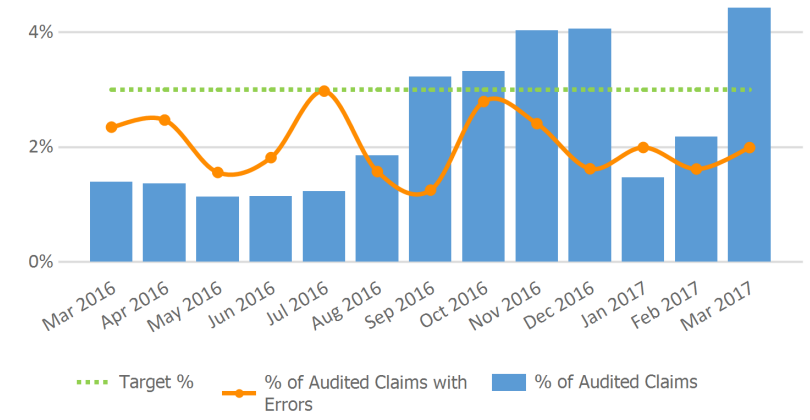
Claims Auto-Adjudication Rates



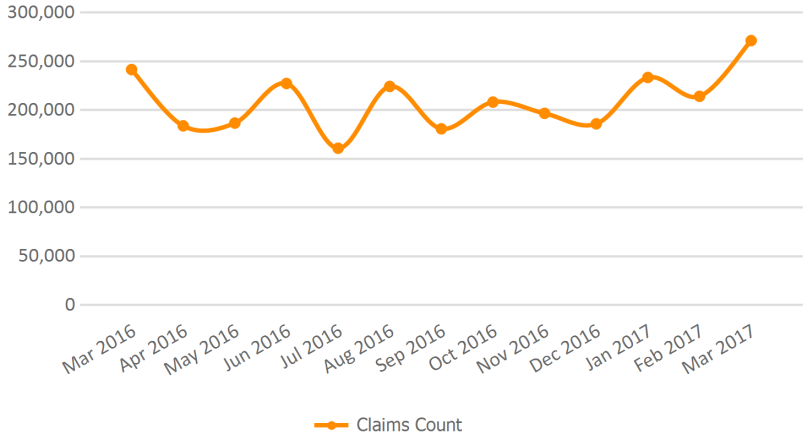
Claims Turnaround Days



Claims Audit Percentage and Accuracy



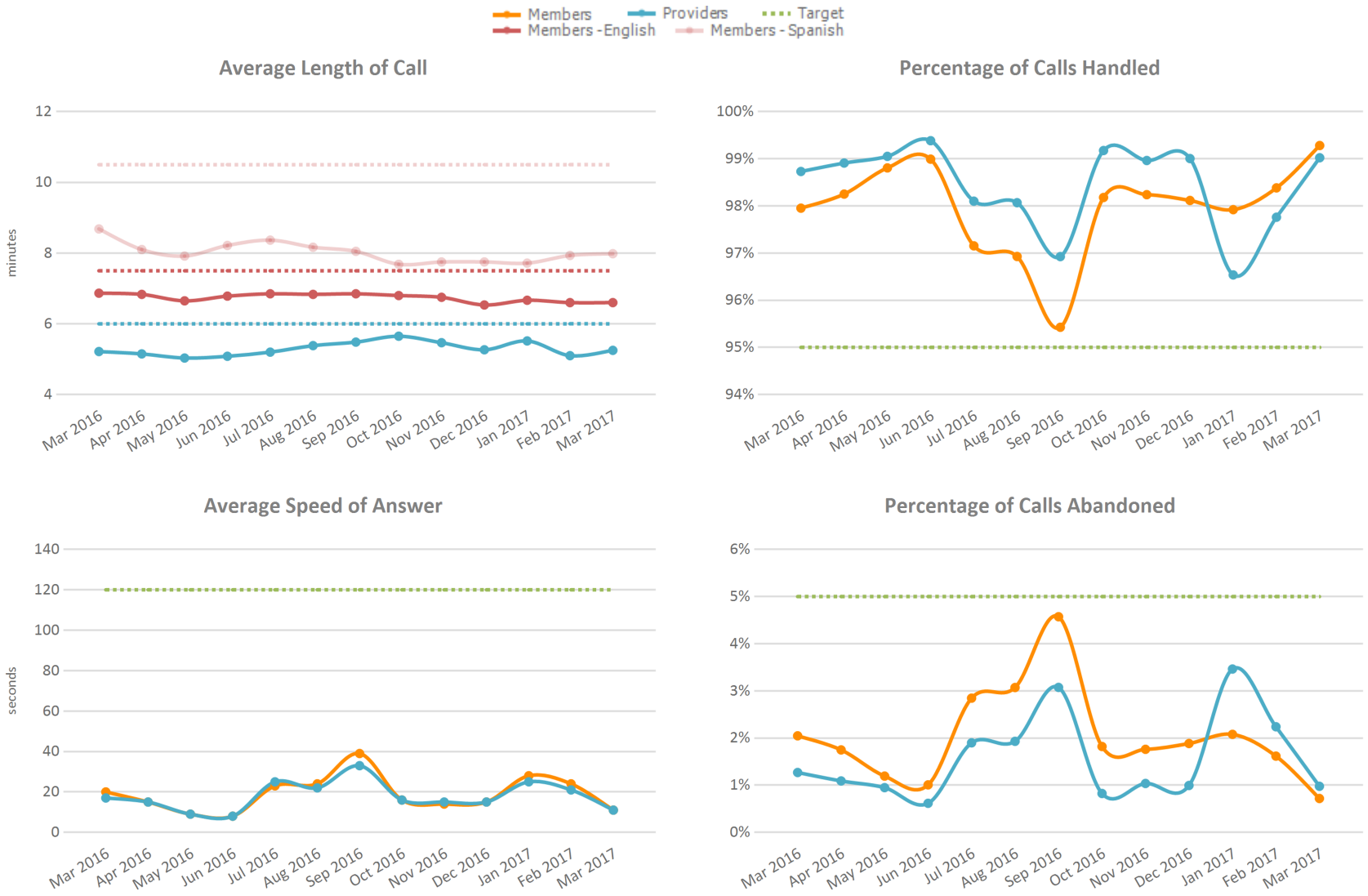
Claims Processed



KERN HEALTH SYSTEMS

Governed Reporting System

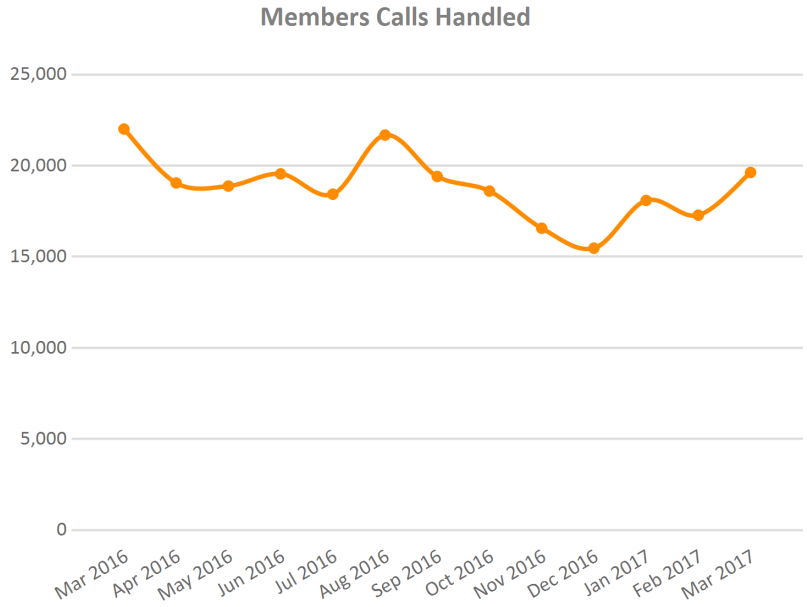
Member Services

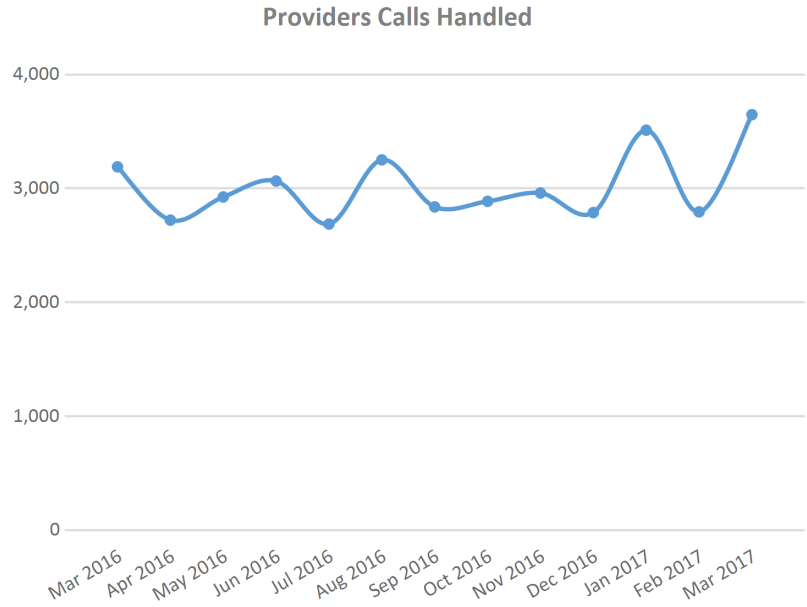


KERN HEALTH SYSTEMS

Governed Reporting System

Member Services Calls Handled

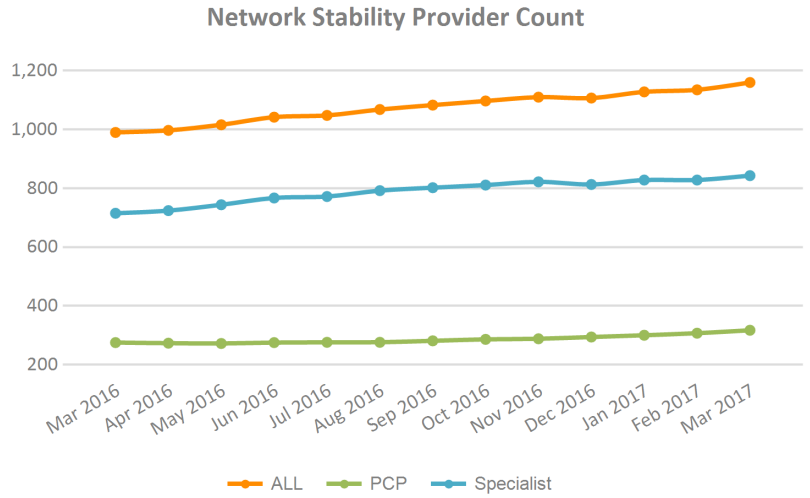


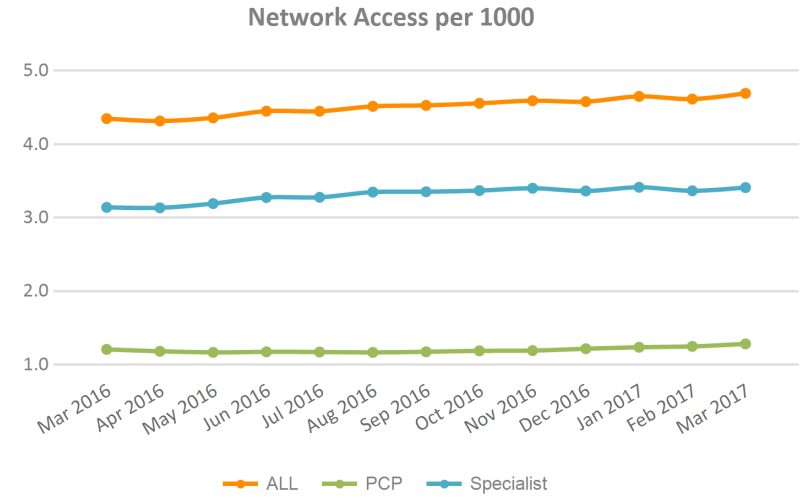


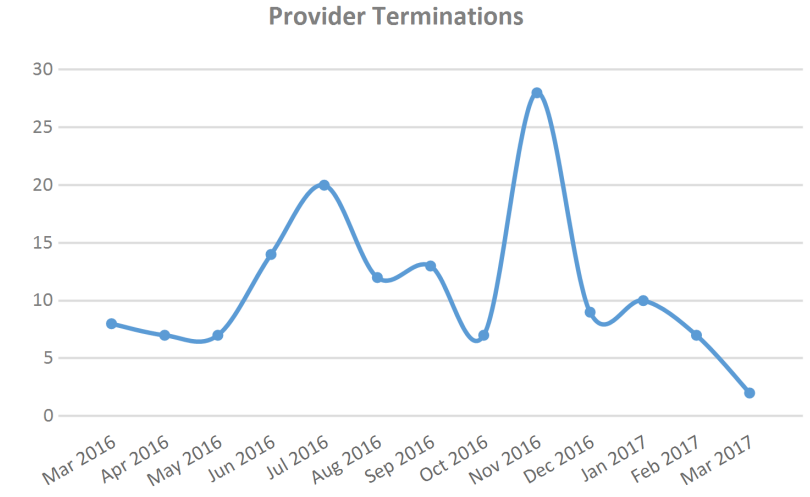
KERN HEALTH SYSTEMS

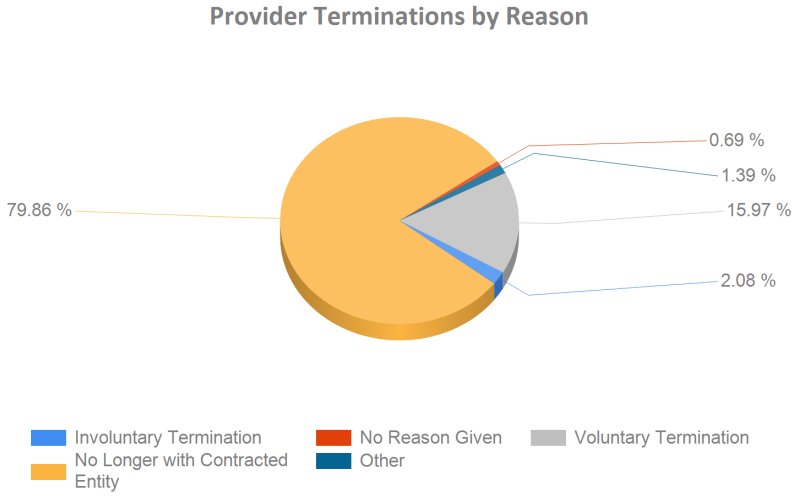
Governed Reporting System

Provider Network and Terminations









Attachment H

KERN HEALTH SYSTEMS
MANAGED CARE STAFFING RATIOS - MARCH 31, 2017

SEGMENTED CATEGORY:	KERN HEALTH SYSTEMS	
ENROLLMENT TYPE	*MediCal Actual*	*March 31, 2017 Budgeted Membership*
MEMBERSHIP SIZE	*247,500*	*243,300*
CORPORATE STATUS	*Not for Profit*	
FULL TIME EMPLOYEE COUNT (FTE)	*355*	*379*
RATIO	*1 FTE/Members*	
EXECUTIVE	***Actual***	***Budgeted***
Executive Dept. Total FTE	4	4
Executive Dept. RATIO FTEs/MEMBERS	61,875	60,825
ACCOUNTING		
Accounting Dept. Total FTE	12	14
Accounting Dept. RATIO FTEs/Members	20,625	17,379
IT		
MIS Dept. Total FTE	41	43
MIS Dept. RATIO FTEs/MEMBERS	6,037	5,658
CLAIMS		
Claims Dept. Total FTE	53	59
Claims Dept. RATIO FTEs/MEMBERS	4,670	4,124
PROJECT MANAGEMENT		
Project Management Dept. Total FTE	7	7
Porject Management Dept. RATIO FTEs/MEMBERS	35,357	34,757
UTILIZATION MANAGEMENT		
UM Mgmt. Dept. Total FTE	77	84
UM Dept. RATIO FTEs/MEMBERS	3,214	2,896
HEALTH HOMES		
Health Homes Dept. Total FTE	4	4
Health Homes Dept. RATIO FTEs/MEMBERS	61,875	60,825
QI		
QI Dept. Total FTE	13	13
QI Dept. RATIO FTEs/MEMBERS	19,038	18,715
HEALTH ED		
Health Ed Dept. Total FTE	9	10
Health Ed. RATIO FTEs/MEMBERS	27,500	24,330
PHARMACY		
Pharmacy Dept. Total FTE	10	10
Pharmacy Dept. RATIO FTEs/MEMBERS	24,750	24,330
DISEASE MANAGEMENT		
Disease Management Dept. Total FTE	9	9
Disease Management Dept. RATIO FTEs/MEMBERS	27,500	27,033
PROVIDER RELATIONS		
Provider Relations Dept. Total FTE	18	21
Provider Relations Dept. RATIO FTEs/MEMBERS	13,750	11,586
MEMBER SERVICES		
Member Services Dept. Total FTE	72	74
Member ServicesDept. RATIO FTEs/MEMBERS	3,438	3,288
CORPORATE SERVICES		
Corporate Services Dept. Total FTE	7	7
Corporate Services Dept. RATIO FTEs/MEMBERS	35,357	34,757
COMPLIANCE		
Compliance Dept. Total FTE	5	6
Compliance Dept. RATIO FTEs/MEMBERS	49,500	40,550
MARKETING		
Marketing Dept. Total FTE	5	5
Marketing Dept. RATIO FTEs/MEMBERS	49,500	48,660
HR		
HR Dept. Total FTE	9	9
HR Dept. RATIO FTEs/MEMBERS	27,500	27,033
ORGANIZATIONAL VIEW		
Org. View Total FTE	**355**	**379**
Org. View RATIO FTEs/MEMBERS	**697**	**642**

KERN HEALTH SYSTEMS
BOARD OF DIRECTORS
NEW VENDOR CONTRACTS FOR MARCH 2017
BOD: APRIL 13, 2017

Name	DBA	Specialty	Address	Comments	Contract Effective Date
Amy K. Mehta, MD Inc	Amy K. Mehta, MD Inc	Pulmonary and Critical care	3838 San Dimas St. A250 Bakersfield, CA 93301	Hospitalist. She will occasionaly see hospital follow ups in her office when needed	3/1/2017
James Chang, MD	James Y Chang, MD	Oncology	7879 Rosedale Highway Bakersfield, CA 93308	*Provider approved on BOD February Report.	3/1/2017
National Mentor Healthcare	Chateau D'Bakersfield	CBAS/Adult Day Health Care	824 18th Street Bakersfield CA 93301		3/1/2017
Sabrina Graziano, OD	BeSpectacled Eye Care Optometric Corp.	Optometry (See Comments)	5603 Auburn Street Ste A Bakersfield CA 93306	Diabetic Retinal Exams Only	4/1/2017
Nelson Madrilejo, MD	Centennial Medical Group	Endocrinology	1801 16th Street Ste A Bakersfield CA 93301		3/1/2017
JN Cooper Physical Therapy Inc	JN Cooper Physical Therapy Inc	Physical Therapy	142 E Tulare Avenue Shafter CA 93263		4/1/2017

4/6/2017

KERN HEALTH SYSTEMS
BOARD OF DIRECTORS
NEW VENDOR CONTRACTS FOR APRIL 2017
BOD: APRIL 13, 2017

Name	DBA	Specialty	Address	Comments	Contract Effective Date
Regional Anesthesia Associates	Regional Anesthesia Associates Inc	Anesthesiology	1700 Mt Vernon Ave Bakersfield CA 93306	N/A	*Resubmitting with corrected effective date 11/1/2016 ~~12/1/2016~~
Chadam Associates, Inc A Physical Therapy Corporation	Western Rehabilitation Associates	Physical Therapy	377 S. 10th Street #G Taft Ca 93268	N/A	5/1/2017
Dependable Home Health, Inc	Dependable Home Health, Inc	Home Health	16922 Airport Blvd Ste 17, Bldg 1 Mojave, CA 93501	N/A	5/1/2017
Guardian Angel Home Care Inc	Guardian Angel Home Care Inc	Home Health	501 East Commerce Center Drive Suite 240 Bakersfield Ca 93309	N/A	5/1/2017
Hygeia Medical Group, Inc.	A Breast Pump & More	DME / Breast Pumps	1121 W. Valley Blvd. Ste.I	Retro efft 4/1/17	4/1/2017
Montoya Physical Therapy & Wellness	Montoya Physical Therapy	Physical Therapy	11000 Brimhall Rd Ste # Box 7 Bakersfield Ca 93312	N/A	5/1/2017
Prime Pulmonary &Sleep Medicine Center. Inc	Prime Pulmonary &Sleep Medicine Center. Inc	Pulmonary, Critical Care and Sleep Medicine	8305 Brimhall RD, Ste 1601 Bakersfield, CA and 1205 Garces Hwy, Ste 203, Delano, CA	Retro Effective 4/1/17	4/1/2017
Sassan Keshavarzi, MD, Inc	California Brain and Spine Institute	Neurosurgery	2701 Chester Avenue Ste. 102 Bakersfield CA 93301	N/A	5/1/2017
Z&XY Enterprise Inc	Chinese Medical Center	Acupuncture	4505 Mattnick Drive Bakersfield Ca 93313	N/A	5/1/2017
Leah Jarvis BCBA	Jarvis Behavior Consulting	Behavior Analyst	9808 Margery Avenue California City 93505	N/A	5/1/2017
Adventist Health Medical Center / Tehachapi Hospital	Adventist Health Medical Center / Tehachapi Hospital	Hospital	115 West E Street	Retro efft 4/1/17	4/1/2017

4/6/2017

KERN HEALTH SYSTEMS
BOARD OF DIRECTORS
TERMED CONTRACTS
NO MARCH BOD

Name	DBA/Address	Specialty	Comments	Effective Date
NO TERMED CONTRACTS				

4/6/2017

KERN HEALTH SYSTEMS
BOARD OF DIRECTORS
TERMED CONTRACTS
APRIL 13, 2017

Name	DBA	Specialty	Address	Comments	Effective Date
Shankar Raman, MD	Shankar Raman, MD, Inc	Infectious Disease	2828 H Street Ste. D Bakersfield, CA 93301	Retired	11/2/2016
The Medicine Shoppe-	The Medicine Shoppe-	Pharmacy	505 Bear Mountain Blvd, Ste B, Arvin, CA 93203	sold to CVS	3/3/2017
Klupsteen, Khurna and Patel	Klupsteen, Khurna and Patel	Neonatal	Hospital based BMH	Disolved the group contract and Patel and Khurana have their individual contracts	12/9/2017
Mohamadeli DO, Hassamali	Mohamadeli DO, Hassamali	PM&R	Hospital based HS Rehab Hosp	Disolved his individual contract and his corp account remains contracted	1/1/2016

KERN·HEALTH SYSTEMS

December AP Vendor Report
Amount over $10,000.00

Vendor No.	Vendor Name	Current Month	Year-to-Date	Description	Department
T1045	KAISER FOUNDATION HEALTH	339,446.45	3,833,971.31	EMPLOYEE HEALTH BENEFITS	VARIOUS
T1845	DEPARTMENT OF MANAGED HEALTH CARE*****	191,829.19	398,274.47	MCAL/HFAM ANNUAL ASSESSMENT FEES -- 2 INSTALLMENT OF 2	ADMINISTRATION
T4582	HEALTHX, INC*****	132,166.68	396,500.00	PROVIDER AND MEMBER PORTAL	CAPITAL PROJECT - MEMBER & PROVIDER PORTAL
T4047	CENTRAL CALIFORNIA FOUNDATION FOR HEALTH*****	103,000.00	140,242.86	2015-2016 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T1408	DELL MARKETING L.P.	77,786.17	613,139.13	HARDWARE-5 POWEREDGE M630 BLADES & 2- SMART PRINTERS	VARIOUS
T3460	THE GUARDIAN LIFE INSURANCE CO.	45,135.51	412,661.05	VOLUNTARY LIFE AD&D, DENTAL INSURANCE, SHORT TERM DISABILITY	VARIOUS
T4237	FLUIDEDGE CONSULTING	32,000.00	507,697.27	CONSULTING SERVICES-CASE MANAGEMENT/DISEASE MANAGEMENT	CAPITAL PROJECT-CASE MANAGEMENT/DISEASE MANAGEMENT
T4502	MORGAN CONSULTING RESOURCES, INC.**	32,000.00	32,902.12	EMPLOYEE RECRUITMENT	HUMAN RESOURCES
T4308	TRUXTUN PLACE PARTNERS	28,156.03	340,935.25	TRUXTUN-DEC. LEASE & OCT UTILITIES	CORPORATE SERVICES
T1183	MILLIMAN USA******	26,045.75	98,953.25	CY2014 RDT CONSULTING - ACTUARIAL	ADMINISTRATION
T4654	DELAWIE	25,175.94	50,143.96	ARCHITECTURAL SERVICES	CAPITAL PROJECT-NEW BUILDING
T4460	PAYSPAN, INC*****	25,077.40	176,599.28	OCT. & NOV. EXTERNAL CLAIMS PAYMENT	FINANCE

KERN·HEALTH SYSTEMS

December AP Vendor Report
Amount over $10,000.00

Vendor No.	Vendor Name	Current Month	Year-to-Date	Description	Department
T2707	ACT 1 PERSONNEL SERVICES, INC.	24,698.65	127,414.61	TEMPORARY HELP - (2)UM, (1)QI, (2) CLAIMS, (1)MIS, (1) PR	VARIOUS
T4546	LEVEL 3 COMMUNICATIONS, LLC	23,645.31	150,990.44	DISASTER RECOVERY, INTERNET, LONG DISTANCE CALLS	MIS IMFRASTRUCTURE
T1189	APPLE ONE INC.	22,774.75	114,842.91	TEMPORARY HELP - (2)UM, (1)HE, (2)CLAIMS, (1)CS, (1)DM	VARIOUS
T2135	BAKERSFIELD CITY SCHOOL DISTRICT*****	20,000.00	20,000.00	WALKING & WELLNESS PROGRAM REWARD	HE
T4585	DELANO UNION SCHOOL DISTRICT*****	20,000.00	22,000.00	WALKING & WELLNESS PROGRAM REWARD	HE
T1272	COFFEY COMMUNICATIONS INC.	18,224.25	110,177.25	NEWSLETTER PUBLICATION/MAILING	VARIOUS
T2755	VELOCITY PARTNERS, LLC	16,368.00	192,192.00	CONSULTING FEES FOR CLAIMS WORKFLOW, UM REMOTE NURSE, QI WORKFLOW, MEMBERSHIP, AUDIT, AND CORE PROJECT	MIS INFRASTRUCTURE
T1742	CHANNING L. BETE CO., INC*****	15,579.63	20,857.21	MEMBER EDUCATION MATERIALS	HE-QI
T4168	RELAYHEALTH*****	15,219.62	147119.44	EDI CLAIM PROCESSING	CLAIMS
T4537	BURKE, WILLIAMS & SORENSEN, LLP*****	14,679.00	85,833.42	LEGAL FEES	ADMINISTRATION
T3011	OFFICE ALLY, INC.	14,165.75	180,626.25	EDI CLAIM PROCESSING	CLAIMS
T4467	MEDISOFTRX, LLC	13,800.00	69,000.00	PROFESSIONAL SERVICES-HOME HEALTH PROJECT	MIS INFRASTRUCTURE
T4478	AMERICAN FIDELITY ASSURANCE COMPANY	13,332.28	171,621.56	EMPLOYEE PAID VOLUNTARY INSURANCE	PAYROLL DEDUCTION

KERN·HEALTH SYSTEMS

December AP Vendor Report
Amount over $10,000.00

Vendor No.	Vendor Name	Current Month	Year-to-Date	Description	Department
T4193	TECHNOSOCIALWORK.COM	12,853.57	202,783.68	OCR SERVICES AND PROFESSIONAL SERVICES FOR ICD-10 PROJECT	CLAIMS
T2562	CACTUS SOFTWARE LLC*****	12,487.56	15,292.56	ANNUAL CACTUS LICENSE & CONSULTING FEES	MIS INFRASTRUCTURE
T4452	WELLS FARGO 3500 2469	11,814.46	135,303.35	CREDIT CARD-TRAINING REGISTRATION, LODGING EXPENSES, AND MISCELLANEOUS PURCHASES	VARIOUS
T4227	FREESTYLE EVENTS SERVICES INC	11,160.00	22,060.00	EMPLOYEE EVENTS & OTHER PROMOTIONAL EVENTS	VARIOUS
T4538	CHANGE HEALTHCARE SOLUTIONS, LLC	10,788.80	115,872.14	EDI CLAIM PROCESSING	CLAIMS
		1,349,410.75			
	TOTAL VENDORS OVER $10,000	1,349,410.75			
	TOTAL VENDORS UNDER $10,000	328,811.49			
	TOTAL VENDOR EXPENSES-Dec.	**1,678,222.24**			

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

KERN·HEALTH SYSTEMS

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

Vendor No.	Vendor Name	Year-to Date	Description	Department
T1045	KAISER FOUNDATION HEALTH	3,833,971.31	EMPLOYEE HEALTH BENEFITS	VARIOUS
WT4504	HEALTH MANAGEMENT SYSTEMS INC	2,330,000.00	AMG SETTLEMENT	ADMINISTRATION
T4592	LAW OFFICE OF JOSEPH K. JOHNSON, PC ATTORNEY TRUST	1,542,771.72	AMG SETTLEMENT-DEMETRE & LEWIS	ADMINISTRATION
T1001	KERN MEDICAL	1,508,898.47	2015-2016 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T2726	ARGUS HEALTH SYSTEMS, INC.	784,777.49	PHARMACY AND CLAIMS PROCESSING	PHARMACY
T1071	CLINICA SIERRA VISTA	711,254.00	2015-2016 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T1408	DELL MARKETING L.P.	613,139.13	HARDWARE, SOFTWARE, MICROSOFT LICENSES, MAITENANCE & SUPPORT	MIS INFRASTRUCTURE
T4237	FLUIDEDGE CONSULTING	507,697.27	CONSULTING SERVICES-CASE MANAGEMENT/DISEASE MANAGEMENT	CAPITAL PROJECT-CASE MANAGEMENT/DISEASE MANAGEMENT
T2686	ALLIANT INSURANCE SERVICES INC.	467,185.11	2016-2017 INSURANCE RENEWALS	ADMINISTRATION
T4327	MCKESSON TECHNOLOGIES INC.	466,881.62	ANNUAL CLAIM CHECK SOFTWARE LICENSE & ADDT'L COVERED LIVES FEES ----------YR 2 OF 3	CLAIMS
T3460	THE GUARDIAN LIFE INSURANCE CO.	412,661.05	VOLUNTARY LIFE AD&D & DENTAL INSURANCE	VARIOUS
T1845	DEPARTMENT OF MANAGED HEALTH CARE	398,274.47	MCAL/HFAM ANNUAL ASSESSMENT FEES -- 2 INSTALLMENT OF 2	ADMINISTRATION
T4582	HEALTHX, INC	396,500.00	PROVIDER AND MEMBER PORTAL	CAPITAL PROJECT - MEMBER & PROVIDER PORTAL
T4392	TRIZETTO CORPORATION	362,760.58	CONSULTING SERVICES	CORE SYSTEM REPLACEMENT
T4308	TRUXTUN PLACE PARTNERS	340,935.25	TRUXTUN- LEASE & UTILITIES EXPENSE	CORPORATE SERVICES

KERN·HEALTH SYSTEMS

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

Vendor No.	Vendor Name	Year-to Date	Description	Department
T2167	PG&E	288,982.88	ANNUAL TRUE-UP FOR 2015 USAGE/UTILITIES	CORPORATE SERVICES
T4391	OMNI FAMIY HEALTH	222,800.00	2015-2016 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T2704	MCG HEALTH LLC	221,378.85	2016 MILLIMAN MAINTENANCE-LICENSE FEE- BEHAVIORAL HEALTH CARE -YEAR 2 OF 5	HE-UM
T4193	TECHNOSOCIALWORK.COM	202,783.68	OCR SERVICES AND PROFESSIONAL SERVICES FOR ICD-10 PROJECT	CLAIMS
T1597	BAKERSFIELD MEMORIAL HOSP	200,000.00	BMH DIABETIC CLINIC 2015-2016	HE-DISEASE MANAGEMENT
T2755	VELOCITY PARTNERS, LLC	192,192.00	CONSULTING FEES FOR CLAIMS WORKFLOW, UM REMOTE NURSE, QI WORKFLOW, MEMBERSHIP, AUDIT, AND CORE PROJECT	MIS INFRASTRUCTURE
T3011	OFFICE ALLY, INC.	180,626.25	EDI CLAIM PROCESSING	CLAIMS
T4460	PAYSPAN, INC	176,599.28	EXTERNAL CLAIMS PAYMENT PROCESSING & CHANGE REQUEST	FINANCE
T4478	AMERICAN FIDELITY ASSURANCE CO.	171,621.56	EMPLOYEE PAID VOLUNTARY INSURANCE	PAYROLL DEDUCTION
T4546	LEVEL 3 COMMUNICATIONS, LLC	150,990.44	DISASTER RECOVERY, INTERNET, LONG DISTANCE CALLS	MIS IMFRASTRUCTURE
T1189	APPLE ONE INC.	150,614.39	TEMPORARY HELP	VARIOUS
T4168	RELAYHEALTH	147,119.44	EDI CLAIM PROCESSING	CLAIMS
T4047	CENTRAL CALIFORNIA FOUNDATION FOR HEALTH	140,242.86	2015-2016 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T2584	UNITED STATES POSTAL SVC.-HASLER	140,000.00	POSTAGE-METERED	VARIOUS

KERN·HEALTH SYSTEMS

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

Vendor No.	Vendor Name	Year-to Date	Description	Department
T2469	DST HEALTH SOLUTIONS, INC	137,183.19	MHC SOFTWARE - LICENSE FEE, MAINTENANCE, AND SUPPORT & ADJUSTED CLINICAL GROUP SYSTEM	MIS INFRASTRUCTURE
T4452	WELLS FARGO 3500 2469	135,303.35	CREDIT CARD-TRAINING REGISTRATION, LODGING EXPENSES, AND MISCELLANEOUS PURCHASES	VARIOUS
T2707	ACT 1 PERSONNEL SERVICES, INC.	127,414.61	TEMPORARY HELP	VARIOUS
T4052	RAHUL SHARMA	126,286.47	2015-2016 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T4331	VERSCEND TECHNOLOGIES, INC.	126,100.00	ANNUAL LICENSE FEES	HEALTH SERVICES-QI
T4538	CHANGE HEALTHCARE SOLUTIONS, LLC	115,872.14	EDI CLAIM PROCESSING	CLAIMS
T1861	CEREDIAN HCM, INC.	110,491.49	DAYFORCE HUMAN CAPITAL MANAGEMENT IMPLEMENTATION	HUMAN RESOURCES
T1272	COFFEY COMMUNICATIONS INC.	110,177.25	NEWSLETTER PUBLICATION/MAILING	VARIOUS
T4165	SHI INTERNATIONAL CO.	108,190.10	CISCO IRONPORT SECURE EMAIL-LICENSE RENEWAL	MIS INFRASTRUCTURE
T4039	KERN RURAL WELLNESS CENTERS, INC	100,625.00	2015-2016 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T4569	TICOR TITLE COMPANY	100,000.00	ESCROW DEPOSIT FOR NEW BUILDING	NEW BUILDING PROJECT
T1183	MILLIMAN USA	98,953.25	CY2014 RDT CONSULTING - ACTUARIAL	ADMINISTRATION
T4294	J. SERVICES JANITORIAL	95,910.00	JANITORIAL SERVICES	CORPORATE SERVICES
T2933	SIERRA PRINTERS, INC.	93,797.49	MEMBER ID CARDS, BUSINESS CARDS, MEDICAL BROCHURES, DRUG FORMULARY GUIDES	VARIOUS

KERN·HEALTH SYSTEMS

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

Vendor No.	Vendor Name	Year-to Date	Description	Department
T4483	PREMIER VALLEY MEDICAL GROUP	86,000.00	2015-2016 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T4537	BURKE, WILLIAMS & SORENSEN, LLP	85,833.42	LEGAL FEES	ADMINISTRATION
T4037	DELANO PEDIATRIC GROUP INC	83,700.00	2015-2016 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T4396	KAISER FOUNDATION HALTH-DMHO	82,830.41	EMPLOYEE HEALTH BENEFIT	VARIOUS
T1960	LOCAL HEALTH PLANS OF CA. INC	80,000.00	2016/2017 FLAT YEARLY ASSESSMENT	ADMINISTRATION
T2234	HASMUKH AMIN MD	76,529.50	2015-2016 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T3084	KERN COUNTY-COUNTY COUNSEL	75,691.77	LEGAL SERVICES	ADMINISTRATION
T1128	HALL LETTER SHOP, INC	72,977.93	NEW MEMBER LETTER/ENVELOPES, QI BILLING CARDS, ENG MEMBER HANDBOOK.	VARIOUS
T2918	STINSON'S	71,567.71	OFFICE SUPPLIES & EQUIP UNDER $1,000	VARIOUS
T4059	KERN VALLEY HEALTH CARE DISTRICT	71,204.15	2015-2016 PROVIDER RECRUITMENT & RETENTION GRANTS & 2016 SPRING HEALTH FAIR SPONSORSHIP	COMMUNITY GRANTS/MARKETING
T3001	MERCER	71,000.00	EMPLOYEE COMPENSATION ASSESSMENT	HUMAN RESOURCES
T4467	MEDISOFTRX, LLC.	69,000.00	PROFESSIONAL SERVICES-HOME HEALTH PROJECT	MIS INFRASTRUCTURE
T2488	THE LINCOLN NTIONAL LIFE INURANCE	66,738.38	LTD INSURANCE PREMIUM	VARIOUS
T3469	CPACINC.COM INC	65,511.00	IVR-DIAGENIX/NUANCE SOFTWARE	MIS INFRASTRUCTURE

KERN·HEALTH SYSTEMS

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

Vendor No.	Vendor Name	Year-to Date	Description	Department
T4350	COMPUTER INTERPRISE, INC.	57,923.80	MICROSOFT BIZTALK CONSULTANT TO WORK ON ELECTRONIC DATE INTERCHANGE(EDI)	MIS INFRASTRUCTURE
T4385	EARLA E. QUISIDO MD DBA CLINICA DEL PUEBLO	57,908.47	2015-2016 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T4345	ASHOK, PARMAR	52,258.78	2015-2016 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T4503	VISION SERVICE PLAN	51,303.07	EMPLOYEE BENEFITS-VISION	VARIOUS
T4654	DELAWIE	50,143.96	ARCHITECTURAL SERVICES	CAPITAL PROJECT
T1650	UNIVISION TELEVISION GROUP	49,457.25	TELEVISION	ADVERTISING
T2446	AT&T MOBILITY	48,833.33	CELLULAR PHONE	MIS INFRASTRUCTURE
T4415	DANIELLS PHILLIPS VAUGHAN AND BOCK	48,075.00	2015 AUDIT FEES	ADMINISTRATION
T4054	ASSOCIATION FOR COMMUNITY AFFILIATED PLANS	47,877.00	2016 ACAP DUES	ADMINISTRATION
T2580	GOLDEN EMPIRE TRANSIT DISTRICT	46,105.00	DAILY AND MONTHLY PASSES GET BUS PASSES	MEMBER SERVICES
T3378	CARRIER CORPORATION	45,763.36	BUILDING MAITENANCE	CORPORATE SERVICES
T2961	SOLUTION BENCH, LLC	45,382.00	LICENSE & PROFESSIONAL SERVICES, SOFTWARE SUPPORT	MIS INFRASTRUCTURE
T2413	TREK IMAGING INC	45,040.41	PROMOTIONS GIVEAWAYS	VARIOUS
T3986	JACQUELYN S. JANS	43,200.00	CONSULTING FOR KHS PUBLIC IMAGE CAMPAIGN	MARKETING
T3070	TW TELECOM	42,246.94	DISASTER RECOVERY, INTERNET, LONG DISTANCE CALLS	MIS INFRASTRUCTURE
T4183	LAMAR ADVERTISING OF BAKERSFIELD	41,000.00	OUTDOOR ADVERTISEMENT-BILLBOARDS	ADVERTISING

KERN·HEALTH SYSTEMS

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	40,036.70	MONTHLY COPIER MAINTENANCE & HARDWARE	MIS INFRASTRUCTURE
T1957	MERCY FOUNDATION-BAKERSFIELD	37,000.00	SB75 OUTREACH SPONSORSHIP & WEB-BASED COMMUNITY ASSESSMENT SPONSORSHIP.	MARKETING
T4389	EXACT STAFF, INC	36,885.13	TEMPORARY HELP	VARIOUS
T4384	PINNACLE PRIMARY CARE, INC.	36,500.00	2015-2016 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T2851	SINCLAIR TELEVISION MEDIA INC	35,814.75	TELEVISION/MEDIA	MARKETING
T4182	THE LAMAR COMPANIES	35,785.00	BILLBOARD MEDIA-GET BUS DISPLAY	ADVERTISING
T4544	BARNERS WEALTH MANAGEMENT GROUP	35,315.00	RETIREMENT PLAN CONSULTANT	ADMINISTRATION
T4038	POLYCLINIC MEDICAL CENTER, INC	35,014.24	2015-2016 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T4521	PAYSCALE, INC.	33,500.00	COMPENSATION STUDY AND SALARY ANALYTICS	HUMAN RESOURCES
T1644	BRIGHT HOUSE NETWORK	33,381.84	INTERNET SERVICES	MIS INFRASTRUCTURE
T4502	MORGAN CONSULTING RESOURCES, INC.*****	32,902.12	EMPLOYEE RECRUITMENT	HUMAN RESOURCES
T4607	AGILITY RECOVERY SOLUTIONS INC.	32,400.00	DISASTER RECOVERY AND BUSINESS CONTINUITY	AIS
T3400	CLIFFORD & BROWN, A PROFESSIONAL CORPORATION	31,918.27	LEGAL FEES	ADMINISTRATION
T2441	POPPYROCK DESIGNS	31,914.00	MATERIAL DESIGN	VARIOUS

KERN·HEALTH SYSTEMS

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

Vendor No.	Vendor Name	Year-to Date	Description	Department
T4604	MICHAEL PITTS	31,850.00	HEALTH HOME CONSULTATION	HE-QI
T2807	DOWLING, AARON & KEELER	31,838.97	LEGAL FEES	ADMINISTRATION
T4195	KERO-TV	31,677.00	TELEVISION	ADVERTISING
T4216	NEXTAR BROADCASTING INC	31,607.70	TELEVISION	ADVERTISING
T1404	CALIFORNIA ASSOCIATION OF HEALTH PLANS	31,506.00	2016 ANNUAL DUES ASSESSMENT & SEMINAR REGISTRATION FEES	ADMINISTRATION
T4561	SRI & SHARMA, LLC	31,250.00	PARKING SPACE RENTAL	CORPORATE SERVICES
T4496	VOX NETWORK SOLUTIONS	29,976.00	WORKFORCE MANAGEMENT ADVANCED PACKAGE	MIS INFRASTRUCTURE
T4431	ALAN AVERY	29,440.87	MISC. REIMBURSEMENT -EMP EXPENSES & EMP INCENTIVES	VARIOUS
T4563	SPH ANALYTICS	28,240.00	2016 MEMBER SURVERY	MEMBER SERVICES
T4433	MICRO-DYN MEDICAL SYSTEMS, INC.	27,750.00	APR-DRG GROUPER SOFTWARE/LICENSE	MIS INFRASTRUCTURE
T4554	THE KEN BLANCHARD COMPANIES	27,654.66	TRAINING REGISTRATION & MATERIAL	HUMAN RESOURCES
T4603	ECFIRST.COM	27,496.17	PROFESSIONAL SERVICES -INFORMATION SYSTEM SECURITY	MIS INFRASTRUCTURE
T3065	CAREERBUILDER, LLC	26,250.00	EMPLOYEE RECRUITMENT - JOB POSTING	HUMAN RESOURCES
T4484	INSURANCE STAFFERS, INC.	26,204.97	TEMPORARY HELP	CLAIMS

KERN·HEALTH SYSTEMS

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

Vendor No.	Vendor Name	Year-to Date	Description	Department
T4598	KEITH FLP HOLDINGS, A CA LIMITED PARTNERSHIP	25,000.00	DUE DILIGENCE EXTENSION DEPOSIT	CAPITAL PROJECT - NEW BUILDING PROJECT
T3076	SPECIAL DISTRICT RISK	24,765.83	2015-2016 WORKER'S COMP TRUE UP	VARIOUS
T1347	ADVANCED DATA STORAGE	24,676.06	OFF SITE STORAGE SERVICES	CORPORATE SERVICES
T3990	SPARKLETTS INC	23,994.71	DRINKING WATER, WATER COOLER RENTALS	CORPORATE SERVICES
T3449	CDW GOVERNMENT	23,506.06	HARDWARE, EQUIPMENT UNDER $1,000,COMPUTER SUPPLIES	MIS INFRASTRUCTURE
T4643	MOTOR CITY LEXUS OF BAKERSFIELD	23,500.00	COMPANY AUTOMOBILE	CORPORATE SERVICES
T4227	FREESTYLE EVENTS SERVICES INC	22,060.00	EMPLOYEE EVENTS & OTHER PROMOTIONAL EVENTS	VARIOUS
T4585	DELANO UNION SCHOOL DISTRICT*****	22,000.00	WALKING & WELLNESS PROGRAM REWARD	HE
T4228	THE SSI GROUP, INC.	21,330.20	EDI CLAIM PROCESSING	CLAIMS
T1022	UNUM LIFE INSURANCE CO.	20,886.54	EMPLOYEE LONGE TERM AND LIFE INSURANCE	PAYROLL DEDUCTION
T1742	CHANNING L. BETE CO., INC*****	20,857.21	MEMBER EDUCATION MATERIALS	HE-QI
T4497	SKILLSOFT CORPORATION	20,836.93	YEAR 1 OF 3 -LICENSE FEE FOR ONLINE TRAINING	HUMAN RESOURCES
T4028	WALL STREET IMPRINTABLES	20,531.97	PROMOTION EXPENSES-MOD T-SHIRTS & WELLNESS PROGRAM	MARKETING/HE
T2135	BAKERSFIELD CITY SCHOOL DISTRICT*****	20,000.00	WALKING & WELLNESS PROGRAM REWARD	HE
T1032	BAKERSFIELD CALIFORNIAN	19,746.56	EMPLOYMENT AD	HUMAN RESOURCES
T2941	KERN PRINT SERVICES INC.	19,746.45	OTHER PRINTING COSTS, ENVELOPES, LETTERHEAD	VARIOUS
T4417	KAISER FOUNDATION HEALTH PLAN	18,795.06	EMPLOYEE HEALTH BENEFITS	HE-UM

KERN·HEALTH SYSTEMS

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

Vendor No.	Vendor Name	Year-to Date	Description	Department
T4198	LAW OFFICES OF CARL SHUSTERMAN	18,510.00	LEGAL FEES	ADMINISTRATION
T4024	NEOPOST USA INC	17,359.20	2016 METER RENTAL FEES & FOLDING/INSERTER MACHINE	CORPORATE SERVICES
T4652	BAKERSFIELD SYMPHONY ORCHESTRA*****	17,000.00	COMMUNITY ACTIVITIES - BSO SPONSORSHIP	MARKETING
T4523	BERKSHIRE LIFE INSURANCE COMPANY OF AMERICA	16,929.24	LONG- TERM DISABILITY	ADMINISTRATION
T4239	COAST TO COAST COMPUTER	16,565.07	OFFICE SUPPLIES - TONERS	CORPORATE SERVICES
T2930	PAESSLER AG	16,351.88	PRTG SOFTWARE LICENSE W/MAINTENANCE	MIS INFRASTRUCTURE
T4230	COFFEE BREAK SERVICES, INC.	15,752.13	MISC. SUPPLIES-COFFEE, CREAMER, WATER	CORPORATE SERVICES
T1996	SEQUOIA SANDWICH CO	15,689.53	MEETING FOOD EXPENSES	VARIOUS
T1180	LANGUAGE LINE SERVICES INC.	15,581.04	INTERPRETATION SERVICES	MEMBER SERVICES
T2562	CACTUS SOFTWARE LLC*****	15,292.56	ANNUAL CACTUS LICENSE & CONSULTING FEES	MIS INFRASTRUCTURE
T3454	DEPARTMENT OF MANAGEMENT HEALTH CARE	15,000.00	DMCH ENFORCEMENT MATTER 14-459	ADMINISTRATION
T4016	FIRST DATABANK, INC	14,410.00	NATIONAL DRUG CODE DATABASE-SOFTWARE LICENSES	MIS INFRASTRUCTURE
T1263	THE GAS COMPANY	14,314.15	UTILITIES	CORPORATE SERVICES
T4610	EVERBRIDGE, INC.	13,950.00	TEXTING SOLUTION FOR HEALTH EDUCATION AND DISEASE MANAGEMENT MEMBERS	MIS INFRASTRUCTURE
T2840	ATALASOFT, INC.	13,596.00	SOFTWARE SUPPORT & MAINTENANCE FOR DOTIMAGE	MIS INFRASTRUCTURE
T4640	REGAL CINEMEDIA CORP*****	12,766.00	MEMBER INCENTIVE PROGRAM	HE-QI

KERN·HEALTH SYSTEMS

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

Vendor No.	Vendor Name	Year-to Date	Description	Department
T3052	CARNICERIA RANCHO GRANDE	12,668.75	CATERING SERVICES-EMPLOYEE EVENTS	VARIOUS
T2938	SAP AMERICA, INC	12,308.32	BUSINESS OBJECTS ANNUAL MAINTENANCE & SUPPORT	MIS IMFRASTRUCTURE
T2717	TIN KIN LEE LAW OFFICES	12,363.39	LEGAL FEES	ADMINISTRATION
T3109	HEALTH INDUSTRY COLLABORATION EFFORT	11,828.42	APPOINTMENT AVAILABILITY SURVEY & LOBBYING, 2017 ICE ANNUAL CONTRIBUTION	VARIOUS
T4410	OPTUMHEALTH CARE SOLUTIONS	11,624.79	CLAIM AUDIT SERVICES	ADMINISTRATION
T3513	FOUR POINTS BAKERSFIELD	11,294.91	P4P PROVIDER DINNER	PROVIDER RELATIONS
T2505	DERREL'S MINI STORAGE, INC.	11,119.50	OFF SITE STORAGE	CORPORATE SERVICES
T2644	BOARD OF EQUALIZATION	11,061.03	MCO TAX PENALTY-INTEREST	ADMINISTRATION
T4060	HODEL'S DEVELOPMENTCORPORATION*****	10,715.51	EMPLOYEE EVENTS EXPENSES	MARKETING
T4501	UNIVERSAL PROTECTION SERVICES L.P.*****	10,458.00	BUILDING SECURITY & PATROLING SERVICES	CORPORATE SERVICES
T2545	EMDEON BUSINESS SERVICES	10,063.95	EDI CLAIM PROCESSING	CLAIMS
		22,328,982.42		
	TOTAL VENDORS OVER $10,000	22,328,982.42		
	TOTAL VENDORS UNDER $10,000	815,738.77		
	TOTAL VENDOR EXPENSES-December	**23,144,721.19**		

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

KERN·HEALTH SYSTEMS

January AP Vendor Report
Amount over $10,000.00

Vendor No.	Vendor Name	Current Month	Description	Department
T1045	KAISER FOUNDATION HEALTH	345,241.15	EMPLOYEE HEALTH BENEFITS	VARIOUS
T2167	PG&E	272,448.79	ANNUAL TRUE-UP FOR 2016 USAGE/UTILITIES	CORPORATE SERVICES
T4392	TRIZETTO CORPORATION	171,752.84	2016 QNXT PERPETUAL LICENSE FEES	MIS INFRASTRUCTURE
T1408	DELL MARKETING L.P.	155,356.49	HARDWARE- 10- LATITUDE E5470, 2 BROCADE 6510, 5 DELL POWEREDGE M630 & SUPPORT & MAINTENANCE	MIS INFRASTRUCTURE
T2726	ARGUS HEALTH SYSTEMS, INC.	153,529.06	NOV. & DEC PHARMACY AND CLAIMS PROCESSING	PHARMACY
T3473	PACIFIC HEALTH CONSULTING GROUP	99,000.00	CONSULTING SERVICES	PROJECT MANAGEMENT
T1071	CLINICA SIERRA VISTA	85,741.72	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T4664	TURNORTHE. LLC	76,686.27	HARDWARE - 2 NIMBLE STORAGE EXPANSION	CAPITAL PROJECT IN PROGESS-CM/DM
T4054	ASSOCIATION FOR COMMUNITY AFFILIATED PLANS	58,476.00	2017 ACAP DUES	ADMINISTRATION
T1597	BAKERSFIELD MEMORIAL HOSP	50,000.00	BMH DIABETIC CLINIC 2016-4TH QUARTER	HE-DISEASE MANAGEMENT
T3460	THE GUARDIAN LIFE INSURANCE CO.	46,172.94	VOLUNTARY LIFE AD&D, DENTAL INSURANCE	VARIOUS
T2933	SIERRA PRINTERS, INC.	39,431.00	PROVIDER DIRECTORIES	PROVIDER RELATIONS
T4678	XEROX STATE HEALTHCARE, LLC	33,870.00	CONSULTING SERVICES	PROVIDER RELATIONS
T1404	CALIFORNIA ASSOCIATION OF HEALTH PLANS	32,294.00	2017 ANNUAL DUES ASSESSMENT	ADMINISTRATION

KERN·HEALTH SYSTEMS

January AP Vendor Report
Amount over $10,000.00

Vendor No.	Vendor Name	Current Month	Description	Department
T4237	FLUIDEDGE CONSULTING	30,200.00	CONSULTING SERVICES TO UPDATE STANDARD BUSINESS REPORTING.	VARIOUS
T2584	UNITED STATES POSTAL SVC.-HASLER	30,000.00	POSTAGE-METERED	VARIOUS
T4654	DELAWIE	27,690.00	ARCHITECTURAL SERVICES	CAPITAL PROJECT
T4168	RELAYHEALTH	27,083.16	EDI CLAIM PROCESSING	CLAIMS
T4308	TRUXTUN PLACE PARTNERS	25,632.12	TRUXTUN- LEASE AND UTILITIES EXPENSE	CORPORATE SERVICES
T1861	CEREDIAN BENEFITS SERVICES	24,882.93	JUL., AUG., JAN., DAYFORCE HUMAN CAPITAL MANAGEMENT IMPLEMENTATION	HUMAN RESOURCES
T2707	ACT 1 PERSONNEL SERVICES, INC.	23,369.74	TEMPORARY HELP - 1 MIS, 1 QI, 1 CLAIMS, 1 UM, I PR.	VARIOUS
T4646	LOOKINGPOINT, INC.	23,259.20	CONSULTING SERVICES	CAPITAL PROJECT IN PROCESS
T4193	TECHNOSOCIALWORK.COM	19,501.43	OCR SERVICES AND PROFESSIONAL SERVICES FOR ICD-10 PROJECT	CLAIMS
T2969	AMERICAN BUSINES MACHINES INC	18,924.31	HARDWARE- 1 CANON DRG-1100 SCANNER & 1 IMAGERUNNER ADV C5560I PRINTER	CORPORATE SERVICES
T4479	BAKERSFIELD PEDIATRICS, A MEDICAL	15,033.42	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T3011	OFFICE ALLY, INC.	14,675.25	EDI CLAIM PROCESSING	CLAIMS
T4467	MEDISOFTRX, LLC.	13,800.00	PROFESSIONAL SERVICES-HOME HEALTH PROJECT	CAPITAL PROJECT IN PROGRESS

KERN·HEALTH SYSTEMS

January AP Vendor Report
Amount over $10,000.00

Vendor No.	Vendor Name	Current Month	Description	Department
TT4452	WELLS FARGO 3500 2469	13,301.94	CREDIT CARD-TRAINING REGISTRATION, LODGING EXPENSES, AND MISCELLANEOUS PURCHASES	VARIOUS
T4478	AMERICAN FIDELITY ASSURANCE CO.	12,492.17	EMPLOYEE PAID VOLUNTARY INSURANCE	PAYROLL DEDUCTION
T4460	PAYSPAN, INC	12,311.36	ELECTRONIC CLAIMS	FINANCE
T2755	VELOCITY PARTNERS, LLC	11,760.00	CONSULTING FEES FOR CLAIMS WORKFLOW, UM REMOTE NURSE, QI WORKFLOW, MEMBERSHIP, AUDIT, AND CORE PROJECT	MIS INFRASTRUCTURE
T1189	APPLE ONE INC.	11,696.45	TEMPORARY HELP - 1 DM, 1 UM, 1 CS, 1 CLAIMS	VARIOUS
T4538	CHANGE HEALTHCARE SOLUTIONS, LLC	11,505.83	EDI CLAIM PROCESSING	CLAIMS
T2790	KERN COUNTY DEPT OF PUBLIC HEALTH	11,448.00	FLU CLINIC SPONSORSHIPS	MARKETING
		1,998,567.57		
	TOTAL VENDORS OVER $10,000	1,998,567.57		
	TOTAL VENDORS UNDER $10,000	237,057.77		
	TOTAL VENDOR EXPENSES-Jan.	**2,235,625.34**		

Vendor Name	Contract Amount	Budgeted	Department	Department Head	Services that this vendor will provide to KHS	Effective Date	Termination Date
January							
Velocity Partners	$48,672.00	Yes	IT	Richard Pruitt	(2) two remote technical resources to support ZeOmega	1/1/2017	3/31/2017
CEI	$54,818.40	Yes	IT	Richard Pruitt	2,008 professional services hours	1/1/2017	12/31/2017
West Coast Maintenance	$83,820.00	Yes	CS	Alonso Hurtado	Janitorial Services	1/1/2017	12/31/2017
Jacquelyn S. Jans	$45,360.00	Yes	MK	Louie Iturriria	Marketing and Corporate Image Consulting	1/1/2017	12/31/2017
Poppyrock Designs	$36,000.00	Yes	MK	Louie Iturriria	Graphic design services	1/1/2017	12/31/2017
Skillsoft	$62,510.79	Yes	HR	Anita Martin	Online training for employees	1/31/2017	1/30/2019
February							
Solution Bench	$52,250.00	Yes	IT	Richard Pruitt	40 concurrent licenses, 1 server test and 10 concurrent licenses	2/24/2017	2/23/2018
Solution Bench	$32,100.00	Yes	IT	Richard Pruitt	30 Scanfinity Licenses	2/24/2017	2/23/2018

KERN HEALTH SYSTEMS

To: KHS Board of Directors

From: Bruce Wearda, R.Ph.

Date: April 13, 2017

Re: Pharmacy & Therapeutics (P&T) modifications for Biosimilar Drugs

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Background

The P&T Committee has assessed that the KHS formulary adequately provides medically necessary drug classes and appropriate limits to help ensure that the pharmaceuticals available and their manner prescribed will provide appropriate care (aligned with national guidelines), improve HEDIS scores, and minimize fraud, waste, and abuse. To that end, **Biosimilar** as a class was reviewed. As outlined below, they are not specifically generics of the innovator drug, and therefore would not be automatically substituted, nor by law allowed. However, from an efficacy and safety aspect there would be no concerns.

US law defines a Biosimilar as a biologic product that is highly similar to an approved biologic product (reference product) with no clinically meaningful differences in safety, purity, or potency. However, minor differences in clinically inactive components are allowed. An approved biosimilar product must have the same mechanism of action, route of administration, dosage form, and strength as their reference product.

The FDA recently issued a draft of new guidance on the criteria for Biosimilar products to meet the standard for interchangeability. To demonstrate interchangeability:

- The data and information submitted to the FDA must show that a proposed interchangeable product is biosimilar to the reference product and produce the same clinical results in any given patient. And

- Switching between the reference product and biosimilar product is not less safe or less effective than treating patients with the reference product only.

Requested Action

KHS's P & T Committee recommends adding Biosimilar products meeting FDA Guidelines to KHS's Formulary as they become available in the market. Similarly, the P & T Committee recommends adding to the Formulary new branded medications (when available) that are less expensive but equally as effective as existing branded medication currently on the KHS Formulary.

KERN HEALTH SYSTEMS

To: KHS Board of Directors

From: Bruce Wearda, R.Ph.

Date: April 13, 2017

Re: Pharmacy & Therapeutics (P&T) modifications for Drugs treating Pituitary Disorder

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Background

The P&T Committee has continued its systematic review of the formulary and assessed that the KHS Formulary adequately provides medically necessary drug classes and appropriate limits to help ensure that the pharmaceuticals available and their manner prescribed will provide appropriate care (aligned with national guidelines), improve HEDIS scores, and minimize fraud, waste, and abuse in the area of Endocrinology, specifically the management of **Pituitary disorder**.

When appropriate, local expert input was obtained and considered in the Committee's decision making process. With regard to this review, the KHS Formulary was evaluated for both upcoming therapies and medicines available and validation of older medications for their continue relevancy.

The P & T Committee determined the medication; **Cabergoline** should be added to the KHS Formulary. The financial impact is equal or less than current Formulary alternatives.

Requested Action

Accept the following recommendation of the P&T Committee to add **Cabergoline 0.5mg** to the KHS Formulary.

SUMMARY

FINANCE COMMITTEE MEETING

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

Friday, February 3, 2017

8:00 A.M.

COMMITTEE RECONVENED AT 8:00 A.M.

Members present: Deats, McGlew, Melendez

Members absent: Casas, Rhoades

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

CA-3) Minutes for KHS Finance Committee meeting on December 9, 2016 - APPROVED
McGlew-Melendez: 3 Ayes; 2 Absent – Casas, Rhoades

4) Report on KHS investment portfolio for the fourth quarter ending December 31, 2016 (Fiscal Impact: None) – JON SAMPSON, UBS, HEARD; RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
McGlew-Melendez: 3 Ayes; 2 Absent – Casas, Rhoades

5) Report on 2016 annual review of KHS Investment Policy (Fiscal Impact: None) – RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
McGlew-Melendez: 3 Ayes; 2 Absent – Casas, Rhoades

6) Report on KHS 2016 annual travel report (Fiscal Impact: None) – RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
McGlew-Melendez: 3 Ayes; 2 Absent – Casas, Rhoades

7) Proposed Amendment with Relay Health, a division of McKesson Technologies Inc., to process and submit electronic medical claims from providers and institutions directly to KHS, from March 21, 2017 through March 21, 2020 in an amount not to exceed $0.23 per claim (Fiscal Impact: $144,000 estimated annually; Budgeted) – APPROVED; REFERRED TO KHS BOARD OF DIRECTORS
McGlew-Melendez: 3 Ayes; 2 Absent – Casas, Rhoades

8) Report on Kern Health Systems financial statements for November 2016 (Fiscal Impact: None) –
RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
Melendez-McGlew: 3 Ayes; 2 Absent – Casas, Rhoades

9) Report on Accounts Payable Vendor Report, Administrative Contracts under $100,000 budgeted and $50,000 non-budgeted, and non-claims paid through MHC system for November 2016 (Fiscal Impact: None) –
RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
Melendez-McGlew: 3 Ayes; 2 Absent – Casas, Rhoades

ADJOURN TO FRIDAY, APRIL 7, 2017 AT 8:00 A.M.